Norwegian Ministry
of Finance

Public sector accounting practices in Norway

Knut Klepsvik

EPSAS meeting in Rome, May 2019

Content

- Overview of public sector accounting in Norway
- Chart of accounts in the central government
- Central government accounting
- Local government accounting

The Norwegian Public Sector Accounting

Government administration level	Government accounting by the relevant government entity	National accounts (general government) by Statistics Norway
The central government • The Storting and subordinate entities • The Judiciary • The Ministries (15) and subordinate agencies (180)	Cash based financial reporting (aggregated data, no consolidation) in line with the state budget. State accounts presented by the Ministry of Finance.	Aggregated data reassessed to accrual basis according to ESA
Government enterprises and companies	Individual financial reports according to NGAAP/IFRS	
Local governments • County municipalities (regions) • Municipalities	Individual municipal financial reports on a modified accrual basis	Consolidated total revenues and expenditures according to ESA

Standardised chart of accounts for central government accounting

- Type of transaction; mandatory at 3-digit level
  - Balance sheet accounts
    - 1 Assets
    - 2 The state capital and Liabilities
  - Operating accounts
    - 3 Sales and operating income
    - 4 Cost of goods
    - 5 Payroll costs
    - 6-7 Other operating costs
    - 8 Financial items, transfers, profit for the period and settlements
- Other mandatory dimensions
  - Budget chapter and line item (by ministry and programmes)
  - Organisation

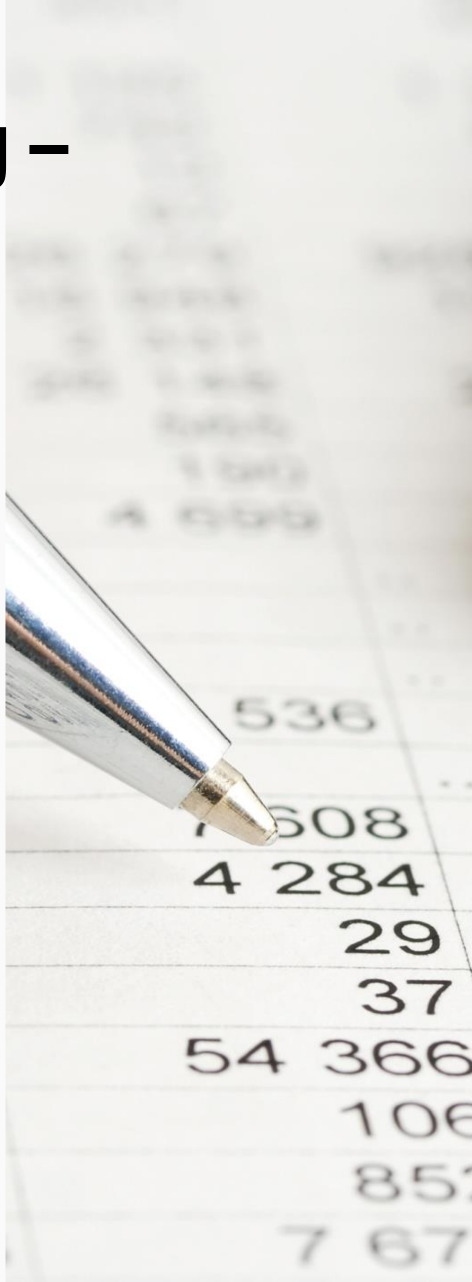
The chart of accounts for budget accounting

- 570 chapters (4 digits) containing a specific purpose
- 1560 line items (2 digits), classified by category of transactions

Expentiture items	Revenue items
1. central government operating expenses (line items 01-29)	1. sales of goods and services
2. buildings, construction projects, etc. (line items 30-49)	2. revenues linked to buildings, construction projects, etc.
3. transfers to third parties (l