



DET KONGELIGE  
FINANSDEPARTEMENT

## Regulations

Regulation on Financial Management in Central Government

Provisions on Financial Management in Central Government

Adopted on 12 December 2003  
as amended, most recently on 31 August 2021



## **Preface to the English version**

This publication includes an English translation of the Regulations on Financial Management in Central Government adopted by Royal Decree and further, Provisions on Financial Management in Central Government adopted by the Ministry of Finance.

The set of rules on Financial Management in the Norwegian Central Government is comprised by the mentioned Regulations and Provisions. The set of rules includes provisions on the ministries' governance of the agencies and on the internal management of the agencies. Further, it includes requirements for performance management, risk management and financial reporting. The set of rules also provides requirements for common standards and systems and for the financial management system and routines, as well as provisions on administration of grant schemes, benefit schemes and guarantee schemes. In addition there are some subordinate standards issued by the Ministry of Finance as circular letters. (Such circular letters are available at [www.regjeringen.no/fin](http://www.regjeringen.no/fin), see [Statlig økonomistyring](#)).

The Ministry of Finance has delegated to the Norwegian Agency for Public and Financial Management (DFØ) the authority to administer the financial management regulations and provisions and the common systems for the state accounts and banking services. DFØ has an advisory and guidance role towards the ministries and the agencies and offers substantial training for civil servants (cf. [www.dfo.no](http://www.dfo.no)). As part of the advisory role DFØ has among other things published guidance documents on performance measurement, risk management and evaluation of grant schemes.

Norway has a decentralised system of public administration in which ministries and agencies have a high degree of managerial flexibility. The ministries shall establish instructions describing the distribution of authorities and responsibilities between the ministry and the agency. The control and monitoring of the spending activities of agencies is the responsibility of the individual ministries.

This translated version of the Regulations and the Provisions has been provided with a few footnotes. Such footnotes are not included in the Norwegian, original version of the documents. The footnotes are given to define more precisely some terms and designations that are not obvious or easy to translate.

Other sources in English:

[The National Budget](#)

# Preface

The Regulations on Financial Management in Central Government were adopted by Crown Prince Regent's Decree on 12 December 2003. The same day, the Ministry of Finance adopted the Provisions on Financial Management in Central Government to implement the Regulations (pursuant to section 3 of the Regulations). This publication contains both documents, as well as a shared table of contents and list of key terms.

The Regulations on Financial Management in Central Government (the "Regulations") and the Provisions on Financial Management in Central Government (the "Provisions") enter into force on 1 January 2004. A general one-year transitional arrangement will apply to allow instructions to be issued pursuant to section 3, second and third paragraphs, of the Regulations.

The revised Regulations replace the Financial Regulations for Central Government adopted by Royal Decree on 26 January 1996. The Provisions replace the Functional Requirements as to Financial Management in the Central Government adopted by the Ministry of Finance on 24 October 1996, as amended on 23 August 2001.

Budget Department, December 2003

On 26 May 2005, the Storting (the Norwegian parliament) adopted new Appropriation Regulations which will enter into force on 1 January 2006. References to the Appropriation Regulations in the Regulations and the Provisions have been updated accordingly. Revised Regulations on Financial Management in Central Government were adopted by Royal Decree on 2 December 2005. On 21 December 2005, the Ministry of Finance adopted revised Provisions on Financial Management in Central Government to implement the Regulations (pursuant to section 3 of the Regulations)

The Regulations on Financial Management in Central Government (the “Regulations”) and the Provisions on Financial Management in Central Government (the “Provisions”) will enter into force on 1 January 2006.

Budget Department, December 2005.

On 14 November 2006, the wording of section 4.4.7.4 of the Provisions – Other documentation and accounting records – was amended to match the practice of the Office of the Auditor General of Norway with respect to the reporting of audit results to the Storting.

Budget Departement, November 2006.

On 16 June 2009, the Storting adopted the proposal in the white paper on procurements – St. meld. nr. 36 (2008–2009) *Det gode innkjøp* – that central government agencies should be able to receive electronic invoices (see Innst. S. nr. 348 (2008-2009)). The wording of sections 2.5.2.3, 4.3.1, 4.3.6, 4.4.7.3, 4.4.7.6, 5.3.5, 5.3.5.1, 5.3.5.2 and 5.3.6 of the Provisions has been amended accordingly. The wording of sections 4.4.3 and 5.3.2 of the Provisions has been amended to comply with applicable legislation.

The Ministry of Finance, June 2010.

In the government’s budget proposal Prop. 1 S (2012—2013), the Ministry of Finance informed the Storting of the introduction of a new standard chart of accounts as of 2014, and of the development of a standard for the presentation of annual reports and annual accounts by central government agencies. The draft standard was circulated for comments in December 2012, with a response deadline of April 2013. The proposal was broadly supported, and new requirements relating to annual reports and annual accounts will be incorporated into the Provisions on Financial Management in Central Government as of 1 January 2014. The changes relate particularly to chapters 1 to 4 of the Provisions. Amendments have also been made to the Provisions in response to changes to the Bookkeeping Act and related regulations. Only minor adjustments have been made to chapters 5, 6, 7 and 8, as required

by the amendments to chapter 1 to 4. Some clarifications and linguistic improvements have also been included.

The Provisions on Financial Management in Central Government will enter into force on 1 January 2014. The new requirements relating to annual reports and annual accounts will apply as of the 2014 financial year, and the deadline for agencies is 15 March 2015.

The Ministry of Finance, September 2013

The changes made in 2015 relate particularly to chapters 2, 3 and 4 of the Provisions on Financial Management in Central Government. New requirements relating to the evaluation of the internal audit procedures of central government agencies have been included in section 2.2. A requirement for agencies to keep their accounts in accordance with either the cash principle or the accrual principle pursuant to the central government accounting standards (SRS) has been included in section 3.3.2. Consequential amendments have been made to section 3.4 – Agency annual accounts. Section 3.4 also includes a number of editorial changes, including to ensure that sections 3.4.4 to 3.4.6 contain a more integrated presentation of special adjustments relating to agencies with special authorisations, central government enterprises and state-owned funds. The former section 3.6 – State-owned funds – has become a new sub-section (3.6.4) in the new section 3.6 – Management of financial assets and resources (previously section 3.7). Special adjustments relating to annual accounts and reports on state-owned funds have been included in separate sub-sections (3.4.6 and 3.5.6).

Section 4.4 of the Provisions includes adjustments resulting from changes to the Bookkeeping Act and related regulations, and in response to the introduction of a net-accounting scheme for valued added tax in central government. The changes include special specification requirements in section 4.4.3, as well as various terminological and presentational adjustments. Section 4.4.9.3 on back-up copies and section 4.4.10.2 on the storage of accounting records have been amended somewhat based on the provisions of the Bookkeeping Act. The general duty to store accounting records for 10 years has been retained, although paper invoices pre-dating 1 January 2011 no longer have to be kept.

Only minor changes have been made to chapters 1, 5, 6, 7 and 8. The text has generally been improved by means of clarifications and linguistic adjustments.

The Provisions on Financial Management in Central Government will enter into force on 1 January 2016.

The Ministry of Finance, November 2015

The amendments made in 2019 affect all chapters of the Provisions on Financial Management in Central Government with the exception of chapter 8 on the administration of guarantee schemes. Chapter 1 incorporates a definition of the concept of central government agencies in the form of a set of criteria that must be met, cf. section 1.2. The publication requirements in chapters 1 and 2 have also been partially amended. A new requirement has been included on the publication of the ministries' instructions to subordinate agencies (sections 1.3 and 2.2), and the deadline for publishing the annual report has been amended (sections 1.6.1 and 2.3.3). The requirement to publish the auditor's report has been amended and included in the provisions, and clarification is provided that supplementary allocation letters must be published.

The requirements for transaction controls and division of work when outgoing payments are made have been reviewed and several of them amended. The amendments can be found in sections 2.5 and 2.6 (previously 4.5) on transaction controls and the organisation of financial management tasks, section 3.7 on payment systems and sections 5.2, 5.3, 6.3 and 7.3 on pay, procurements, grants and benefits.

Section 3.4.2 on the basic principles for annual accounts clarifies that certain exceptions shall be made from the cash principle and gross principle. The exceptions from the cash principle mean that there will be outstanding accounts with the Treasury, cf. section 3.5.2 and further guidance in circular R-101 from the Ministry of Finance – *Central government's chart of accounts for the fiscal budget and central government accounts*. The circular also stipulates that payments in the event of reimbursement and shared costs shall be recorded net, i.e. as a cost reduction.



The provisions on grants and benefits in chapters 6 and 7 have been amended to correct and clarify the correlation with the Public Administration Act's provisions on administrative proceedings. This particularly affects section 6.2.3 on grant rules, sections 6.3.2/7.3.2 on the processing of applications and sections 6.3.3/7.3.3 on grant commitment letters / benefit commitment letters. Some changes have also been made to the two chapters to improve their presentation and clarify terminology.

Some further changes have also been made to chapters 4 and 5. The requirements for electronic availability of recorded information in section 4.4.9.2 have been harmonised with the provisions of the Bookkeeping Act and associated regulations, the cap in section 5.3.7 on the registration of assets has been increased, while section 5.4.2.2 has been updated with a requirement to offer electronic invoices when selling goods and services.

The Provisions on Financial Management in Central Government shall enter into force on 1 January 2020, with the exception of the requirement to offer electronic invoices, which entered into force on 1 January 2019 (cf. the Ministry of Finance circular R-10/2018), and the requirements to record payments in the event of reimbursements of expenses and shared costs, which will enter into force on 1 January 2021. The amendments relating to the agencies' annual reports and the publication of auditor's reports come into effect with the 2019 reports.

The Ministry of Finance, September 2019

The amendments made in 2021 concern the Provisions on Financial Management in Central Government chapter 3 Common standards and systems for budgeting, accounting and payments. A new provision has been included in section 3.3.2 on the agency's obligation to keep accounts to the effect that the central government accounting standards (SRS) be made mandatory for all central government agencies with a transition period of five years starting in 2022, cf. the Ministry of Finance circular R-114/31 August 2021. In line with this, a minor editorial adjustment has been made to sections 3.4.1 and 3.4.2.

Ministry of Finance, August 2021

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# The Regulations on Financial Management in Central Government

Adopted by Crown Prince Regent's Decree on 12 December 2003 and amended by Royal Decree on 2 December 2005.

## I Introductory provisions

### Section 1 Purpose

The purpose of the regulations on financial management is to ensure that:

- a) central government funds are used and revenues are generated in accordance with the resolutions and defined expectations of the Storting
- b) adopted objectives and performance requirements are met
- c) central government funds are used efficiently
- d) central government assets are properly managed.

### Section 2 Scope

The regulations apply to:

- a) the activities of central government agencies
- b) the governance and monitoring of central government agencies and other entities with delegated administrative authority
- c) the management of central government grant, benefit and guarantee schemes
- d) the governance and monitoring of the state's ownership interests in state-owned limited companies, state-owned enterprises, companies established by special statute and other independent legal entities wholly or partially owned by the state.

Central government agencies, including ministries, are hereafter referred to as "agencies", while independent legal entities as described in sub-



paragraph d) are termed “companies”. Where special provisions apply to ministries, the term “ministry” is used.

### **Section 3 Adoption of supplementary provisions and authority to make exceptions**

The Ministry of Finance adopts provisions on financial management in central government to implement these regulations. The Regulations on Financial Management in Central Government and the Provisions on Financial Management in Central Government are hereafter referred to as the “Regulations” and the “Provisions”. The Ministry of Finance may make exceptions from the Regulations and the Provisions.

Ministries shall issue instructions within the framework of the Regulations for both themselves and subordinate agencies. Copies of such instructions shall be sent to the Office of the Auditor General of Norway.

Subordinate agencies shall issue instructions for their own activities within the framework of the instructions issued by their superior ministry.

### **Section 4 Basic management principles**

All agencies shall:

- a) adopt objectives and performance requirements within the framework of the available resources and the defined expectations of the responsible authority
- b) ensure that adopted objectives and performance requirements are achieved, that resources are used efficiently and that agency activities comply with applicable laws and regulations, including requirements as to good administrative practice, impartiality and ethical conduct
- c) provide adequate management information and an appropriate basis for decisions.

Ministries shall also adopt overall objectives and governance indicators for subordinate agencies; see section 7.

Management, monitoring, control and administration shall reflect the distinctive characteristics, risk profile and significance of each agency.

## **II Budget proposals**

### **Section 5 Preparation of budget proposals for the Starting**

Ministries and their subordinate agencies shall prepare budget proposals which:

- a) provide a basis for prioritising a ministry's areas of responsibility in accordance with prevailing political objectives
- b) ensure coordination at all levels
- c) promote the efficient achievement of objectives.

The budget proposal shall be based on the principles laid down in sections 3 to 9 of the Appropriation Regulations, and shall comply with guidelines issued by the Ministry of Finance in an annual circular.

The preparation of any proposals relating to amendment of adopted appropriations shall be based on the same principles and any special guidelines issued by the Ministry of Finance.

### **III Implementation of the budget resolutions of the Storting**

#### **Section 6 Duty of ministries to implement resolutions of the Storting**

Once the fiscal budget is adopted by the Storting, all ministries shall take necessary steps to implement related resolutions, whether appropriation resolutions or other budgetary resolutions such as purchase order authorisations, commitment authorisations and guarantee authorisations. The same applies to subsequent resolutions of the Storting concerning changes to the originally adopted budget.

If the defined expectations underpinning a resolution of the Storting are amended and the changes raise material doubt within a ministry as to whether the resolution can or should be implemented, the ministry shall submit the question of the amendment of the resolution or the defined expectations to the Storting.

#### **Section 7 Allocation of granted appropriations to subordinate agencies**

Ministries shall make appropriations available to subordinate agencies by means of allocation letters. Part of an appropriation may be held back as a reserve for subsequent distribution during the year.

Allocation letters shall specify, among other things, overall objectives, governance indicators, allocated amounts and reporting requirements, as well as the authority delegated to the agency in question under the Appropriation Regulations.

If a subordinate agency deems it appropriate to make the allocated funds available to operational units within the agency, this shall be done in writing.

## **Section 8 Grants and guarantees**

Ministries shall describe the objectives, objective achievement criteria and allocation criteria for each individual grant scheme, including benefit schemes for private individuals, and shall adopt monitoring and control provisions. These main elements shall be included in allocation letters, assignment letters to grant administrators outside central government or in the rules for the grant scheme.

In grant commitment letters to individual recipients, grant administrators shall specify the purpose of and conditions for the grant and grant amount, including provisos relating to monitoring and control in accordance with section 10, second paragraph, of the Appropriation Regulations.

When granting guarantee authorisation in accordance with section 6, first paragraph, of the Appropriation Regulations, ministries shall define objectives and other conditions as mentioned above. Rules shall be drawn up which govern guarantee terms and other conditions for guarantee commitment.

## **Section 9 Planning, implementation and monitoring**

All agencies shall ensure the efficient achievement of adopted objectives and performance requirements in their areas of responsibility. To ensure this, the agencies shall:

- a) prepare both one-year and multi-year plans
- b) implement adopted plans
- c) report on objective achievement and results, both internally and to the superior authority.

## **Section 10 Monitoring of state ownership interests, etc.**

Agencies with overall responsibility for state-owned limited companies, state-owned enterprises, companies established by special statute or other independent legal entities in which the state has a full or partial ownership interest shall develop written guidelines on the exercise of

management and control authority with respect to individual companies or groups of companies. Copies of such guidelines shall be sent to the Office of the Auditor General of Norway.

Within the framework of applicable laws and regulations, the state shall manage its ownership interests in accordance with the general principles of good corporate governance, giving particular emphasis to ensuring that:

- a) the chosen form of incorporation, articles of association, financing and board composition are appropriate in view of the company's purpose and ownership
- b) ownership is exercised so as to ensure equal treatment of all owners and to support a clear distribution of authority and responsibility between the owners and the board
- c) the objectives adopted for the company are achieved
- d) the board functions satisfactorily.

Management, monitoring and control, as well as related guidelines, shall reflect the state's ownership interest and the distinctive characteristics, risk profile and significance of the company.

## **Section 11 Reporting to the Storting on results achieved**

In its budget proposal, each ministry shall report to the Storting on the results of the work done in its area of responsibility; see section 9, second paragraph, of the Appropriation Regulations.

# **IV Accounts**

## **Section 12 Accounting**

All agencies shall keep accounts. Such accounting shall include bookkeeping and the making of mandatory accounting reports. Accounts shall provide a basis for checks of the utilisation of granted appropriations, and a basis for analysis of the relevant agency's activities.

## **Section 13    Appropriation accounts and capital accounts**

The Ministry of Finance is responsible for preparing the central government accounts, including appropriation accounts and capital accounts, in accordance with the provisions of section 13 of the Appropriation Regulations. A report on the central government accounts shall be sent to the Storting as soon as the accounts are completed, and no later than four months after the end of the financial year.

Each ministry shall provide explanations of material differences between the appropriation and accounting figures in the appropriation accounts; see section 13, sixth paragraph, of the Appropriation Regulations. Explanations shall also be prepared for the capital accounts. The explanations relating to the central government accounts shall be sent to the Office of the Auditor General of Norway and copied to the Ministry of Finance.

## **V Control**

### **Section 14    Internal control**

All agencies shall establish systems and procedures incorporating internal controls to ensure that:

- a) financial limits are not exceeded and that expected revenues are received
- b) objective achievement and results are satisfactory in view of adopted objectives and performance requirements, and that any material deviations are prevented, discovered and rectified as necessary
- c) resources are used efficiently
- d) accounts and information about results are reliable and accurate
- e) agency assets, including real estate, materials, equipment, securities and other financial assets, are properly managed
- f) financial management is properly organised and conducted in compliance with applicable laws and regulations

g) irregularities and financial crimes are prevented and discovered.

### **Section 15 Control of subordinate agencies, other parties exercising administrative authority and grant recipients**

Superior agencies shall check that subordinate agencies and entities outside central government that exercise administrative authority perform their tasks properly and in accordance with section 14.

Grant administrators shall check that grant recipients comply with imposed grant conditions.

The Ministry of Finance may issue provisions on control of the exercise of administrative authority which has been delegated to entities outside central government.

### **Section 16 Evaluation**

All agencies shall ensure that evaluations are performed to gather information on efficiency, objective achievement and results in all or some of their areas of responsibility and activities. These evaluations shall cover the appropriateness of, for example, ownership, organisational structure and policy instruments, including grant schemes. The frequency and scope of such evaluations shall be decided based on the distinctive characteristics, risk profile and significance of each agency.

## **VI Common standards and organisation of financial tasks**

### **Section 17 Common standards and systems**

Agencies shall use common standards and systems for the fiscal budget and the central government accounts, and central government payment systems, as provided by the Ministry of Finance.

Agencies shall ensure that financial management systems meet the Ministry of Finance's requirements regarding coordination with common systems used elsewhere in the public administrative sector.

All agencies shall have access to a financial management system that generates appropriate management data for each agency and provides a basis for reports to the superior ministry and the Ministry of Finance.

## **Section 18    Organisation of financial management tasks**

Agencies shall decide how to organise financial management tasks within the framework of the Regulations, the Provisions and any instructions issued by the superior ministry. Agencies may delegate tasks to other entities within or outside central government in accordance with provisions adopted by the Ministry of Finance. The Office of the Auditor General of Norway shall be kept informed of plans for material changes to the performance of financial management tasks.



## **VII Other provisions**

### **Section 19 Treasury cash holdings**

Authority to manage Treasury cash holdings under section 14 of the Appropriation Regulations is delegated to the Ministry of Finance.

### **Section 20 State risk insurance**

Unless decided otherwise by the Ministry of Finance, the state shall act as a self-insurer.

### **Section 21 Entry into force**

These regulations enter into force on 1 January 2004.

# **Provisions on Financial Management in Central Government**

Adopted by the Ministry of Finance on 12 December 2003 and amended on 21 December 2005, 14 November 2006, 8 June 2010, 18 September 2013, 5 November 2015, 23 September 2019 and 31 August 2021.

The chapters in the Provisions on Financial Management in Central Government (the “Provisions”) must be read in context, including by reference to the Regulations on Financial Management in Central Government (the “Regulations”).

## **Chapter 1 Governance of agencies by ministries**

### **1.1 Introduction**

This chapter concerns ministries’ organisation and governance of subordinate agencies, and includes a description of ministries’ responsibilities and governance dialogue with individual agencies.

The provisions of this chapter apply to the governance of all central government agencies, including the governance of agencies with special authorisations and central government enterprises.

### **1.2 Central government agencies**

The ministry is responsible for organising its area of responsibility by establishing and winding up subordinate agencies and transferring responsibilities between these subordinate agencies.

Central government agencies subordinate to the ministries must meet the following criteria:

- a) The ministry has issued instructions for the entity in line with the provisions in section 1.3.

- b) The entity receives appropriations and/or other budget authorisations from the Storting as an ordinary agency, an agency with special authorisations or a central government enterprise.
- c) Employees are bound by the Central Government Employees Act, the Public Service Disputes Act and central government collective agreements unless exempted.
- d) The entity receives an allocation letter in line with the provisions of section 1.5.
- e) The entity reports accounting information to the central government accounts in line with the provisions of section 3.5.
- f) The entity prepares its own annual report with annual accounts in line with the provisions of sections 2.3.3 and 3.4.
- g) The entity's payments are channelled through the central government accounts scheme in line with the provisions of section 3.7.1.
- h) An agency is directly answerable to a ministry.

The stipulated criteria shall be used by the ministries when evaluating and making decisions on the organisation of their area of responsibility. A central government agency must meet all criteria from letter a to letter h.

### **1.3 Authority and responsibilities**

Ministries shall have overall responsibility for ensuring that:

- a) agencies perform activities in accordance with the resolutions and defined expectations of the Storting and ministries' adopted objectives and priorities
- b) agencies use resources efficiently
- c) the governance dialogue between ministries and agencies functions in an appropriate manner
- d) agencies report relevant and reliable result- and accounting information
- e) agencies are subject to checks and have appropriate internal controls in place

- f) evaluations are conducted.

Ministries shall issue instructions that describe the authority and responsibilities of each ministry and agency, including the mutual relations between the ministry, any board and the head of each agency. The prevailing instructions for subordinate agencies, including any board instructions, shall be published on the ministry's website

Ministries shall have the expertise and internal systems and procedures required for proper monitoring of subordinate agencies. Ministries' systems and procedures shall reflect risk profile and significance.

## **1.4 General provisions on the governance dialogue**

Ministries shall decide the form and content of the governance dialogue in consultation with each agency; this shall include defining governance documents, meeting frequency, reporting requirements, etc.

The governance dialogue between a ministry and an agency shall be documented.

Ministries shall prepare both one-year and multi-year governance plans for agencies. Governance and monitoring shall reflect the distinctive characteristics, risk profile and significance of each agency.

## **1.5 Allocation letter**

Ministries shall implement the resolutions and defined expectations of the Storting by means of an annual allocation letter to each agency.

The allocation letter shall set out, among other things:

- a) overall objectives, with a specification of strategic challenges and priority areas
- b) governance indicators, which shall be as stable as possible over time, to facilitate evaluation of objective achievement and results

- c) allocated amounts specified by chapter and item, and revenues expected to be generated
- d) administrative authorisations and budgetary authorisations as per the resolutions and defined expectations of the Storting
- e) content requirements relating to the annual report and other reporting requirements
- f) details of any evaluations to be initiated.

Ministries may hold back part of an appropriation as a reserve for subsequent use during the year.

Ministries shall send an allocation letter to each subordinate agency as soon as the Storting has passed its appropriation resolution. Any additional allocations in the same financial year shall be framed as supplementary allocation letters. Copies of allocation letters and supplementary allocation letters shall be sent to the Office of the Auditor General of Norway.

Ministries shall evaluate the need for a preliminary allocation letter in consultation with each agency.

Ministries shall publish allocation letters and any supplementary allocation letters to subordinate agencies on their websites as soon as the letters are sent.

If an agency receives appropriations from several ministries, the ministry with overall administrative responsibility for the agency shall coordinate the governance signals. The other ministries shall send necessary information about appropriations to this ministry.

## **1.6 Agency monitoring**

### **1.6.1 Reporting**

In consultation with each agency, ministries shall define needs and agree the scope and content of reports. Reports shall describe objective

achievement and results. Results reporting may encompass inputs, activities, products and services, as well as effects on users and society, in all or parts of an agency's area of responsibility.

Ministries shall define detailed content requirements for agencies' annual reports; see section 1.4. The requirements shall comply with the provisions on agencies' annual reports discussed in this chapter and chapters 2 and 3.

An annual report shall comprise six parts, under the following headings and in the following order:

- I. Report of the head of the agency
- II. Introduction to the agency's activities and key figures
- III. Activities and results during the year
- IV. Management and control of the agency's activities
- V. Evaluation of future prospects
- VI. Annual accounts

The deadline for submission of an agency's annual report to its superior ministry is 15 March. The ministry may set an earlier deadline.

Ministries shall publish the annual reports of subordinate agencies and auditor's reports for these agencies on their websites by 1 May. If the auditor's report has not been made available by this date, the report must be published as soon as it is ready.

Ministries shall arrange for copies of annual reports to be sent to the Office of the Auditor General of Norway.

## **1.6.2 Overall supervision by ministries**

Ministries' supervision of subordinate agencies shall be incorporated into the ordinary governance and monitoring of each agency. The need for any additional controls shall be evaluated based on the distinctive characteristics, risk profile and significance of each agency, as well as its internal controls.

Ministries shall verify that all agencies have satisfactory internal controls in place to ensure that adopted objectives and performance requirements are monitored, resources are used efficiently and agencies operate in compliance with applicable laws and regulations.

Ministries shall verify that the use of special authorisations does not result in unintended prioritisation relative to objectives.

### **1.6.3 Evaluation**

Ministries shall arrange for evaluations to be performed to gather information on efficiency, objective achievement and results in all or some of their areas of responsibility and activities. Evaluations may emphasise inputs, activities, products and services or effects on users and society.

The frequency and scope of evaluations shall be decided based on the distinctive characteristics, risk profile and significance of each agency. The need must be assessed by reference to the quality and scope of other reporting. Ministries shall discuss the organisation and focus of the different evaluations as part of the governance dialogue with each subordinate agency.

Evaluations may be performed by internal or external experts.

## **Chapter 2 Internal agency management**

### **2.1 Introduction**

This chapter deals with the internal management of agencies, including requirements relating to authorisation and responsibility structures, management processes, internal controls, transaction controls and the organisation of financial management tasks.

The provisions in chapter 1 on ministries' governance of subordinate agencies may, insofar as they are applicable, be applied to the agencies' governance of their own operational units. If an agency deems it appropriate to make the allocated funds available to operational units within the agency, this shall be done in writing.

### **2.2 Authority and responsibilities**

An agency's management is responsible for:

- a) implementing activities in accordance with the resolutions and defined expectations of the Storting and the adopted objectives and priorities of the superior ministry
- b) adopting objectives and performance requirements and setting one-year and multi-year priorities for the relevant agency's area of responsibility
- c) undertaking planning, implementation and monitoring, including results- and accounting reporting
- d) defining authority and responsibilities in and issuing instructions for the relevant agency's area of responsibility to ensure compliance with the Regulations and the Provisions, including the mutual relations between the head of the agency, other members of management and any board
- e) establishing internal controls.

Systems and procedures shall reflect risk and significance.



An agency may use internal audits as part of its management and control system. Agencies with expenditures or revenues totalling more than NOK 300 million shall assess whether they should make use of internal audits. The requirement to perform such an assessment shall not apply to ministries. In circular R-117, the Ministry of Finance has laid down detailed requirements relating to such assessments, and requirements regarding the focus of internal audits by central government agencies.

An agency's management has authority to implement necessary measures in the agency's area of responsibility within the framework established by the instructions from the superior ministry, allocation letter, other decisions and applicable laws and regulations. The prevailing instructions from the superior ministry, including any board instructions, shall be published on the agency's website.

## **2.3 The management process**

### **2.3.1 Planning**

An agency's management shall plan and develop one-year and multi-year strategies reflecting the agency's distinctive characteristics. Such plans shall be documented in internal management documents. Governance indicators, which shall be as stable as possible over time, shall be defined to document the effect of material matters in the plans.

### **2.3.2 Implementation and monitoring**

Agencies shall ensure that objectives and any performance requirements defined in allocation letters, other decisions and internal management documents are monitored and implemented within the framework of the allocated resources. Agencies shall publish allocation letters and any supplementary allocation letters on their websites as soon they are received.

Information and communication procedures shall be established for the ongoing reporting and implementation of plans. Internal management procedures shall be designed to:

- a) satisfy results- and accounting reporting requirements issued by superior authorities and others
- b) ensure that an agency has necessary management information and the decision-making basis needed to monitor its activities and results
- c) ensure that an agency's financial management system, together with statistics, analyses and other relevant systems, reveals whether the agency is being run efficiently in terms of costs and adopted objectives and performance requirements
- d) ensure that costs are monitored by reference to the appropriation to verify that there are no unauthorised overruns and that expected revenues are generated.

Information about results shall be used in an agency's planning for subsequent years.

Agencies shall inform their superior ministry of any material deviations from adopted plans or allocation letters immediately upon becoming aware of them. Agencies shall also propose potential rectification measures.

### **2.3.3 Reporting**

Agencies shall ensure that reports they are required to make under applicable laws and regulations are made in accordance with the specified requirements and deadlines.

Agencies shall prepare an annual report to their superior ministry. The annual report shall comply with the requirements in section 1.5.1, and shall also include other information of significance to the ministry's governance and monitoring.

The annual report shall provide a complete picture of the agency's results, and give the ministry a basis for assessing objective achievement and resource use.

The head of each agency shall sign part I of the annual report – Report of the head of the agency. The annual report must be dated. Detailed requirements relating to part VI of the annual report – Annual accounts – are discussed in section 3.4.

Agencies shall submit their annual reports to their superior ministry by 15 March. The ministry may set an earlier deadline. Each annual report shall be published on the relevant agency's website by 1 May.

The auditor's report must be published on the agency's website by 1 May and together with the annual report. If the auditor's report has not been received by this deadline, the report must be published as soon as it is ready.

The duty to prepare an annual report shall not apply to ministries. However, individual ministries shall prepare and issue annual accounts in accordance with section 3.4 of the Provisions. The annual accounts shall be published on the relevant ministry's website by 15 March. The requirement to publish the auditor's report also applies to the ministries.

## **2.4 Internal controls**

All agencies shall establish internal controls. An agency's management shall ensure that such internal controls reflect risk and significance, that they function satisfactorily and that they can be documented. Internal controls shall generally be integrated into the agency's internal management system.

The purpose of internal controls is to prevent management failures, errors and deficiencies such that:

- a) financial limits are not exceeded and expected revenues are generated
- b) objective achievement and results are satisfactory in view of adopted objectives and performance requirements, and that any material deviations are prevented, discovered and rectified as necessary

- c) resources are used efficiently
- d) accounts and information about results are reliable and accurate
- e) agency assets, including real estate, materials, equipment, securities and other financial assets, are properly managed
- f) financial management is properly organised and conducted in compliance with applicable laws and regulations, including that transactions reflect underlying conditions
- g) irregularities and financial crimes are prevented and discovered.

To be able to exercise the necessary internal control, an agency's management shall introduce systems, procedures and measures which emphasise the following factors, among others:

- a) management and employee expertise and attitude towards results monitoring and control
- b) identification of risk factors which may contribute to non-achievement of the agency's objectives, and rectification measures which are reasonably likely to reduce the probability of deficient objective achievement
- c) assurance of internal management quality, including the proper division of work, and productivity in work processes
- d) information procedures to ensure the effective communication of important and reliable information of significance to objective achievement
- e) procedures for the processing and storage of important information, to ensure confidentiality, integrity and accessibility.

A further purpose of internal controls is to prevent and uncover intentional acts performed in contravention of applicable laws and regulations, such as manipulation, falsification or amendment of accounting data or other information relating to results. The Civil Service Staff Handbook<sup>1</sup> contains guidelines on the handling of cases involving embezzlement, corruption, theft, fraud and breach of trust by civil servants, including how the Office of the Auditor General in Norway

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<sup>1</sup> The Civil Service Staff Handbook (Statens personalhåndbok) is available in Norwegian only.

must be informed immediately by the agency which uncovered the irregularities.

If an agency uses a service provider, see section 2.6, the agency's internal controls shall reflect the division of work between the agency and the service provider.

When introducing a control measure, an agency's management shall evaluate the costs associated with the measure by reference to the measure's potential utility and advantages. All measures shall be cleared at a superior level to ensure relevance and completeness of the risk profile. In the case of especially important procedures, the agency's management shall consider whether supplementary reports and special analyses are needed to reveal potential future deviations.

## **2.5 Control of expense and revenue transactions**

### **2.5.1 General comments on transaction controls**

Expenditure and revenue controls are an element in the internal control system. The purpose of such controls is to ensure that revenues, procurements, grants, salaries and other taxable and non-taxable benefits are dealt with in compliance with laws, regulations and agreements, and that revenues and expenditure are monitored by reference to agency budgets and adopted plans. A further purpose with respect to revenues is to ensure that agency revenues are correctly quantified, issued and received, and that outstanding claims are pursued.

Agencies shall introduce systems and procedures to control transactions (transaction controls). If the financial management system offers functionality for the performance of controls as specified in section 2.5, such controls may be performed automatically.

Confirmation of completed controls shall be provided by means of electronic signatures / activity records or manual signatures by the persons performing the transaction controls.

In the case of large outgoing payments, transaction controls and related documentation processes may be based on reports (summaries) produced by an auxiliary system or other parts of the financial management system. The same applies to large incoming payments.

The agency shall be required to check that the system solutions function as expected and that data are protected against unauthorised changes; see section 4.3.

## **2.5.2 Expenditure transaction controls**

### **2.5.2.1 Budget utilisation authority**

All transactions entailing financial commitments by an agency shall be confirmed by an employee with budget utilisation authority. The head of the agency has budget utilisation authority and may delegate this authority partially or in full to lower-level employees. Delegated budget utilisation authority may be delegated further.

Delegation of budget utilisation authority must be made in writing. The agency must have procedures in place for adequate monitoring of delegated budget utilisation authority.

Before an employee with budget utilisation authority implements a transaction, the employee shall ensure that:

- a) the transaction is authorised by a resolution of the Storting, allocation letter or other decision, and that the transaction otherwise complies with applicable laws and regulations
- b) there is room in the budget to make the payment
- c) the transaction is financially prudent.

The requirement for confirmation from an employee with budget utilisation authority also applies to payments resulting from the repayment of taxes, duties, fees, incorrect incoming payments, etc. The requirement for such confirmation also applies to loan payments.

Confirmation of exercised budget utilisation authority shall be provided by means of documentation relating to an order, order confirmation, invoice, grant commitment letter, etc. In the case of groups of transactions, such as orders under an agreement, interim invoices under an agreement, fixed agreements (e.g. rent, electricity) and grants disbursed in several instalments, such documentation may be linked to the agreement or grant commitment letter and cover several individual transactions.

A person with budget utilisation authority may not approve remuneration or other payments to themselves. The ministry may make exceptions for heads of agencies and operational units. Such exceptions must be in writing, and requisite controls must be established.

#### **2.5.2.2 Attestation**

All expenditure shall be attested before disbursement. Attestation of expenditure shall as a general rule be made by employees of the agency but, subject to an assessment by the internal control function, may be made by contracted personnel or by another central government agency (cf. section 2.6 (I)).

The person making the attestation shall ensure that the necessary attestation controls have been performed and thus verify that the payment is made on the correct basis.

The requirements for controls on which to base the attestation have been given for pay and taxable and non-taxable benefits in section 5.2.4.2, for procurements in section 5.3.5.2, for grants in section 6.3.3 and for benefits in section 7.3.3.

Attestation that the payment is made on the correct basis must also be performed for outgoing payments resulting from the repayment of taxes, duties, fees and incorrect incoming payments etc. The same applies to the payment of loans to others.

Attestation shall be undertaken by a different person than the one who holds budget utilisation authority and has confirmed the transaction.

Employees may not approve remuneration or other payments to themselves.

However, persons with budget utilisation authority may still attest transactions involving small amounts. Examples include small procurements, overtime and official travel.

The person attesting may not attest remuneration or other payments to themselves. Nor may contracted personnel attest payments to their own employer.

### **2.5.2.3 Bookkeeping controls**

Before bookkeeping takes place, it shall be checked that documentation has been entered and attested and that transactions have been implemented by employees with budget utilisation authority.

Payment order controls are described in section 3.7.3. Detailed system and procedural requirements for transactions involving salary and taxable and non-taxable benefits and procurements are discussed in chapter 5, while grants and benefits are discussed in chapters 6 and 7.

### **2.5.3 Revenue transaction controls**

Transaction controls shall normally be carried out in connection with:

- a) the determination of claims, focusing on identifying relevant claims
- b) the issue of invoices, focusing on correct invoicing of identified claims
- c) bookkeeping, focusing on supporting bookkeeping documentation, entries and postings
- d) incoming payments, focusing on the ledger accounting of incoming payments
- e) monitoring, focusing on the recovery and accounting treatment of terminated claims.



Transaction controls relating to data transfers and verification of electronic signatures may be performed automatically (by systems). Spot checks are a permissible alternative to full checks of individual claims, based on an assessment of risk and significance.

Detailed system and procedural requirements for revenue transactions are discussed in chapter 5.

#### **2.5.4 Aggregated controls**

In addition to transaction controls, controls shall be performed at the aggregated level, for example reconciliation and budget monitoring.

In the event of deviations, monitoring shall include checks of individual transactions. Completed control activities shall be documented.

#### **2.5.5 Verification controls**

Heads of agency shall establish verification procedures applicable to, for example, the conduct of necessary budget monitoring and spot checks. Verification controls and transaction controls shall be adapted to the distinctive characteristics, risk profile and significance of each agency, to ensure that control costs are proportionate. Completed control activities shall be documented.

### **2.6 Organisation of financial management tasks**

The agency also decides how to organise its financial management tasks within the framework of the Regulations on Financial Management in Central Government and these provisions along with any instructions from the superior ministry (cf. chapter 1).

The head of each agency shall have independent responsibility for financial management tasks, irrespective of whether some tasks are performed by others.

The following three main models may be used for the division of work between an agency and other central government and non-central government entities:

- I. Other central government agencies, whether subordinate to the same or another ministry, which are not service providers may perform certain financial management tasks on behalf of an agency. The agency itself shall exercise budget utilisation authority and ensure correct quantification of revenue claims; see section 2.5. In the case of model I, the agency may also agree – following an assessment by the internal control function – that attestation may be undertaken by another central government agency.
- II. Private or central government service providers may permit an agency to operate ICT infrastructure and financial management systems, including auxiliary systems for electronic invoicing. Agencies shall give written notice to the Ministry of Finance of any such agreement they conclude, including of the services covered by the agreement.
- III. Private or central government service providers approved by the Ministry of Finance may perform integrated payroll and financial management services for agencies. The agency shall itself exercise budget utilisation authority and ensure correct quantification of revenue claims and attestation of expenditure, cf. section 2.5.

In the case of model I and model II, the agency may also agree – following an assessment by the internal control function – to mandate another central government agency or central government service provider to authorise payment orders on behalf of the agency.

All models are to be regulated by an agreement to ensure a clear allocation of tasks and responsibilities, the agreed service quality and adequate data security.

The division of work between the agency and service provider shall be organised to give the agency sufficient insight and expertise to meet its independent financial management responsibility as well as the basis and documentation it needs to perform the tasks it is instructed to perform (cf.

above). Any division of work which deviates from the requirements in the regulations and the provisions shall require the Ministry of Finance's approval.

## 2.7 Evaluations

Agencies shall ensure that evaluations are undertaken to gather information on efficiency, objective achievement and results in all or parts of their areas of responsibility and activities. Evaluations may emphasise inputs, activities, products and services, or effects on users and society.

The frequency and scope of evaluations shall be decided based on the distinctive characteristics, risk profile and significance of each agency. The need must be assessed by reference to the quality and scope of other reporting by each agency, both internal and to the superior ministry.

Evaluations may be performed by internal or external experts.

Evaluations which are made available to the public shall be sent to the National Library of Norway pursuant to section 4 of the Legal Deposit Act. Agencies meet this deposit duty by registering completed evaluations via [Evalueringsportalen](#)<sup>2</sup>.

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<sup>2</sup> *Evalueringsportalen* (the evaluation portal) is an online database of evaluations commissioned by ministries and other public entities in Norway. Available in Norwegian only.

# **Chapter 3 Common standards and systems for budgeting, accounting and payments**

## **3.1 Introduction**

This chapter discusses common standards and systems for budgeting, accounting and payments in central government.

The purpose of the chapter is to ensure that agencies apply complete and consistent budgeting and accounting principles and standards. A further purpose is to ensure that agencies have efficient and secure payment systems in place.

## **3.2 The fiscal budget and agency implementation of approved budgets**

### **3.2.1 Common system for the preparation of fiscal budget proposals**

The Storting is the appropriating authority, and adopts the fiscal budget; see Article 75 of the Norwegian Constitution. The government submits a fiscal budget proposal to the Storting in accordance with the Appropriation Regulations.

Section 3 of the Appropriation Regulations lays down the following basic fiscal budget principles:

- a) The budget is adopted for the calendar year.
- b) The budget shall set out all central government expenditure and revenues relating to agencies and measures whose expenditure and revenues are set in an appropriation resolution of the Storting. Appropriations shall be based on realistic expenditure and revenue estimates.

- c) Expenditure and revenues shall be included in the budget for the year in which they are expected to be paid/received in cash.
- d) Expenditure and revenues shall be recorded in the budget on a gross basis.

Ministries and subordinate agencies shall prepare budget proposals for the Storting in accordance with the principles set out in sections 3 to 9 of the Appropriation Regulations; see also section 5 of the Regulations on Financial Management in Central Government. Budget proposals shall adopt the chapter and item structure of the central government standard chart of accounts; see Ministry of Finance circular R-101. Budget proposals, including the annual budget proposal from each ministry, shall be prepared in accordance with guidelines issued by the Ministry of Finance in annual circulars.

The Storting's fiscal budget resolution is addressed to the individual ministries, which are assigned expenditure and revenue appropriations. The ministries may distribute such funds to subordinate agencies, and shall in such cases implement checks of agency transactions; see sections 6, 7 and 15 of the Regulations on Financial Management in Central Government and section 1.6.2 of the Provisions.

### **3.2.2 Agency implementation of adopted budgets**

Agencies control expenditure and revenue appropriations provided by allocation letter or debit authorisation. Expenditure appropriations shall not be exceeded or used for purposes other than those defined by the Storting; see section 5 of the Appropriation Regulations. Agencies are not permitted to use additional revenues received during the year, or to carry over unused funds to the next financial year, unless authorised by other provisions; see sections 3, 5 and 11 of the Appropriation Regulations. Commitments beyond the end of a financial year require special authorisation; see section 6 of the Appropriation Regulations.

Agencies are authorised and required to use their appropriations in accordance with the resolutions and defined expectations of the Storting. Agencies shall also ensure that expected revenues are generated in accordance with the resolutions and defined expectations of the Storting.

Detailed requirements relating to budget implementation are discussed in sections 2.2 and 2.3.

### **3.3 Central government accounts and agency accounts**

#### **3.3.1 Common system for the preparation of central government accounts**

The Ministry of Finance issues a report on the central government accounts and sends this to the Storting. The central government accounts shall contain appropriation accounts and capital accounts; see section 13 of the Appropriation Regulations.

Each item in the appropriation accounts shall show booked expenditure and revenues. Expenditure items shall show funds carried over from the previous year, the total appropriation for the financial year and funds carried over to the next year. The capital accounts shall provide an overview of central government assets and liabilities and illustrate the links with the appropriation accounts.

The central government accounts are prepared on the basis of accounting information reported by ministries and agencies on a monthly and annual basis. Reports shall comply with the basic principles and structure specified by the Storting in the adopted fiscal budget; see sections 3, 4 and 13 of the Appropriation Regulations and section 3.2.1 of the Provisions.

The central government accounts are administered by the Norwegian Agency for Public and Financial Management, which receives agency reports relating to the central government accounts; see section 3.5.

#### **3.3.2 Accounting duty of agencies**

All agencies have a duty to keep accounts. Accounting includes bookkeeping and the making of mandatory accounting reports. The

accounts shall provide a basis for checks of the utilisation of granted appropriations, and a basis for analysis of an agency's activities; see section 12 of the Regulations on Financial Management in Central Government.

Agencies shall keep their accounts in accordance with either the cash principle or the accrual principle pursuant to the central government accounting standards (SRS). Agencies with special authorisation for gross accounting outside the fiscal budget shall keep their accounts in accordance with the accrual principle pursuant to the central government accounting standards (SRS). The principle used by the agency shall be described in an allocation letter or instructions.

By 1 January 2027 all central government agencies shall prepare their accounts in accordance with the accrual principle pursuant to the central government accounting standards (SRS). Agencies currently preparing their accounts in accordance with the cash principle shall set a date for transitioning to SRS in consultation with its superior ministry (before the end of the 5-year transition period starting in 2022).

The accounting principles applied by an agency shall be documented and be consistent over time.

Mandatory accounting reports are presentations of historical accounting information to external parties, given in written form, at fixed times and with a predefined content. For central government agencies, this encompasses reports made for inclusion in the central government accounts, including the appropriation accounts and capital accounts, the submission of issued annual accounts to superior ministries and other mandatory reports stipulated in or pursuant to legislation.

Agency management shall ensure that mandatory accounting reports:

- a) are of a satisfactory quality, whether made periodically or at year-end
- b) comply with the provisions applicable at any given time and any accounting standards laid down by the Ministry of Finance in

these provisions and in circulars, and comply with stipulated deadlines and form and content requirements

- c) accord with requirements imposed by the superior ministry, debit authorisations and other decisions
- d) comply with provisions on bookkeeping and the financial management system; see chapter 4.

### **3.3.3 Agency chart of accounts**

The Ministry of Finance has defined a standard chart of accounts for central government agencies incorporating a mandatory numerical structure that reflects the categorisation of agency expenditure, revenues, assets and liabilities by type; see circular R-102. Agencies shall make entries in the general ledger accounts in accordance with the standard chart of accounts. No entries shall be made in reserved accounts.

Agencies with a need to specify general ledger accounts beyond the mandatory level may do so by adding additional numbers to relevant accounts. If an agency chooses to add numbers to the mandatory numerical structure, the accounts specified by additional numbers shall be consistent with the superior mandatory level in terms of content.

Ministries shall evaluate the need to coordinate agencies' adjustment of the mandatory numerical structure in the chart of accounts to secure consolidated and comparable data in their area of responsibility.

## **3.4 Agency annual accounts**

### **3.4.1 General comments on annual accounts**

Agencies shall prepare and issue annual accounts, with notes, at year-end in accordance with these provisions, Ministry of Finance circular R-115 and requirements imposed by the superior ministry. The annual accounts shall provide a complete picture of an agency's available appropriations and booked expenditure, revenues, assets and liabilities. The annual



accounts shall contain accounting figures for the agency's activities as a whole.

Agency annual accounts shall comprise three parts:

- management report
- statement on the reporting of government appropriations
- statement on the reporting of the general ledger.

The annual accounts shall also contain a presentation of agency accounts when an agency keeps its accounts in accordance with the accrual principle pursuant to the central government accounting standards (SRS); see section 3.3.2.

Managers of state-owned funds shall prepare a presentation of fund accounts irrespective of which accounting principle is applied; see section 3.4.6.

The annual accounts shall be incorporated into an agency's annual report, but shall also comprise an independent document. The annual accounts are issued when the head of the relevant agency signs the management report in the annual accounts. Issued annual accounts shall be sent to the superior ministry and copied to the Office of the Auditor General of Norway as soon as they have been issued and no later than 15 March; see section 2.3.3.

The annual accounts and auditor's report shall be published in accordance with the provisions of section 2.3.3.

The duty to prepare and issue annual accounts in accordance with these provisions shall also apply to ministries. Special adjustments for agencies with special authorisations and central government enterprises, and in connection with the management of state-owned funds, are discussed in sections 3.4.4 to 3.4.6.

### **3.4.2 Basic principles relating to annual accounts**

Annual accounts shall be prepared in accordance with the following basic principles:

- a) The accounts shall match the calendar year (the single-year principle).
- b) The accounts shall contain all expenditure and revenues in a financial year (the completeness principle).
- c) The accounts shall be prepared in accordance with the cash principle.
- d) Expenditure and revenues shall be recorded in the accounts on a gross basis (the gross principle).

The basic principles for the annual accounts are the same as for the fiscal budget and central government accounts, cf. section 3.2.1 and section 3.5.2, since the accounts should provide a basis for checks of the utilisation of granted appropriations, cf. section 3.3.2.

The cash principle and gross principle imply that outgoing payments are reported as expenditure in the period in which the payment is made and that incoming payments are reported as revenue in the period in which the payment is made. Certain exceptions from the cash principle and gross principle shall be made, cf. the Ministry of Finance circular R-101. Other exceptions from the cash principle and gross principle in individual cases require an express decision by the Storting, cf. section 2 of the Appropriation Regulations. The exceptions from the cash principle mean that there will be outstanding accounts with the Treasury, cf. section 3.5.2 and further guidance in section 5.1.1 of circular R-101 from the Ministry of Finance.

When an agency is to prepare agency accounts as part of its annual accounts, see section 3.4.1, the agency accounts shall be prepared in accordance with the accrual principle pursuant to the central government accounting standards (SRS); see Ministry of Finance circular R-114.

### **3.4.3 Content and structure of annual accounts**

#### **3.4.3.1 Management report**

The management report shall contain the head of agency's assessment of material matters in the annual accounts and cover all information presented in the annual accounts. The agency's audit system shall be described.

The head of the agency shall confirm that the annual accounts provide a complete picture, see section 3.4.1, and have been issued in accordance with the Provisions, Ministry of Finance circulars and requirements imposed by the superior ministry.

#### **3.4.3.2 Statement on the reporting of government appropriations**

The statement on the reporting of government appropriations, with notes, shall describe all appropriations received by the agency and all information reported for inclusion in the central government accounts in accordance with the central government chart of accounts during the financial year. The statement shall also describe all financial assets and liabilities of the agency recorded in the capital accounts; see section 3.5.

The statement shall cover the chapters and items in the appropriation accounts and the accounts in the capital accounts which the agency has reported for inclusion in the central government accounts, and shall be structured as specified in Ministry of Finance circular R-115.

#### **3.4.3.3 Statement on the reporting of the general ledger**

The statement on the reporting of the general ledger, with notes, shall describe all information reported for inclusion in the central government accounts in accordance with the standard chart of accounts during the financial year. The statement shall also describe outstanding accounts with the Treasury, distributed by account groups. Comparison figures for the previous financial year shall be provided for each line in the accounts.

Agencies required to prepare a presentation of agency accounts, see section 3.4.1, shall not prepare notes to the statement on the reporting of the general ledger.

The statement shall be quantified in accordance with Ministry of Finance circular R-115.

#### **3.4.3.4 Presentation of agency accounts**

Agencies which keep accounts in accordance with the accrual principle pursuant to the central government accounting standards (SRS), see section 3.3.2, shall prepare a presentation of agency accounts containing a profit and loss account and balance sheet, with notes, as per the requirements in Ministry of Finance circular R-114. The presentation of agency accounts shall cover all booked amounts in an agency's specification of accounts.

#### **3.4.4 Special adjustments for agencies with special authorisations**

Agencies with special authorisation for gross accounting outside the fiscal budget ("net-budgeted agencies") shall comply with the accounting and annual accounts provisions in sections 3.4.1 to 3.4.3, subject to the following adjustments:

- The statement on the reporting of government appropriations shall have a simplified structure.
- The statement on the reporting of the general ledger shall not be included in the annual accounts.
- The presentation of agency accounts shall be prepared and presented pursuant to the central government accounting standards (SRS).

#### **3.4.5 Special adjustments for central government enterprises**

Central government enterprises report information for inclusion in the central government accounts subject to certain adjustments described in section 3.5.5. Agencies shall comply with the accounting and annual

accounts provisions in sections 3.4.1 to 3.4.3, subject to the following adjustments:

- The statement on the reporting of government appropriations shall present item 24 and its sub-items, and the operating profit/loss calculation, together.

### **3.4.6 Special adjustments for state-owned funds**

Agencies which manage state-owned funds, see section 3.6.4, shall present separate annual accounts for each fund.

The management of state-owned funds shall comply with the accounting and annual accounts provisions in sections 3.4.1 to 3.4.3, subject to the following adjustments:

- The statement on the reporting of government appropriations shall have a simplified structure as outlined in the relevant structure plan and be accompanied by notes.
- The statement on the reporting of the general ledger shall not be included in the annual accounts.
- The presentation of fund accounts shall show all fund expenditure, revenues, assets and fund capital, as well as any liabilities.

## **3.5 Reporting of information for inclusion in the central government accounts**

### **3.5.1 General comments on reporting of information for inclusion in the central government accounts**

Agencies shall report accounting information for inclusion in the central government accounts, including appropriation accounts and capital accounts, monthly and at year-end. The Ministry of Finance sets deadlines in an annual circular on reporting. The same reporting deadlines apply to the management of state-owned funds and other assets to be included in reports made for inclusion in the central government accounts; see sections 3.5.6 and 3.6.

Accounting information reported for inclusion in the central government accounts shall comply with the basic principles and structure specified by the Storting in the adopted fiscal budget; see sections 3, 4 and 13 of the Appropriation Regulations and section 3.2 of the Provisions.

Ministries have overall responsibility for both their own appropriation accounts and capital accounts and those of subordinate agencies.

Individual agencies shall document the reports they make for inclusion in the central government accounts. Agencies shall be able to document retrospectively what has been registered in the central government accounts compared to transactions recorded in an agency's specification of accounts and the reconciliation of settlement accounts at Norges Bank.

After submitting accounting reports, agencies shall obtain a reconciliation list from the central government accounts and check that the entries in the central government accounts accord with the reported accounts. Such reconciliation shall be documented.

Deviations and incorrect entries discovered in annual reports submitted for inclusion in the central government accounts shall be rectified in accordance with guidelines issued by the Ministry of Finance.

Ministries may apply to the Norwegian Agency for Public and Financial Management for the rectification of unexplained differences and incorrect entries in previous years' central government accounts. The Ministry of Finance has issued detailed provisions on the handling of unexplained differences and incorrect entries in circular R-107.

The Ministry of Finance issues detailed guidelines on reports made for inclusion in the central government accounts in an annual circular.

### **3.5.2 Appropriation accounts**

Agency reports made for inclusion in appropriation accounts shall contain accounting information on expenditure and revenues in accordance with the chapter and item structure used in the adopted fiscal budget. Reports

shall also contain accounting information in accordance with the mandatory numerical structure used in the chart of accounts.

The agency's reporting to the appropriation accounts shall also contain accounting information about the agency's outstanding accounts with the Treasury, distributed by general ledger accounts in the standard chart of accounts using the mandatory numerical structure. Outstanding accounts occur when outgoing or incoming payments are not recorded by chapter and item, or when chapter and item entries are made which have no related incoming and outgoing payments, cf. further provisions in Ministry of Finance circular R-101, section 5.1.1.

When assets recorded in the capital accounts are sold, the proceeds shall be reported on a gross basis in a category 90 item in the appropriation accounts; see section 3.5.3.

At the end of each accounting period, ministries will receive individual reports from the central government accounts showing the appropriation accounts specified by reference to each ministry's budget chapters. At year-end, ministries shall confirm their appropriation accounts to the Norwegian Agency for Public and Financial Management in accordance with an annual circular issued by the Ministry of Finance. Ministries shall also provide the Office of the Auditor General of Norway with explanations of material deviations between the appropriation and accounting figures; see section 13 of the Appropriation Regulations. The explanations shall be copied to the Ministry of Finance.

### **3.5.3 Capital accounts**

Agencies which issue loans, own or acquire financial assets such as shares or make capital contributions to state-owned enterprises, etc. pursuant to resolutions of the Storting shall report such transactions for inclusion in the capital accounts. Transactions representing asset reallocations and reported in a category 90 item in the appropriation accounts shall be entered in the capital accounts.

Agencies shall maintain an overview of all capital items shown as belonging to them in the capital accounts. The capital items shall be

designated as assets or liabilities in each agency's specification of accounts.

In the capital accounts, assets shall be recognised at cost price on the transaction date. Assets in the capital accounts shall not normally be revalued, except for investments and debts denominated in foreign currencies, which shall be revalued and adjusted to take account of exchange rate movements.

Write-downs linked to losses on accounts receivable and other financial assets listed in the capital accounts shall only be made pursuant to an appropriation resolution of the Storting or a special decision<sup>3</sup>, law, regulation, Royal Decree or court ruling. Losses on loans shall be written off by appropriation decision unless otherwise specified in a resolution of the Storting.

Agencies shall report new investments and other changes for inclusion in the central government accounts, including changes which do not involve a liquidity transaction.

At year-end, agencies' capital items shall be reconciled with the central government accounts and relevant public registers, depositaries, etc. Each ministry shall report all assets and liabilities held by its subordinate agencies collectively, for inclusion in the capital accounts.

### **3.5.4 Special reporting requirements for agencies with special authorisations**

Net-budgeted agencies are subject to simplified reporting requirements in connection with the central government accounts, and are not required to report by chapter and item. Agencies shall comply with the provisions in sections 3.5.1 to 3.5.3 on reporting for inclusion in the central government accounts, subject to the following adjustments:

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<sup>3</sup> A special decision (romertallsvedtak) grants a ministry budgetary or other powers not explicitly granted in an appropriation resolution.



- Monthly reporting shall take the form of a liquidity report submitted by each agency. The liquidity report shall contain accounting information on the opening and closing balances of each agency's settlement account at Norges Bank and changes to the account during the period. The liquidity report shall be reconciled with the agency accounts before the report is sent for inclusion in the central government accounts.
- Every month the agency shall also submit accounting information in accordance with the mandatory numerical structure used in the chart of accounts in line with the guidelines set out in the annual circular from the Ministry of Finance on reporting to the central government accounts.
- At year-end, each agency shall report, via its superior ministry, the balance of its settlement account at Norges Bank for inclusion in the capital accounts.

### **3.5.5 Special reporting requirements for central government enterprises**

Central government enterprises shall comply with the provisions in sections 3.5.1 to 3.5.3 on reporting for inclusion in the central government accounts, subject to the following adjustments:

- Under item 24 – Operating profit/loss – central government enterprises shall report the sub-items operating revenues, operating expenses, depreciation, interest on state-owned capital, interest on outstanding accounts, investments and reserves.
- Fixed capital investments such as real estate, machinery and equipment shall be recorded in the capital accounts if they are charged to items 30 to 49 in the separate central government enterprises chapter in the appropriation accounts.
- Reports made for inclusion in the capital accounts shall contain presentations showing changes in an agency's fixed capital and balance sheet.

### **3.5.6 Special reporting requirements for state-owned funds**

Agencies which manage state-owned funds, see section 3.6.4, shall with respect to each fund comply with the provisions in sections 3.5.1 to 3.5.3 on reporting for inclusion in the central government accounts, subject to the following adjustments:

- Monthly reporting shall take the form of a liquidity report. The liquidity report shall contain accounting information on the opening and closing balances of each fund's settlement account at Norges Bank and changes to the account during the period. The liquidity report shall be reconciled with the fund accounts before the report is sent for inclusion in the central government accounts.
- At year-end, agencies shall report, via their superior ministries, the balance of each fund's settlement account at Norges Bank for inclusion in the capital accounts.

## **3.6 Management of financial assets and resources**

### **3.6.1 Management of financial assets**

Agencies which issue loans, own or acquire financial assets such as shares or make capital contributions to state-owned enterprises, etc. pursuant to resolutions of the Storting shall verify that:

- a) written agreements are concluded for transactions as described above
- b) where possible, the state's risk is limited through the registration of a security interest, etc.
- c) the transaction is implemented as agreed, cf. requirement for transaction controls in section 2.5
- d) profit, interest and dividend payments are received as agreed, and that resolutions of trust meetings and/or general meetings are implemented
- e) in the event of deficient contractual performance, necessary steps are immediately taken to remedy the matter.

Financial assets shall be managed in accordance with section 5.4.7 of the Provisions – Acquisition, management and safekeeping of securities.

### **3.6.2 Management of funds for private and international organisations**

Agencies which manage funds on behalf of private and international organisations shall adopt accounting procedures which document all incoming and outgoing payments, and keep accounts showing these.

Agencies shall discuss their management of such funds in their annual accounts. The funds shall be included in each agency's settlement account at Norges Bank and in reports made for inclusion in the central government accounts, as part of outstanding accounts; see section 3.5.2.

### **3.6.3 Management of funds for agencies with a coordinator function**

Agencies with a coordinator function in projects which are fully or partly EU-funded shall adopt accounting procedures which document all incoming and outgoing payments, and keep accounts showing these. Agencies shall discuss their management of such funds in their annual accounts.

Funds denominated in NOK shall be included in an agency's settlement account at Norges Bank and in reports made for inclusion in the central government accounts, as part of outstanding accounts, cf. section 3.5.2.

Agencies may keep EU funds in a currency account. In such cases, agencies shall use the currency account agreement which the Norwegian Agency for Public and Financial Management has concluded with certain banks. Funds in currency accounts shall not be included in an agency's settlement account at Norges Bank, although the funds and the associated liability shall be included in outstanding accounts with the Treasury, cf. 3.5.2.

### **3.6.4 Management of state-owned funds**

A state-owned fund is an accumulation of assets which in accounting terms is kept separate from other state-owned assets and whose use is tied to a defined objective which continues beyond a single financial year. A state-owned fund is not an independent enterprise.

Funds are established by appropriation or the earmarking of duties. The cash holdings of such funds shall be deposited in a settlement account at Norges Bank. Funds which are state assets shall be included in the capital accounts.

Agencies which manage funds shall ensure that complete accounts are kept for each fund. The receipt of any appropriation via a category 50 item in the fiscal budget shall be recognised as income in the fund accounts.

The management of state-owned funds shall comply with the accounting provisions applicable to agencies, subject to the adjustments described in sections 3.4.6 and 3.5.6.

### **3.6.5 Management of non-governmental resources and funds and non-state-owned funds**

Agencies which manage non-governmental resources and funds in the form of bequests, non-state-owned funds, funds belonging to prisoners, patients, etc. shall adopt regulations on budgets, accounting and control systems in their areas of responsibility if no such regulations follow from other legislation or other provisions.

Agencies shall record transactions and document assets in their agency accounts unless the accounting duty and documentation requirements are regulated by other legislation.

Non-governmental resources and funds and non-state-owned funds are not included in an agency's settlement account at Norges Bank, or in reports made for inclusion in the central government accounts.

## **3.7 Payment systems**

### **3.7.1 Consolidated central government accounts scheme**

Agencies shall channel their incoming and outgoing payments through the consolidated central government accounts scheme, so that all liquid central government funds are accumulated at Norges Bank on a daily basis.

The consolidated central government accounts scheme is administered by the Norwegian Agency for Public and Financial Management, which concludes agreements with individual banks relating to payment systems and account services. Agencies shall use these agreements and choose a bank to provide payments systems and account services.

The Ministry of Finance has issued guidelines on agencies' access to settlement accounts at Norges Bank and working accounts at the bank in circular R-104.

### **3.7.2 Incoming payments**

#### **3.7.2.1 Transfer to an agency's working account**

When a payer uses an invoice, payments are credited to the issuing agency's working account. The agency shall use the information the bank provides about individual payments to update its financial management system; see section 5.4.2.

#### **3.7.2.2 Payment at an agency office**

Payments received at an agency's office may take the form of cash, cheque or card payment. Procedures for the handling of cash and cheques, the booking of incoming payments and cash balancing are discussed in section 5.4.6.

### **3.7.3 Outgoing payments**

#### **3.7.3.1 Elektronik transfer**

Payments to others shall normally be made by electronic transfer between bank accounts without special notice from the bank to the recipient. All such payments shall be made at the correct time, and credit periods shall be utilised.

#### **3.7.3.2 Production and transmission of payment orders**

Payment orders shall be generated by an agency's financial management system. Payment orders shall be transmitted to the bank in secure, electronic form. Exercised budget utilisation authority and attestation must be documented before a transaction can be included in a payment order.

#### **3.7.3.3 Authorisation of payment orders**

Before a bank executes a payment, it shall be authorised by an agency representative with the authority to do so. Following an assessment of the internal control function, the agency may agree to another central government agency or central government service provider authorising on behalf of the agency, cf. 2.6.

The authorising person or persons shall check that the payment order is in accordance with the number of transactions and total amount in the bank's system. The authorising person shall not be permitted to change the amount or account number on the payment order.

#### **3.7.3.4 Payment receipt**

Banks issue electronic payment receipts for completed payments.

An agency shall use the information in a payment receipt to update the financial management system. If the financial management system is updated manually, steps shall be taken to ensure that the payment receipt accords with the payment order transmitted to the bank.

### **3.7.3.5 Use of petty cash, payment cards and cheques**

Agencies may establish a fixed petty cash float totalling no more than NOK 2,000. The cash holding may be increased beyond this amount if approved in writing by the superior ministry.

Petty cash shall only be used for minor, incidental expenses, and shall not be used to pay advances (salary, travel) or remuneration of any kind.

Responsibility for the petty cash float shall be assigned to a person (the cashier), and appropriate settlement, control and storage procedures must be adopted for the float.

No payment card shall be linked with an agency's working account such that payments are charged directly to the account (debit card/bank card). Payment cards in an agency's name which are not linked with the agency's working account (credit cards, etc.) may be used in accordance with the provisions in Ministry of Finance circular R-105.

Agencies may make payment by cheque in exceptional circumstances. Cheques shall be signed by two authorised persons.

### **3.7.4 Account statements**

Agencies' access to data and other information relating to working accounts at banks and settlement accounts at Norges Bank is regulated by framework agreements with the banks and guidelines on settlement accounts at Norges Bank.

Movements shown in account statements shall be checked, and any unrecorded movements shall be entered in a balance sheet account to allow reconciliation in accordance with chapter 4.

# **Chapter 4 Common standards for bookkeeping and financial management systems**

## **4.1 Introduction**

This chapter contains provisions on agencies' financial management systems, bookkeeping, registration, reconciliation and storage of accounting records.

The provisions reflect basic bookkeeping, specification, documentation and storage principles. The purpose of the chapter is to ensure that agencies have systems and procedures in place which meet reporting requirements and ensure disclosure and control, and that financial management tasks are properly organised.

## **4.2 Basic bookkeeping principles**

Bookkeeping, specification, documentation and storage of accounting information shall be undertaken in accordance with the following basic principles:

- a) Access to the financial management system: an electronic financial management system which facilitates the production of mandatory accounting reports, see section 3.3.2., and specifications, see section 4.4.3.
- b) Completeness: all transactions and other accounting dispositions shall be recorded in full in the accounting system.
- c) Realism: recorded information shall reflect actual events or accounting assessments, and shall relate to the agency.
- d) Accuracy: information shall be recorded and specified correctly and accurately.
- e) Updated: information shall be recorded and specified as often as indicated by the nature of the information and the type and scope of the agency.



- f) Documentation of recorded information: recorded information shall be documented so as to permit verification and control.
- g) Traceability: two-way traceability shall exist between documentation, specifications and mandatory accounting reports.
- h) Storage: documentation, recorded information and mandatory accounting reports shall be stored in accordance with sections 4.4.9 and 4.4.10.
- i) Security: accounting records shall be properly secured against unlawful alteration, deletion or loss.

## **4.3 Financial management system functionality**

### **4.3.1 General**

Agencies shall use an electronic financial management system for registration and accounting (bookkeeping and mandatory accounting reports), and for arranging payments. The system shall offer the functionality needed to perform the tasks assigned to agencies by these regulations and other applicable laws and regulations, including functionality required to implement proper financial management.

The financial management system shall include:

- an accounting system including a general ledger and subsidiary ledger
- a payroll system
- an invoice processing system
- auxiliary systems.

An auxiliary system produces or influences the content of recorded transactions and other accounting dispositions.

The financial management system shall provide a basis for:

- a) compiling financial information so that each agency can exercise budgetary control and, if necessary, monitor objectives and

results, and providing agency management and the superior ministry with required management information

- b) delivering reports to the superior ministry on booked expenditure and revenues relative to appropriations, as a foundation for the ministry's exercise of overall responsibility for budgetary control
- c) reporting information to the superior ministry on capital items to be recorded in the capital accounts; see section 3.5.3
- d) issuing mandatory accounting reports; see section 3.3.2.

It shall be possible to produce specifications in accordance with section 4.4.3 from all modules included in the financial management system (accounting system, payroll system and auxiliary systems).

### **4.3.2 Bookkeeping and registration functionality**

The financial management system shall be capable of registering data for each recorded transaction or accounting disposition, including in permanent registers that ensure appropriate monitoring and reporting of financial information. It shall be possible to register information complying with the requirements relating to mandatory accounting reports; see section 3.3.2. Agencies shall incorporate the standard chart of accounts into the accounting system so that entries in the specification of accounts reflect the specified general ledger accounts; see the requirements in section 3.3.3 relating to agencies' charts of accounts.

The financial management system shall have functionality which facilitates:

- a) controls to ensure correct bookkeeping
- b) numbering or other identification of recorded transactions and other accounting dispositions; see section 4.4.4.

When the financial management system comprises several modules, the system shall ensure correct transmission between the modules, and the re-use of registered data.

System functionality relating to the rectification of information is discussed in section 4.4.7.

### **4.3.3 Payment systems**

The financial management system shall offer payment systems functionality in accordance with requirements in agreements between the Norwegian Agency for Public and Financial Management and banks; see section 3.7.

### **4.3.4 Reporting functionality**

The financial management system shall facilitate the preparation of mandatory accounting reports in accordance with section 4.3.1(d), specifications in accordance with section 4.4.3 and other reports required to meet a need for management information, budgetary control, analyses, etc.; see sections 4.3.1(a) to (c).

It shall be possible to prepare an overview showing any differences between recorded amounts and reports made for inclusion in the central government accounts.

### **4.3.5 Financial management system documentation**

System documentation shall be available which facilitates familiarisation with all parts of the structure and operation of the financial management system. This shall include documentation of all functions and registers for data collection, data storage and the processing of transactions in the financial management system, including the formation of system-generated items, the processing of fixed data, set-up parameters, access controls and access rights, automatic and manual reconciliation and the generation of mandatory accounting report specifications. A clear and complete description shall be provided of two-way traceability throughout the collection of accounting data, all processing stages and the making of mandatory accounting reports.

User documentation shall be designed to allow persons with accounting skills to familiarise themselves with how all system functions and processes work.

System documentation and user documentation shall be updated when changes are made to the financial management system.

Documentation relating to the financial management system shall be written in Norwegian, Swedish, Danish or English.

#### **4.3.6 Financial management system security**

The financial management system shall have a security level adapted to the relevant agency's activities, taking into account the risk and significance of these.

The financial management system shall feature access controls to protect system functions and data against unauthorised alteration (data integrity). The access controls shall be based on all users having a personal identification key protected by a password or similar device, and it shall be possible to tailor access rights to match user tasks. The system shall meet statutory requirements regarding protection against disclosure of data.

The financial management system shall offer functionality that – for all essential functions involving updating of accounting data or generation or importation of files containing electronic signatures/seals (e.g. payment files) – logs the personal identification key, date and time of activity. Log procedures shall be designed to facilitate easy reading and search of logged data. Secure procedures, including logging, shall be introduced for the alteration of stored data where such alterations are made without using the standard application functions.

Procedures shall be adopted for application management and the operation of the financial management system that ensure satisfactory accessibility of system functions and data.

When a new financial management system is procured or a material system upgrade is implemented, the system shall be tested and formally approved by the affected agency before becoming operational. The Office of the Auditor General of Norway shall be informed when the system is launched.

When electronic documentation is approved or attested, an electronic signature shall be added to the documentation that identifies the person approving or attesting. It shall be possible to check whether documentation data have been amended subsequently.

The Ministry of Finance may issue further provisions on financial management system security

## **4.4 Bookkeeping, specification, documentation and storage**

### **4.4.1 General**

Bookkeeping, specification, documentation and storage requirements are designed to ensure completeness, realism and accuracy in the preparation of accounting reports, and to provide a foundation for subsequent verification of reports and bookkeeping.

### **4.4.2 Bookkeeping, registration and updating**

Agencies shall record all information required for the preparation of mandatory accounting reports as mentioned in section 3.3.2 and mandatory accounting report specifications as mentioned in section 4.4.3.

Bookkeeping shall occur as often as indicated by the nature and scope of an agency and its transactions. Accounts shall be updated by the deadlines applicable to the relevant mandatory accounting report; see section 3.3.2.

Bank and cash transactions shall be registered daily unless special reasons necessitate an extended deadline.

### **4.4.3 Mandatory accounting report specifications**

Agencies shall be capable of preparing the mandatory accounting report specifications described in paragraphs (a) to (g) below. Each specification shall state when it was prepared.

It shall be possible to prepare the specifications in paragraphs (a) to (e) monthly.

#### **a) Bookkeeping specification**

All recorded information by period, with all items set out in an ordered sequence showing the documentation date and documentation reference, assignment codes and other relevant processing codes. System-generated items may appear as totals if they are easily verifiable. The same applies to items specified in supporting records, etc. (for example invoice records). In such cases, these records form part of the bookkeeping specification.

#### **b) Specification of accounts**

All accounts by period, with account codes and account names given for each account and all items set out in an ordered sequence showing the documentation date and documentation reference, other relevant processing codes and the opening and closing balances. Agencies with taxable turnover shall be able to specify input and output value added tax for each transaction.

Agencies included in the net-accounting scheme for budgeting and accounting of value added tax in central government shall be able to specify value added tax for each transaction.

Items in the specification of accounts may appear as totals if they are specified in supporting records, etc. (e.g. invoice records). In such cases, these records form part of the specification of accounts.

Further, it shall be possible to prepare a list of balances at year-end that provides an overview of all accounts. Each account shall be shown with its account code, account name and closing balance.

c) Report specification

All reported information in the s-report made for inclusion in the central government accounts, with all items set out in an ordered sequence showing the amount and documentation reference for each combination of accounts in the appropriation accounts/capital accounts (chapter/item, settlement account at Norges Bank or outstanding accounts with the Treasury), and each general ledger account.

Items in the report specification may appear as totals if they are specified in supporting records, etc. (e.g. invoice records). In such cases, these records form part of the report specification.

d) Customer specification

All customer transactions per period, with specification of each customer's code and name and all items set out in an ordered sequence showing the documentation date, documentation reference and opening and closing balances.

e) Supplier specification

All supplier transactions per period, with specification of each supplier's code, name and organisation number and all items set out in an ordered sequence showing the documentation date, documentation reference and opening and closing balances.

It shall be possible to prepare the specifications in paragraphs (f) and (g) for every mandatory accounting report period:

f) Value added tax specification – taxable turnover

Agencies with taxable turnover shall be able to specify the basis for input and output value added tax for each different tax rate, by period. The

specification shall show the amount per account and a total figure. The specification shall also show tax-exempt turnover and withdrawals, turnover covered by the rules on reverse tax liability, and turnover and withdrawals falling outside the provisions in chapter 3 of the Value Added Tax Act. In the case of output value added tax, it shall also be possible to specify the tax base for each transaction. The specification shall also show any differences between the calculated base as per the specification of accounts and the reported tax base, specified by transaction and for each tax rate.

#### g) Specification of taxable and non-taxable benefits

Taxable and non-taxable benefits shall be specified by period in accordance with the accounts in the accounting system (posting summary). It shall also be possible to specify benefits subject to employer's social security contributions in total, by tax rate and by zone.

### **4.4.4 Traceability**

Recorded information shall be easily traceable from documentation via specifications to mandatory accounting reports. It shall likewise be possible – in an easily verifiable manner – to trace the documentation relating to each piece of information recorded in mandatory accounting reports.

Documentation relating to recorded information shall be numbered or otherwise identified in a manner that allows verification of completeness; see the financial management system requirements in sections 4.3.2 and 4.3.5.

### **4.4.5 Documentation of recorded information**

Recorded information shall be documented so as to permit verification and control. The documentation shall be adequately protected against alteration after being issued. If the documentation comprises several documents, the primary document shall refer to the other documents.



#### **4.4.6 Balance sheet documentation (reconciliation)**

Every month, and at year-end, agencies shall reconcile and specify accounting figures used in reports made for inclusion in the central government accounts, internal management and reports to the superior ministry. Such reconciliations and specifications shall cover all balance sheet accounts, including outstanding accounts with the Treasury. Further, comments shall be included on older, unidentified items. The person undertaking reconciliation shall sign and date the stored documentation to confirm that the work has been completed. Depending on the complexity and size of the agency concerned, consideration shall be given to the need for procedures requiring signature by a second person to confirm that reconciliations and specifications have been reviewed.

Documentation for all balance sheet items shall be available at the time annual accounts are prepared.

#### **4.4.7 Rectification of recorded information and other registered information**

Procedures and system functionality shall be established to ensure that errors and deficiencies which arise in connection with bookkeeping, registration and transfers are discovered and rectified. Errors shall be rectified in the system in which they arise, unless this is very difficult to do.

Recorded information shall not be altered or deleted. After an entry has been made, any rectification of it shall take the form of a new, documented entry (correction). Such a correction shall be implemented by reversing the original entry in full, and documentation relating to the correction shall refer to the original documentation unless this is impractical.

Rectification or alteration of other registered information (i.e. other than recorded information) which directly or indirectly affects recorded information and other accounting dispositions shall be documented to

facilitate subsequent verification of the correctness of the rectification or alteration.

#### **4.4.8 Language requirements**

Specifications and documentation as mentioned in section 4.4.10.2(c), (d) and (e) and prepared by an agency shall be written in Norwegian, Danish, Swedish or English.

#### **4.4.9 Storage and electronic accessibility**

##### **4.4.9.1 General comments on storage of accounting records**

Accounting records subject to mandatory storage shall be stored in a systematic manner and be appropriately protected against destruction, loss and alteration. Accounting records shall be kept accessible for control purposes throughout the storage period, in a form that permits verification controls to be carried out.

Accounting records and accounting data shall be accessible in readable form, and it shall be possible to print such records and data out throughout the storage period.

Original accounting records may be replaced by transferring accounting information to other media, provided that this does not make it harder to verify mandatory accounting reports during the accounting records storage period.

Archives which are no longer being used for administrative purposes (older archives), and the archives of bodies which have been dissolved or have concluded their activities (closed archives), shall be delivered to the National Archives of Norway; cf. the regulations of the Director General of the National Archives of 19 December 2017 no. 2286.

##### **4.4.9.2 Electronic accessibility**

The requirement in section 4.3.1 to use an electronic financial management system means that recorded information is accessible electronically. Electronic accessibility shall be maintained for 3 years and

6 months after the end of the financial year. Electronic accessibility means that the recorded information is accessible in the accounting system or stored in some other way. In the event of a change of accounting system where the accounting system is not used to ensure electronic accessibility, the alternative storage solution must not hinder the access to or scope for analysing the recorded information.

#### **4.4.9.3 Back-up copies**

Back-up copies shall be kept of recorded information and accounting records which are stored electronically. Back-up copies shall be created as often as indicated by the nature and scope of the agency and transactions involved, in compliance with the updating deadlines in section 4.4.2. Back-up copies shall be stored separately from originals. Back-up copies shall be tested at least once a year.

If accounting records are replaced by transferring accounting information to an electronic medium, the original accounting records shall be stored until back-up copies have been created of the electronic accounting records.

A register shall be kept that shows which accounting records have been backed up, how often back-up copies are created and where each original and back-up copy are stored. The register shall be stored for 10 years after the end of the financial year.

The rules in sections 4.4.9 and 4.4.10 on accounting records subject to mandatory storage, the storage period, protection and electronic accessibility shall apply equally to back-up copies and originals.

#### **4.4.9.4 Closure of accounting periods**

Accounting periods shall be closed within one month of the deadlines applicable to mandatory accounting reports. Closure shall be implemented in a manner that provides satisfactory protection against alteration and deletion of recorded information.

A description shall be provided of the accounting system's functionality for closing accounting periods, including how closure provides satisfactory protection against alteration and deletion of recorded information. The description shall be stored for 10 years after the end of the financial year.

The above closure provisions shall not apply to agencies that store completed mandatory accounting report specifications; see section 4.4.10.2(c).

#### **4.4.9.5 Other storage provisions**

The Director General of the National Archives of Norway may issue provisions requiring certain sets of accounts to be stored in full or in part for subsequent submission to the National Archives of Norway.

Reference is made to the [Archives Act of 4 December 1992 No. 126](#) and its [associated regulations](#).

#### **4.4.10 Storage period requirements**

##### **4.4.10.1 Accounting records to be submitted to the National Archives or regional state archives**

The following accounting records shall be stored by agencies and be delivered to the National Archives of Norway; see the [Regulations concerning public archives](#):

- a) an agency's annual report and annual accounts; see section 2.3.3 and section 3.4
- b) an agency's list of balances – an overview of all accounts in the accounting system – showing the account code, account name and closing balance of each account.

##### **4.4.10.2 Accounting records to be stored for 10 years**

The following accounting records shall be stored for at least 10 years after the end of the financial year:

- a) mandatory accounting reports not covered in section 4.4.10.1
- b) instructions
- c) mandatory accounting report specifications as mentioned in section 4.4.3, or recorded information needed to be able to prepare such mandatory accounting report specifications
- d) documentation relating to recorded and deleted information, including:
  - documentation created when the financial management system is updated in connection with the scanning of payment receipts and bank posting data
  - bank statements, with supporting documentation such as credit transfer and transfer forms which document incoming payments
  - payroll records, specification of all transactions involving each employee in each period
  - posting lists
  - self-declarations
  - documentation showing who has exercised budget utilisation authority in connection with order placement, order confirmations, invoices or grant commitment letters, or by other appropriate means
- e) year-end balance sheet documentation (reconciliations)
- f) agreements relating to an agency, except for agreements of minor importance
- g) correspondence providing material additional information related to recorded information
- h) record of changes to the financial management system
- i) system documentation relating to the financial management system, see section 4.3.5, including historical versions.

However, agencies may decide not to store paper invoices and other paper documents linked to outgoing payments related to procurements if the transactions were recorded before 1 January 2011. In the case of paper invoices relating to major procurements as discussed in section 5.3.8 (projects), agencies shall assess the storage need with special regard to the documentation of project accounts.

#### **4.4.10.3 Accounting records to be stored for three years and six months**

The following accounting records shall be stored for at least three years and six months after the end of the financial year:

- a) authorisations
- b) outgoing packing notes or equivalent documentation which accompanies a good or is otherwise sent to a purchaser
- c) price overviews which have to be prepared pursuant to law or regulation.

#### **4.4.10.4 Other documentation and accounting records**

Other documentation and accounting records shall be stored until the Storting has considered the Office of the Auditor General of Norway's Document No. 1<sup>4</sup> and audit results. Accounting records shall not be destroyed before the audit has been completed, even if the deadlines in sections 4.4.10.2 and 4.4.10.3 expire.

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<sup>4</sup> Document No.1 is the Office of the Auditor General's most important yearly publication, and provides the Storting and the general public with information on audit results. Audit results are also summarised in the Office of the Auditor General's annual report, which is available in English.

# **Chapter 5 Procedures for the handling of pay, procurements and revenues**

## **5.1 Introduction**

This chapter contains provisions on systems and procedures for the handling of pay, procurements and revenues, as well as related control activities.

The purpose of this chapter is to ensure that pay, procurements and revenues are handled in compliance with applicable laws, regulations and agreements, and that revenues and expenditure are monitored. A further purpose is to ensure that agency revenues are correctly quantified and received, and that outstanding claims are pursued.

## **5.2 Pay and taxable and non-taxable benefits**

### **5.2.1 General**

Agencies shall introduce systems and procedures to ensure that pay and other taxable and non-taxable benefits are correctly registered, calculated, recorded, paid and reported. Agencies shall use an electronic financial management system with functionality that allows agencies to gather necessary information from the system for use in budgetary controls, reports, etc.; see section 4.3.

Authorisations and the organisation of work shall be documented, and methods and measures shall be adopted to prevent, uncover and rectify errors and deficiencies in systems and procedures; see section 2.4.

If a financial management system offers functionality for performing controls as specified in section 5.2, such controls may be performed automatically.

## **5.2.2 Transaction controls**

In the case of pay and other taxable and non-taxable benefits, transaction controls in accordance with section 2.5.2 shall take the following forms:

- *budget utilisation authority* shall be required for appointments and ordered or approved personnel transactions involving taxable and non-taxable benefits
- the pay calculation confirmation shall be *attested*.

Control activities shall also be implemented in connection with the production of pay calculation proposals.

## **5.2.3 Budget utilisation**

### **5.2.3.1 Appointment, setting of pay and pay adjustment**

Appointment agreements shall be concluded by an employee with budget utilisation authority.

The setting of pay in connection with appointment and the implementation of pay adjustments determined locally pursuant to wage or other agreement shall depend on the availability of necessary budgetary allocations. However, pay adjustments agreed through central negotiations between central government and the main unions or independent organisations with the right to negotiate, and allocations of funds for local negotiations, shall be implemented.

### **5.2.3.2 Taxable and non-taxable benefits**

Ordered and approved personnel transactions involving taxable and non-taxable benefits shall be confirmed by an employee with budget utilisation authority. The employee shall ensure that there is room in the budget for the expenditures, and that a need exists.



## **5.2.4 Handling of pay and other taxable and non-taxable benefits**

### **5.2.4.1 Registration**

Agencies shall register data in the system as required to ensure correct payment and reporting of pay and other taxable and non-taxable benefits. Registration shall not occur until documentation has been prepared that shows that the data is correct. Two-way traceability shall exist between documentation, specifications and mandatory accounting reports. The basis for registration may take either electronic or paper form.

Registration and amendments of registered information about payees shall be performed by a party other than that which exercises budget utilisation authority.

### **5.2.4.2 Calculation, controls and attestation**

A pay calculation proposal (pay proposal) shall be prepared before a final pay calculation confirmation (pay confirmation) is issued. The pay calculation proposal shall provide a foundation for uncovering any registration or processing errors.

The following shall be checked against the pay calculation proposal:

- any lists of errors
- changes in central fixed data since the previous pay period (minimum rates, pay bands and bank account numbers)
- number of pay recipients receiving outgoing payments
- total amount to be paid out
- large net amounts to be paid out
- negative net amounts
- proposed summary of postings (specification of gross expenditure by account)
- proposed pay records (spot checks).

Discovered errors and deficiencies shall be corrected, and a new pay calculation proposal shall be produced. Upon correction, the same procedures shall be followed as in connection with original registration.

Based on the checked pay calculation proposal, a pay calculation confirmation shall be prepared, which shall be attested before pay is disbursed. If an agency uses third parties within or outside central government to check the pay calculation proposal, see section 2.6, the agency shall ensure that it has a sufficient basis and documentation to conduct a reasonableness assessment in connection with attestation of the pay calculation confirmation.

#### **5.2.4.3 Bookkeeping and outgoing payments**

Gross pay and other taxable and non-taxable benefits, including any deductions, shall be recorded on the basis of the confirmed pay calculation. Following entry in the accounts, agencies shall check and rectify any entries in error-remediation accounts.

Payment orders to banks shall be based on the pay calculation confirmation. The procedures and control activities described in section 3.7.3 shall be utilised in connection with the disbursement of pay and other taxable and non-taxable benefits.

#### **5.2.4.4 Reporting**

Agencies shall register and record in their accounts pay and other taxable and non-taxable benefits in compliance with applicable laws and regulations relating to reporting, including reporting to the tax collection authorities, the Norwegian Public Service Pension Fund and the Norwegian Labour and Welfare Administration, as well as deducted membership dues and other deductions. It shall be possible to reconcile reported data with corresponding data registered and entered in the financial management system.

#### **5.2.4.5 Reconciliation**

Recorded taxable and non-taxable benefits shall be specified by account periodically, and this specification shall be reconciled with corresponding reportable amounts. Further, a periodic balance sheet specification shall be prepared of pay-related balance sheet items and unpaid deductions and duties.

The pay calculation confirmation for a given period shall be reconciled with the pay disbursed in that period.

### **5.3 Procurements**

#### **5.3.1 General**

Agencies shall implement systems and procedures to ensure that goods and services are procured in an efficient and proper manner.

Authorisations and the organisation of such work shall be documented, and methods and measures shall be adopted for the purpose of preventing, uncovering and rectifying errors and deficiencies in the systems and procedures; see section 2.4. Registration and amendments of registered information about payees shall be performed by a party other than that which exercises budget utilisation authority.

Transaction controls as described in section 2.5.2 shall normally be implemented in connection with contract formation, ordering and invoice processing. If a financial management system offers functionality for performing controls as specified in section 5.3, such controls may be performed automatically.

#### **5.3.2 Other applicable regulations and agreements**

Particular reference is made to the [Act of 17 June 2016 No. 73 relating to public procurements](#) and related regulations.

Central government has concluded framework agreements for procurements in certain areas. Agencies may be obliged to use such agreements.

Value added tax liability arises when an agency purchases services capable of delivery from a remote location abroad (importation of services). The duty to calculate and pay value added tax rests with the agency; see section 11-3 of the Valued Added Tax Act. The agency will thus be liable to calculate and pay value added tax in such instances.

### **5.3.3 Budget utilisation and ordering**

The ordering of goods and services shall be confirmed by an employee with budget utilisation authority, cf. section 2.5.2.1.

Orders may be implemented by a different person to the one who exercised budget utilisation authority. The agency shall have systems and procedures in place to ensure that orders are placed in accordance with the budget utilisation.

### **5.3.4 Receipt of goods**

Agencies shall have procedures in place for checking that received goods accord with the order, packing notes and other relevant documentation, and for the measures to be implemented in the event of deviations. The scale of the control procedures shall reflect the size and complexity of the procurement.

### **5.3.5 Invoice processing**

Agencies shall have procedures and systems in place for electronic invoice processing that provide an overview and ensure uniform processing of invoices and other documents relating to outgoing payments.

### **5.3.5.1 Receipt of invoices**

Upon receipt, invoices shall be checked for relevance to the receiving agency.

Agencies shall have capacity to receive electronic invoices and other documents relating to outgoing payments in a fixed standard format. If an agency receives an electronic invoice or other document relating to an outgoing payment in a non-standard format, it may be converted to the standard format. Conversion shall not alter the content of a converted document.

If an agency receives a paper invoice, the invoice shall be converted into the approved electronic format. Other received paper documents relating to outgoing payments shall be converted into the approved electronic format unless the agency deems this inefficient. Conversion shall not alter the content of a converted document.

### **5.3.5.2 Attestation**

All expenditures shall be attested before payment may be made. The party performing the attestation shall ensure that the necessary attestation controls have been carried out and thus verify that the payment is made on the correct basis. The following attestation controls shall be performed when making a procurement:

- a) that the invoice contains information showing the subject matter of the procurement, if relevant with a reference to the location of such documentation, and information to enable correct payment, registration and control
- b) the order documentation or the agreement against the invoice with respect to price, payment obligation and other relevant provisions
- c) receipt of the goods or delivery of the service against the invoice to ensure that the ordered good or service is received in accordance with the ordered specifications. When services are purchased, it shall be checked that the service has been provided as agreed, and that the result is satisfactory

Attestation of expenditure shall as a general rule be made by employees of the agency but, subject to an assessment of the internal control function, may be made by contracted personnel or by another central government agency (cf. section 2.6). Contracted personnel may not attest payments to their own employer.

If the content of an invoice needs to be amended, a new or corrected invoice shall be sent.

### **5.3.6 Bookkeeping and outgoing payments**

The agency's systems and procedures shall ensure that bookkeeping and payments are made out to the correct supplier, at the right time and with the correct amount. Before bookkeeping and payment can take place, controls must be performed to ensure that the documentation has been attested and that the transaction is implemented by an employee with budget utilisation authority. Before bookkeeping, controls must be performed to ensure that the documentation has been entered correctly and, where appropriate, register the correct entry information.

The following information shall be recorded in the accounts for each individual invoice:

- accounting entry
- identification of the supplier
- identification of the claim (invoice date, invoice number)
- customer identification number (“KID”), if specified
- due date
- amount
- supplier's bank account number.

The procedures and control activities applicable to payments are described in section 3.7.3.

### **5.3.7 Registration of assets**

Assets with an individual procurement value of more than NOK 50,000 shall be registered. Agencies shall also evaluate the need to register other assets, and adopt registration procedures.

### **5.3.8 Large procurements**

Some procurements are large in terms of both total expenditure and the period of time between order and final delivery (projects), and thus necessitate separate procedures and methods for ensuring control of progress, quality and expenditure.

Separate accounts (project accounts) shall be prepared for large procurements in which costs accrue over time. Regular summaries shall be prepared that compare anticipated outstanding expenditure until completion with budgets and appropriations.

In large procurements and special large-scale commissions with long production times, there shall be ongoing quality assurance of sub-deliveries and individual elements to ensure that the final product maintains a satisfactory level of quality. Such quality assurance shall be adapted to the risk associated with the delivery or special commission.

Government investment projects with an estimated budget of more than 300 million for digitalisation projects and NOK 1 billion for other projects must meet the requirements for official studies, planning and quality control in the government's project model, cf. the Ministry of Finance circular R- 108. Amongst other things, external quality assurance of the projects shall be conducted in the form of two control points before such projects can be presented to the Storting. The Ministry of Finance has concluded framework agreements with suppliers of such services, which shall be used. The Ministry of Finance and the responsible specialist ministry are joint commissioners of the quality assurance.

## **5.4 Revenues**

### **5.4.1 General**

Agencies shall adopt systems and procedures to ensure that revenue claims become legally binding and that claims are quantified, issued and correctly paid. The systems and procedures shall also ensure that incoming payments can be made by the due date and that appropriate steps are taken to enforce outstanding claims. If the financial management system offers functionality for the performance of controls as specified in section 5.4, such controls may be performed automatically.

Authorisations and the organisation of work shall be documented, and methods and measures shall be adopted to prevent, uncover and rectify errors and deficiencies in systems and procedures; see section 2.4.

Agencies with taxable turnover shall organise their bookkeeping to ensure compliance with requirements governing the payment and reporting of tax.

### **5.4.2 Handling of claims payable in arrears**

#### **5.4.2.1 Quantification of claims**

The basis for a revenue claim can be established in different ways. A claim may be based on a contractual delivery, self-declaration, taxable- and chargeable events or be established in other ways.

Agencies shall have systems and procedures in place to ensure that claims payable in arrears are correctly quantified, and that each claim is legally binding.

#### **5.4.2.2 Issuance of invoices**

Agencies selling goods and services to customers who are not private individuals and which issue invoices for these shall offer electronic invoices and credit notes in approved standard formats. The reference



catalogue of the Norwegian Digitalisation Agency contains an up-to-date list of approved formats.

When an invoice is issued, it shall be checked that invoice records, etc. are consistent with the quantified claim. This check shall ensure agreement between the invoice and the basis for the claim. Spot checks may be used as an alternative to checks of individual claims, based on an assessment of risk and significance. Manual checks shall be confirmed by signature.

The content of invoices shall satisfy all requirements in applicable laws and regulations.

When issuing an invoice, an agency shall assess whether the invoice should include a unique identifier of the customer and/or the claim – a so-called customer identification number (“KID”).

#### **5.4.2.3 Recording of claims**

Invoiced or self-declared amounts shall be recorded based on signed invoice records, etc. It shall be checked that recorded amounts are consistent with invoice records.

In the case of other claims, such as incidental revenues and reimbursements, agencies shall assess whether it is appropriate to use the subsidiary ledger for monitoring.

#### **5.4.2.4 Incoming payments**

A claim recorded in the subsidiary ledger shall be settled based on the receipt of payment into a bank account. Agency systems and procedures shall ensure that the subsidiary ledger and general ledger are correctly updated and show identical amounts, and that there is satisfactory traceability in and between verification systems.

Procedures shall be established for the repayment of amounts which are incorrectly paid to an agency, and for any amounts which are otherwise repayable.

### **5.4.2.5 Monitoring of claims which are not paid as expected**

Agencies shall have procedures in place for monitoring claims which are not paid by the due date. Such procedures may include the following main activities:

- sending claim reminders
- securing claims by distraint
- realising security.

Recovery efforts shall continue for as long as there is a possibility that the claim may be covered in full or in part. Among other things, consideration shall be given to whether there are suitable assets which may be distrained and the options of attachment of earnings and set-off against claims the debtor has against the state. Consideration shall also be given to whether a bankruptcy petition should be filed against the debtor.

### **5.4.3 Suspension of recovery efforts**

If a thorough assessment shows that it is currently impossible to secure payment of a claim, recovery efforts may be suspended. The same applies if the costs of continued recovery efforts exceed the expected incoming payment. Recovery efforts shall be resumed if subsequent developments justify this step.

If a claim is unlikely to be settled, i.e. a loss is expected, the claim shall be transferred out of the subsidiary ledger and the accounts. The efforts made to secure payment of the claim shall be documented. The claim against the debtor will remain, and may be reasserted at a later date if the opportunities for securing payment change. As long as a claim can still be asserted against the debtor, the involved agency shall maintain an overview of the claim, even if it has been transferred out of the subsidiary ledger and been expensed in the accounts. Agencies may use subsidiary ledger functionality to maintain this overview.

If a claim is paid at a later date, the amount received shall be recorded as income in the agency accounts.

In cases where recovery efforts are suspended, future recovery opportunities shall be closely assessed before the expiry of the limitation period applicable to the claim; see the [Act of 18 May 1979 No. 18 relating to the limitation period for claims](#). If the possibility of future payment remains, the limitation period shall be interrupted. If not, the involved agency may allow the claim to become time-barred. Agencies shall issue guidelines as to who may decide not to interrupt a limitation period and the conditions for this decision, including any quantitative caps applicable to such authority.

Where a claim relates to taxes, duties, contributions, loans, etc., separate rules may apply pursuant to a special law, regulation, tax decision, etc.

#### **5.4.4 Cancellation of claims**

When a claim is cancelled, it is no longer legally binding on the debtor. In principle, the cancellation of claims owed to the state must be authorised by resolution of the Storting. Unless general authorisation is granted in an act or joint resolution, the question of cancellation shall be submitted to the Storting as a separate matter. In minor cases, the King and the Ministry of Finance may consent to the cancellation of a claim. All cases where cancellation is not authorised by an act or joint resolution shall be submitted to the Ministry of Finance.

#### **5.4.5 Accounting treatment of terminated claims**

A claim may be terminated such that legal authority for asserting it no longer exists. This applies, for example, to claims which have become time-barred or been cancelled, and where the liable party no longer exists. Such claims shall be transferred out of the subsidiary ledger and the accounts if this has not already been done.

#### **5.4.6 Cash sales and cash settlement of claims**

Agencies may establish a cash fund for cash sales and payment of outstanding claims at agency offices. When such a fund is established, procedures shall be adopted for the registration and recording of

payments, secure storage and transportation of cash and cheques, and balancing of the fund.

Payments shall be registered using a cash register, terminal or equivalent system. Paying parties shall receive a receipt. If an agency receives payments sporadically, documentation may take the form of pre-numbered vouchers. Registered payments shall generally be recorded in an agency's financial management system on a daily basis; see the discussion in section 4.4.2. When issued claims are paid, the amounts shall be registered and recorded so as to ensure full agreement between claims and payments.

Cash and cheques shall generally be deposited in an agency's working account daily. If cash payments are limited in scope and satisfactory storage facilities are available, cash and cheques may be deposited in the working account less frequently than every day.

The cash fund shall generally be balanced on a daily basis. If its scope or other considerations so indicate, the fund may be balanced less frequently. The fund balancing statement shall show, as a minimum, the total revenues reconciled with received cash, cheques and payments via point-of-sale terminals. Signed and dated documentation shall be prepared that shows the information registered for the fund compared with the result of cash balancing. Any discrepancies in the fund shall be explained.

#### **5.4.7 Acquisition, management and safekeeping of securities**

Agencies shall register securities. Agencies shall prepare separate procedures for the acquisition, management and safekeeping of securities, including for verifying that statements received from the Norwegian central securities depository (VPS) are consistent with the transactions implemented and otherwise that the agency has secured ownership of the securities.

Securities shall be managed in accordance with the resolutions and defined expectations of the Storting.

Physical securities shall be stored by the individual ministries involved. Ministries may delegate this task to subordinate agencies.

If sent by post, physical securities shall be sent by registered post. Any other forms of despatch shall be appropriate and entail the recipient signing a receipt.

#### **5.4.8 Receipt of insured mail**

Agencies shall have procedures in place to ensure the proper handling of insured mail. The procedures shall ensure that all insured mail is immediately recorded in a register of insured mail, and that received amounts are deposited in the working account and entered in the accounts as soon as possible.

# **Chapter 6 Design and administration of grant schemes**

## **6.1 Introduction**

The purpose of this chapter is to ensure efficient and appropriate design and administration of grant schemes and one-off grants.

The design should underpin the objective of the grant and help ensure that it can be administered without disproportionate cost to the grant administrator and grant recipients.

Grant appropriations shall be identified in the fiscal budget using item numbers 60 to 85, cf. the Ministry of Finance circular R-101. The provisions in chapter 6 also apply to grants administered by administrative bodies which receive appropriations under item numbers 50 to 59, and to grants financed by state-owned funds. Grants to municipalities and county authorities under item numbers 60–69 are discussed separately in section 6.4.1.

The provisions in chapter 6 for grant schemes also apply to one-off grants in line with section 6.4 (a).

When designing and administering grant schemes and one-off grants, the ministry and the grant administrator are responsible for awarding the funds in line with the rules on state aid pursuant to the EEA Agreement Article 61 (1).

## **6.2 Grant scheme design**

### **6.2.1 Main elements in a grant scheme**

The Ministry shall design the main elements of a grant scheme as discussed below. The design shall be determined following an individual

assessment of the scheme. The main elements shall be considered in close conjunction with one another.

*a) Objective and target group for the grant scheme*

When making appropriation proposals, ministries shall prepare objectives clarifying what central government hopes to achieve through the grant scheme and which target group the scheme is aimed at.

*b) Objective achievement criteria*

In order to monitor the objective achievement of the grant scheme, the ministry shall draw up criteria for objective achievement. The criteria for objective achievement may be qualitative or quantitative, cf. section 6.3.6.

*c) Allocation criteria*

Ministries shall prepare allocation criteria. The allocation criteria should be used to delimit potential grant recipients and determine the size of the grant and to provide guidelines on what the grant can be spent on.

*d) Arrangements for monitoring and control*

Ministries shall make arrangements for the checking of information on which allocations are based or which is included in subsequent reports; see section 6.3.8.

*e) Evaluation*

Ministries shall ensure that grant schemes are evaluated; see section 6.5.

## **6.2.2 Presentation to the Storting**

Ministries shall present the main elements mentioned in section 6.2.1 along with the relationship between them when proposing a new grant scheme to the Storting. The scope of the presentation shall be evaluated by reference to the scale and importance of the grant scheme.

When a new annual appropriation to an existing grant scheme is proposed, reference may alternatively be made to the assumptions underpinning earlier appropriation resolutions (in the budget proposal and the parliamentary committee's recommendation). However, the main elements must be evaluated and presented anew at regular intervals.

In their budget proposals, ministries shall report on results achieved through their grant schemes by reference to adopted objectives.

### **6.2.3 Adopting grant rules**

The ministry shall adopt rules for the grant scheme to regulate the key elements described in section 6.2.1 (a–d), alternatively also (e).

The parts of the rules aimed at private individuals and which therefore constitute a regulation under section 2 (1)(c) of the Public Administration Act must be prepared and adopted in accordance with chapter VII of the provisions on the adoption of regulations for the Public Administration Act.

If it deems it appropriate, the ministry may adopt all the rules as regulations.

### **6.2.4 Establishment of an administrative organisation**

Ministries shall ensure that the administration of grant schemes is organised in an efficient and appropriate manner.

#### **6.2.4.1 Central government grant administrators**

A ministry may act as grant administrator or delegate administration to a subordinate agency. Authority shall be granted in the form of instructions or an allocation letter. When delegating, the ministry must refer to the grant rules.

The ministry shall check that the agency is administering grants properly; see section 1.6 and section 6.3.8.



When the authority to administer grants is assigned to an agency subordinate to another ministry, the ministry assigning the authority shall clarify the division of responsibility between the two ministries.

#### **6.2.4.2 Municipal and county authority grant administrators**

In consultation with the Ministry of Local Government and Modernisation, a ministry may allow municipalities or county authorities to administer central government grants.

Ministries shall prepare annual assignment letters referring to the grant rules; see section 6.2.3. Ministries shall check that administration is performed properly; see section 6.3.8.

#### **6.2.4.3 Grant administrators owned by the state**

Ministries may delegate the administration of state grants to state-owned limited companies, state-owned enterprises, companies established by special statute and other independent legal entities wholly owned by the state. The question of delegating administrative responsibility shall be submitted to the Ministry of Finance in advance. Annual assignment letters shall be prepared, and checks shall be carried out in accordance with the provisions in section 6.2.4.2.

#### **6.2.4.4 Grants administered by foundations, private parties, etc.**

When there are no relevant public-sector candidates for the delegation of administrative responsibility (see sections 6.2.4.1 to 6.2.4.3), the administration may be delegated to another legal entity provided that this is deemed to be appropriate.

When grants are distributed across several levels within an organisation, the responsible ministry shall assess beforehand whether the central unit of the organisation should be identified as the grant administrator or as a grant recipient.

Decisions to delegate administrative responsibility for new grant schemes to foundations, private parties, etc. shall require the approval of the Ministry of Finance and be discussed in ministries' appropriation proposals.

The rules on public procurement must be followed when appointing a grant administrator. The grant administrator's tasks and authority shall be regulated by an agreement.

Ministries shall prepare an annual assignment letter referring to the grant rules; see section 6.2.3. Ministries shall check that administration is performed properly; see section 6.3.8.

## **6.3 Grant administration**

### **6.3.1 Announcement**

The funding shall be announced publicly. The announcement shall be made in such a manner that the grant administrator reaches all intended potential recipients in accordance with the grant appropriation. A public announcement shall not be required when the grant appropriation is aimed at one or just a few named recipients, cf. section 6.4.2.

### **6.3.2 Processing grant applications**

Grant applications shall be processed in accordance with the provisions of the [Public Administration Act](#), the grant rules, cf. section 6.2.3, and other relevant rules. A grant application is normally treated as a case concerning an individual decision, cf. chapters IV to VI of the Public Administration Act.

### **6.3.3 Grant commitment letters**

Decisions to award a grant amount based on a granted application shall be communicated to the applicant in a grant commitment letter. The award is normally made as an individual decision under the Public Administration Act section 2 (1)(b). A grant commitment letter shall be

sent to every individual recipient, or to a body authorised to forward information about the decision.

Amongst other things, the grant commitment letter and any enclosures shall describe:

- what the recipient is receiving a grant for
- the grant amount
- disbursement system, including whether the grant is paid before, during or after the measure, as well as the number of payments and the dates of the payments
- any conditions governing use of the funds
- reporting requirements and control measures which may be implemented
- reactions in the event of a breach of the conditions.

Grant commitment letters sent by central government grant administrators shall normally be signed by an employee with budget utilisation authority in respect of the relevant grant appropriation; see section 2.5. If budget utilisation authority lies with a collegiate board, council, etc., the letter may be signed by another authorised person.

All grant amounts shall be attested before disbursement, cf. section 2.5. The attesting person shall check that the disbursement proposal corresponds to the grant decision (the grant commitment letter), and that the grant recipient has submitted any required documentation.

In the case of large outgoing payments, transaction controls and related documentation processes may be based on reports (summaries) produced by an auxiliary system or other parts of the financial management system; see section 2.5.1.

Where a grant scheme entails the signing of an agreement with each individual grant recipient, for example based on a competitive tender, all or some of the content of the grant commitment letter as referred to above may instead be incorporated into the agreement.

### **6.3.4 Registration of grant decisions**

Decisions on the award of a grant shall be registered so that the grant administrator has an overview of accepted obligations.

Central government grant administrators shall follow the provisions on bookkeeping and the financial management system in chapter 4. Other grant administrators shall comply with bookkeeping, documentation and storage requirements issued by the relevant ministry in an agreement, assignment letter or some other way.

### **6.3.5 Disbursement and any repayments**

Grant amounts shall be disbursed as the recipient needs them to cover relevant expenditure, in accordance with the parliamentary resolution of 8 November 1984:

- a) Grants to cover operational agency expenditure shall be paid in instalments (monthly, quarterly or bi-annually), adapted to the size of the grant and the purposes to be served.
- b) Grants to cover pay shall be disbursed as close as possible to the salary payment date.
- c) Grants to cover large procurements shall be disbursed as close as possible to the payment date.
- d) Further, grants shall not be used to regulate agency liquidity. Disbursements may not be accelerated to enable a recipient to deposit grant funds in an interest-bearing account or issue loans to generate revenues in addition to the appropriated amount.

In the case of investment measures which take time to implement, disbursement may occur in several stages as progress reports are received.

Grant administrators shall adopt recovery procedures to ensure repayment if a final account shows that a recipient must repay an excess amount disbursed in error. If an excess amount has been disbursed as part of the fixed annual allocation under a grant scheme, and the grant scheme will

continue the next year, the allocation for the next year may be reduced by an amount corresponding to the excess amount.

Central government grant administrators shall follow the provisions on standards and systems for budgeting, accounting and payments in chapter 3. Other grant administrators shall comply with the disbursement requirements issued by the relevant ministry.

### **6.3.6 Information on objective achievement**

Using the stipulated criteria for objective achievement, cf. section 6.2.1 (b), grant administrators shall obtain information from grant recipients or other sources which allows assessment of the degree of objective achievement by the scheme.

The reporting requirements on the part of the grant recipient shall not be broader than is reasonable in view of the grant. Account shall also be taken of the practical opportunities to obtain information available to the grant recipients.

### **6.3.7 Reporting to superior ministries**

Central government grant administrators shall submit reports in accordance with the requirements for annual reports in section 2.3.3 and requirements laid down by the ministry in the allocation letter or in the grant rules.

Other grant administrators shall submit reports in accordance with the requirements laid down by the ministry in an agreement or in the assignment letter and with the requirements described in the grant rules.

### **6.3.8 Monitoring and control**

#### **6.3.8.1 Grant administrators' internal controls**

To secure correct administrative procedure, the grant administrator shall have systems, procedures and measures in place to ensure, among other

things, that errors and deficiencies are prevented, discovered and rectified; see section 2.4 on internal controls.

Such measures shall help ensure correct:

- registration of fixed data
- application processing, including documentation of the grant sum
- registration of grant decisions made
- disbursement of grants to the right recipients at the right times
- entry in the accounts
- handling of documentation received from the grant recipient.

Registration and amendments of registrations about payees shall be performed by a party other than that which exercises budget utilisation authority.

### **6.3.8.2 Checks of information received from grant recipients**

The grant administrator shall check information submitted by the grant recipient which is of significance to the processing of the application. The grant administrators shall also check subsequent reports from grant recipients concerning objective achievement; see section 6.3.6. Implemented control measures shall be satisfactorily documented.

Such checks shall be adapted to each individual grant scheme and its objective. Checks shall have a reasonable scope in view of their utility and cost.

The grant administrator shall survey the risk of errors due to problems with the interpretation of grant conditions, and the risk of irregularities. Based on an assessment of overall risk and definition of the most significant risk factors, the most relevant points to check shall be identified, as shall the person tasked with performing the check.

### **6.3.8.3 Auditor attestation**

Ministries shall individually assess whether information from grant recipients must be attested by a state-authorized public accountant or registered public accountant.

## **6.4 Exemptions from the provisions in sections 6.2 and 6.3**

### **6.4.1 Grants to municipalities and county authorities**

The administration of block grants under chapters 571 and 572 of the fiscal budget is governed by the requirements and expectations defined in annual budget proposals and annual municipal proposals, rather than the general provisions in this chapter. However, the provisions on internal agency management in chapter 2 and the provisions on payment systems in chapter 3 also apply in this context.

Earmarked grants to municipalities and county authorities are generally subject to the provisions in chapter 6. However, if a recipient (municipality or county authority) receives less than NOK 100,000 under an earmarked grant, recipient reporting requirements must normally be waived (see section 6.3.6).

### **6.4.2 Other exemptions**

The provisions in sections 6.2 and 6.3 are designed for a normal situation in which a grant appropriation is to be distributed among multiple applicants on the basis of open application processes and known award criteria. Instances will arise in which some of these provisions are inapplicable due to the nature of the grant appropriation:

- a) In the event of one-off grants where the grant recipient is named in the appropriation resolution or referenced in the budget proposal in such a manner that the grant appropriation must be regarded as being earmarked for that recipient, ministries may make exceptions from the following provisions:

- section 6.2.1 c , requirement to determine allocation criteria
  - section 6.2.3, requirement to determine grant rules
  - section 6.3.1, announcement requirement.
- b) The requirements concerning announcement, application and formulation of grant commitment letters shall not apply in the case of grants made by the state in its capacity as a member of an international organisation, pursuant to an agreement with other countries on collaborative measures or pursuant to an agreement with international voluntary organisations.
- c) Necessary exceptions may be made from the provisions in sections 6.2 and 6.3 in the case of grant schemes targeting the agricultural sector. Any such exceptions shall be specified in the responsible ministry's budget proposal.

## **6.5 Evaluation of grant schemes**

The ministry and the grant administrators shall ensure that evaluations are conducted to check whether grant schemes and one-off grants are efficient in terms of resource use, organisation and adopted objectives.

The frequency and scope of evaluations shall be decided based on the risk profile and significance of each grant scheme or one-off grant, including the scale and importance of the scheme, the quality and scope of other reporting and the extent to which annual results can be specified. Evaluations shall be considered in conjunction with the reporting requirements; see section 6.3.6.

The resources invested in evaluations shall be reasonable in view of the expected utility that will be derived from the information obtained.

Evaluations which are made available to the public shall be sent to the National Library of Norway pursuant to section 4 of the Legal Deposit



Act. This deposit duty is met by registering completed evaluations via [Evalueringsportalen](#)<sup>5</sup>.

At year-end, ministries shall send the Office of the Auditor General of Norway an overview of evaluated grant schemes.

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<sup>5</sup> *Evalueringsportalen* (the evaluation portal) is an online database of evaluations commissioned by ministries and other public entities in Norway. Available in Norwegian only.

# **Chapter 7 Design and administration of benefit schemes for private individuals**

## **7.1 Introduction**

The purpose of this chapter is to ensure efficient and appropriate design and administration of benefit schemes.

The design should underpin the objective of the benefit and help ensure that it can be administered without disproportionate cost to the benefit administrator and benefit recipients.

Benefit appropriations for private individuals shall be identified in the adopted fiscal budget using item numbers 70 to 85, cf. the Ministry of Finance circular R-101. Appropriations for private individuals under these item numbers normally fall under the provisions of chapter 7 on the administration of benefit schemes. In many cases, benefit schemes for private individuals are established by law, in some cases as rights-based schemes. However, appropriations under item numbers 70 to 85 which accrue to individuals in connection with commercial activities or otherwise in a work-related context are covered by the provisions of chapter 6 on the design and administration of grant schemes.

The provisions in chapter 7 also apply to benefits administered by administrative bodies which receive appropriations under item numbers 50 to 59, and to benefits financed by state-owned funds.

## **7.2 Benefit scheme design**

### **7.2.1 Main elements of a benefit scheme**

The ministries shall design the main elements to be emphasised in a benefit scheme as discussed below. The design shall be determined following an individual assessment of the scheme. The main elements shall be considered in close conjunction with one another.

*a) Objective and target group for the benefit scheme*

Ministries shall set objectives clarifying what central government hopes to achieve through the benefit scheme and which target group the scheme is aimed at.

*b) Objective achievement criteria*

In order to monitor the objective achievement of the benefit scheme, the ministry shall draw up criteria for objective achievement. The criteria for objective achievement may be qualitative or quantitative.

*c) Allocation criteria*

Ministries shall prepare allocation criteria. The allocation criteria shall be used to delimit potential benefit recipients and determine the benefit amount.

*d) Monitoring and control*

Ministries shall make arrangements for checks to be made of information on which allocations are based or which is included in any subsequent reports; see section 7.3.7.

*e) Evaluation*

Ministries shall ensure that benefit schemes are evaluated; see section 7.4.

## **7.2.2 Presentation to the Storting**

When proposing a new benefit scheme to the Storting, ministries shall present the main elements described in section 7.2.1 along with the relationship between them. The scope of the presentation shall be evaluated by reference to the scale and importance of the benefit scheme.

When a new annual appropriation to an existing benefit scheme is proposed, reference may alternatively be made to the assumptions underpinning legislative enactments or earlier appropriation resolutions

(in the budget proposal and the parliamentary committee's recommendation). However, the main elements must be evaluated and presented anew at regular intervals.

In their budget proposals, ministries shall report on results achieved through their benefit schemes by reference to adopted objectives.

### **7.2.3 Benefit rules**

In the case of benefit schemes, rules regulating the main elements described in section 7.2.1 (a–d), alternatively also (e), will normally be laid down in laws or regulations pursuant to legislation.

### **7.2.4 Establishment of an administrative organisation**

Ministries shall ensure that the administration of benefit schemes is organised in an efficient and appropriate manner.

#### **7.2.4.1 Central government benefit administrators**

A ministry may act as benefit administrator or delegate administration to a subordinate agency. Authority shall be granted in the form of instructions or an allocation letter. When delegating, the ministry must refer to the benefit rules.

The ministry shall check that the agency is administering benefits properly; see section 1.6 and section 7.3.9.

When the authority to administer benefits is assigned to an agency subordinate to another ministry, the ministry assigning the authority shall clarify the division of responsibility between the two ministries.

#### **7.2.4.2 Municipal and county authority benefit administrators**

In consultation with the Ministry of Local Government and Modernisation, a ministry may allow municipalities or county authorities to administer central government benefits.

Ministries shall prepare annual assignment letters with reference to the benefit rules; see section 7.2.3. Ministries shall check that administration is performed properly; see section 7.3.9.

#### **7.2.4.3 Benefit administrators owned by the state**

Ministries may delegate the administration of state benefits to state-owned limited companies, state-owned enterprises, companies established by special statute and other independent legal entities wholly owned by the state. The question of delegating administrative responsibility shall be submitted to the Ministry of Finance in advance. Annual assignment letters shall be prepared, and checks shall be carried out in accordance with the provisions in section 7.2.4.2.

#### **7.2.4.4 Benefits administered by foundations, private parties, etc.**

When there are no relevant public-sector candidates for the delegation of administrative responsibility (see sections 7.2.4.1 to 7.2.4.3), the administration may be delegated to another legal entity provided that this is deemed to be appropriate and the party in question is willing.

Decisions to delegate administrative responsibility for new benefit schemes to foundations, private parties, etc. shall require the approval of the Ministry of Finance and be discussed in ministries' appropriation proposals.

The rules on public procurement must be followed when appointing a benefit administrator. The benefit administrator's tasks and authority shall be regulated by an agreement.

Ministries shall prepare annual assignment letters with reference to the benefit rules; see section 7.2.3.2 and other relevant rules. Ministries shall check that administration is performed properly; see section 7.3.9.

## **7.3 Benefit administration**

### **7.3.1 Announcement**

In the case of benefit schemes under which the award of a benefit depends on the submission of a claim or application, announcement shall occur in such a manner that the benefit administrator reaches the entire group of potential recipients in accordance with the benefit appropriation.

In the case of schemes under which a benefit is awarded by the benefit administrator without the submission of a claim or application, information about existing schemes shall be provided to the group of potential recipients.

### **7.3.2 Processing benefit applications**

Any benefit application shall be processed in accordance with the provisions of the [Public Administration Act](#), the benefit rules, cf. section 7.2.3, and other relevant rules. A benefit application is normally treated as a case concerning an individual decision, cf. chapters IV to VI of the Public Administration Act.

### **7.3.3 Benefit commitment letter**

Where a benefit scheme requires an application, the decision to award a benefit shall be communicated to the applicant in a benefit commitment letter. As a general rule, the allocation is an individual decision under the Public Administration Act section 2 (1)(b).

Amongst other things, the benefit commitment letter and any enclosures shall describe:

- the purpose
- the benefit amount
- the disbursement system
- any reporting requirements
- reactions in the event of breach of the conditions of the benefit

Benefit commitment letters sent by central government benefit administrators shall normally be signed by an employee with budget utilisation authority; see section 2.5. When budget utilisation authority lies with a collegiate board, council, etc., or when benefit commitment letters are sent out *en masse*, the letter may be signed by another authorised person.

All benefit amounts shall be attested before disbursement, cf. section 2.5. The attesting person shall check that the disbursement proposal corresponds with the benefit decision (benefit commitment letter) and that the benefit recipient has submitted any requisite documentation.

In the case of large outgoing payments, transaction controls and related documentation processes may be based on reports (summaries) produced by an auxiliary system or other parts of the financial management system; see section 2.5.1.

### **7.3.4 Registration of benefit decision**

Decisions on benefit awards shall be registered so that the benefit administrator has an overview of accepted obligations.

Central government benefit administrators shall follow the provisions on bookkeeping and the financial management system in chapter 4. Other benefit administrators shall comply with bookkeeping, documentation and storage requirements issued by the relevant ministry in an agreement, assignment letter or some other way.

### **7.3.5 Disbursement**

Central government benefit administrators shall follow the provisions on standards and systems for budgeting, accounting and payments in chapter 3. Other benefit administrators shall comply with the disbursement requirements issued by the relevant ministry in an agreement, assignment letter or some other way.

### **7.3.6 Potential reporting duty**

The benefit administrator shall adopt systems and procedures to ensure the correct handling of outgoing payments which are taxable and thus reportable to the tax collector.

### **7.3.7 Reports from recipients**

Personal benefit recipients are not normally required to make reports. In cases where certain conditions apply for the allocation of benefit, a short report may be required, potentially with documentation, to demonstrate that the conditions are met.

### **7.3.8 Reporting to superior ministries**

Central government benefit administrators shall submit reports in accordance with the requirements for annual reporting in section 2.3.3 and the requirements laid down by the superior ministry in allocation letters or in the benefit rules.

Other benefit administrators shall submit reports in accordance with the requirements laid down by the superior ministry in agreements, assignment letters or benefit rules.

### **7.3.9 Monitoring and control**

#### **7.3.9.1 Benefit administrators' internal controls**

To secure correct administrative procedure, benefit administrators shall have systems, procedures and measures in place to ensure, among other things, that errors and deficiencies are prevented, discovered and rectified; see section 2.4 on internal controls.

Such measures shall help ensure correct:

- registration of fixed data
- allocation and application processing, including documentation of calculation results



- disbursement of benefits to the right recipients at the right times
- entry in the accounts
- handling of any documentation received from benefit recipients.

Registration and amendments of registrations about payees shall be performed by a party other than that which exercises budget utilisation authority.

### **7.3.9.2 Checks of the basis for benefits disbursed without application**

Where schemes disburse benefits based on public registers or calculations taken from other registers, systems and procedures shall be adopted to ensure the quality of the materials used.

### **7.3.9.3 Checks of documentation received from benefit recipients**

Where schemes disburse benefits directly to private individuals upon application, documentation and self-declaration requirements shall be designed to permit reasonable checks of the information provided. Insofar as possible, checks shall be carried out before benefits are approved for disbursement. If a report must be submitted to establish that certain conditions have subsequently been met, such reports shall be checked (see section 7.3.7). Implemented control measures shall be satisfactorily documented.

## **7.4 Evaluation of benefit schemes**

Ministries and benefit administrators shall ensure that evaluations are conducted to check whether benefit schemes are efficient in terms of resource use, organisation and adopted objectives.

The frequency and scope of evaluations shall be decided based on the risk profile and significance of each benefit scheme, including the scale and importance of the scheme, the quality and scope of other reporting and the extent to which annual results can be specified.

The resources invested in evaluations shall be reasonable in view of the expected utility derived from the information obtained.

Evaluations which are made available to the public shall be sent to the National Library of Norway pursuant to section 4 of the Legal Deposit Act. This deposit duty is met by registering completed evaluations via [Evalueringsportalen](#)<sup>6</sup>.

At year-end, ministries shall send the Office of the Auditor General of Norway an overview of evaluated benefit schemes.

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<sup>6</sup> Evalueringsportalen (the evaluation portal) is an online database of evaluations commissioned by ministries and other public entities in Norway. Available in Norwegian only.

## Chapter 8 Administration of guarantee schemes

### 8.1 Introduction

This chapter contains provisions on the establishment and administration of guarantee schemes. The purpose of these provisions is to ensure that guarantee schemes have an efficient and appropriate design and are subject to efficient and appropriate monitoring.<sup>7</sup>

Chapter 8 applies to so-called real guarantee schemes, i.e. where the government guarantees that a legal person (the borrower) will fulfil its contractual obligations to another legal person (the lender). Guarantees pursuant to chapter 8 may not be issued where either the lender or the borrower is a central government agency.

### 8.2 Guarantee scheme development

#### 8.2.1 Guarantee scheme design and presentation to the Storting

##### 8.2.1.1 Main elements

The decision regarding the design of and main elements to be emphasised in a guarantee scheme as discussed below shall be made following an individual assessment of the scheme.

##### *a) Objective of the scheme*

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<sup>7</sup> Regarding the basis for this chapter, see for example the general guidelines for new guarantees discussed in the [National Budget 1983](#) (see also [Budsjettinnst. S. I \(1982—83\)](#)), the proposed procedure for handling guarantee cases in the white paper [St.prp. nr. 1 \(1985—86\)](#) and the Auditor General's [Document no. 3:6 \(1995—96\)](#) on the administration of state guarantee schemes (see also [Innst. S. nr. 218 \(1995—96\)](#)).

When proposing new guarantee authorisations, ministries shall prepare formulations clarifying what central government hopes to achieve through the guarantee scheme (the objective), and the intended target group.

*b) Main conditions and specified standard conditions*

Ministries shall develop main conditions for guarantee commitment. These shall be based on the standard conditions the Storting has approved for guarantee schemes in general (see section 8.2.2), including any defined exceptions. If guarantees are to be issued for loans in foreign currencies, this shall be specified, along with the consequences this shall have. Ministries shall also ensure that specified standard conditions are defined for schemes; see section 8.2.4.

*c) Commitment criteria*

Ministries shall prepare guarantee commitment criteria.

*d) Monitoring and control*

Ministries shall ensure clarification of what information is to be obtained from the contract parties, and necessary verification of the correctness and completeness of information on which guarantee commitments are based and which is included in subsequent reports; see sections 8.3.2, 8.3.3 and 8.3.5.

*e) Guarantee redemption*

Ministries shall ensure that rules are adopted on how guarantee administrators are to handle claims for redemption of state guarantee liability; see section 8.4.

*f) Evaluation*

Ministries shall ensure that guarantee schemes are evaluated; see section 8.5.

### **8.2.1.2 Regulations**

Ministries shall issue provisions regulating paragraphs (a) to (e), and if necessary also (f).

### **8.2.1.3 Presentation to the Storting**

When proposing new guarantee schemes, ministries shall present the main elements mentioned in section 8.2.1.1 to the Storting, along with the relationship between them.

When a new guarantee authorisation under an existing guarantee scheme is proposed, reference may alternatively be made to the assumptions underpinning earlier guarantee resolutions (in the budget proposal and the parliamentary committee's recommendation). However, the main elements must be evaluated and presented anew at regular intervals.

A guarantee authorisation proposal shall be submitted to the Storting simultaneously with the fiscal budget proposal, see section 6, first paragraph, of the Appropriation Regulations. Guarantee commitments under a guarantee authorisation may only be made in the relevant financial year.

Guarantee authorisations shall be subject to a financial cap.

In their budget proposals, ministries shall report to the Storting on results achieved through their guarantee schemes. Guarantees normally run for several years, and it can therefore be difficult to provide a thorough assessment of objective achievement and the risk of guarantee scheme payouts in annual reports. This shall be kept in mind when designing evaluation systems for such schemes; see section 8.5.

## **8.2.2 Main conditions for state guarantees**

According to the Storting's reviews in 1982 and 1985, the main conditions of a guarantee scheme shall normally be as follows:

- a) A guarantee scheme shall be self-financing through the collection of guarantee commission/fees. These sums shall be paid into a fund

which shall cover expected spending linked to both losses and administrative expenses.

- b) The form of guarantee shall be that the state acts as simple guarantor, i.e. that the state only incurs guarantee liability if the lender can document that the borrower is unable to pay.
- c) Risk shall be distributed between the state and other lenders and guarantors on a pro rata basis. The state's guarantee liability shall normally be capped at 50 per cent of the losses incurred.

Pro rata distribution entails the allocation of losses in accordance with the established pro rata ratio, which normally mirrors the maximum amount of risk accepted by each party. Further, all security provided for a loan must be made available to all parties participating in the relevant pro rata distribution, according to the same ratio. No participant may have access to special security to which the other participants do not have access. Equal access shall be secured for the state to any future collateral security provided to co-guarantors by the borrower during the guarantee period.

Guarantee authorisation proposals shall describe the type of guarantee commission to be paid. Guarantee commission shall normally take the form of a non-recurring premium calculated by discounting a running premium on the basis of an assessment of loss risk. Administrative fees shall normally take the form of a non-recurring amount reflecting a discretionary calculation of the guarantee administrator's administrative expenses.

Guarantees shall not normally be issued until guarantee commission and administrative fees have been paid.

If a guarantee relates to a loan denominated in a foreign currency, the state's liability should be set as a fixed proportion of the receivable if the exchange rate of the foreign currency falls below the exchange rate at the time the guarantee is issued, and be capped at a given amount in NOK if the rate rises.

The Storting shall approve the main conditions for individual guarantee schemes, normally as a prerequisite for the actual guarantee resolution;

see section 8.2.1.3. If the government considers it necessary to deviate from the above standard conditions, the necessary exceptions shall be incorporated and explained when the matter is submitted to the Storting.

### **8.2.3 Potential exception to the standard condition regarding self-financing**

Any exception to the standard condition regarding self-financing shall require express approval by parliamentary resolution. If the state undertakes to cover the difference between an expected loss and the coverage provided by accumulated guarantee commission, such support shall be allocated under special expenditure items (grant items) in the fiscal budget.

### **8.2.4 Adoption of specified standard conditions**

The rules for each scheme shall include both the main conditions in section 8.2.2 and standard conditions. If a ministry is not the guarantee administrator, it may delegate the setting of standard conditions to the guarantee administrator. The rules shall also specify the types of supplementary conditions which may be imposed on individual borrowers.

### **8.2.5 Establishment of an administrative organisation**

Ministries shall ensure that the administration of guarantee schemes is organised in an efficient and appropriate manner.

A ministry may act as guarantee administrator or delegate administration to a subordinate administrative body. The ministry may delegate authority to issue detailed rules on scheme administration, to process applications and to make guarantee declarations, etc.

## **8.3 Administration of guarantee schemes**

### **8.3.1 General**

Guarantee administrators shall follow the provisions laid down in allocation letters and other guarantee scheme regulations.

### **8.3.2 Announcement and application processing**

Announcement shall occur in such a manner that the entire intended target group for the guarantee scheme is reached.

The processing of applications shall follow the rules in the [Public Administration Act](#) and any special guarantee scheme legislation.

All documents shall be stored for the duration of the guarantee period.

### **8.3.3 Guarantee declaration/entry into agreement**

Conditions set for a guarantee shall preferably be recorded in an agreement signed by the guarantee administrator, the borrower(s) and the lender(s). A deadline shall be set for utilisation of the guarantee commitment, after which the unutilised part of the commitment shall lapse.

The guarantee declaration/agreement shall detail:

- a) The purpose of the guarantee scheme and the conditions and defined expectations adopted by the state; see sections 8.2.2 and 8.2.4.
- b) Other conditions and provisions which are commonly included in the relevant type of guarantee, whether directly or by reference.
- c) An ongoing duty for the lender to provide information and submit periodic reports. The borrower shall normally be required to submit accounts, including an auditor's report and attestation, annual reports and operational reports.
- d) Clauses on the consequences of any breach of condition. Among other things, the applicable due care standard must be specified.



Consideration shall be given to whether it is necessary to clarify that the state's right of recourse is governed by the defined expectations underpinning the parliamentary resolution and by the guarantee conditions, and remains unaffected by the making of appropriations to cover any loss.

A guarantee declaration/agreement shall be signed on behalf of the guarantee administrator by an employee with special authorisation to sign such documents.

### **8.3.4 Registration of commitments/guarantee liability**

Commitments shall be registered so that guarantee administrators have an overview of them. Guarantee administrators shall have systems and procedures in place to monitor utilisation of guarantee commitments and ensure that they are not exceeded. It shall be possible to prepare periodic reports on the utilisation of issued guarantee commitments and all subsequent changes in the form of reductions in scale or lapse.

### **8.3.5 Reports from agreement parties**

Guarantee administrators shall monitor guarantee commitment utilisation and developments in the underlying contractual relationship between the lender and the borrower. The volume of resources invested in monitoring shall be adapted to the risk associated with the guarantee commitment.

Guarantee administrators shall keep themselves updated on the information submitted by the agreement parties and request information which is not submitted on time. A check shall be performed which is adapted to the individual contract situation and has a reasonable scope in view of the utility of the check.

In the event of a default, a guarantee administrator shall immediately take necessary steps to minimise the state's losses; potential measures include termination of the guarantee and conclusion of a new agreement on the parties' right to remedy the deficiencies.

### **8.3.6 Reporting to superior ministries**

If a guarantee administrator is not a ministry, the guarantee administrator shall report to the superior ministry in accordance with the requirements set in the allocation letter or guarantee scheme regulations. The scope, content and frequency of such reports shall be decided by the superior ministry in consultation with the guarantee administrator; see section 1.5.

The guarantee administrator shall inform the superior ministry immediately upon gaining knowledge of any material deviation from adopted guarantee scheme plans or defined expectations in an allocation letter.

### **8.3.7 Guarantee administrators' internal controls**

Guarantee administrators shall establish internal controls to ensure high-quality administration of guarantee schemes in accordance with adopted objectives and scheme regulations; see the discussion in section 2.4.

## **8.4 Guarantee redemption, right of recourse**

When a lender requests that the state redeem its liability, the guarantee administrator shall evaluate the basis for the lender's claim. In the case of a simple guarantee, this will entail requiring the lender to document the borrower's inability to pay.

If, in exceptional circumstances, the state has issued an unconditional guarantee, the guarantee administrator shall act as contractually agreed if the borrower fails to pay on the due date.

When a guarantee administrator pays a lender, the state acquires a right of recourse. To prevent misunderstandings, however, this shall be contractually specified.

Once a guarantee has been redeemed, the guarantee administrator shall decide, among other things:

- whether the recourse claim should be enforced or a repayment plan agreed
- what security should be realised
- whether to notify claims before expiry of any special limitation periods.

## 8.5 Evaluation of guarantee schemes

Ministries and guarantee administrators shall ensure that evaluations are conducted to check whether guarantee schemes are efficient in terms of resource use, organisation and adopted objectives.

The frequency and scope of evaluations shall be decided based on the risk profile and significance of each guarantee scheme, including the scale and importance of the scheme, the risk of default and losses, the quality and scope of other reporting and the extent to which annual results can be specified (see section 8.2.1.3).

The resources invested in evaluations shall be reasonable in view of the utility derived from the information obtained.

Evaluations which are made available to the public shall be sent to the National Library of Norway pursuant to section 4 of the Legal Deposit Act. This deposit duty is met by registering completed evaluations via [Evalueringsportalen](#)<sup>8</sup>.

At year-end, ministries shall send the Office of the Auditor General of Norway an overview of evaluated guarantee schemes.

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<sup>8</sup> *Evalueringsportalen* (the evaluation portal) is an online database of evaluations commissioned by ministries and other public entities in Norway. Available in Norwegian only.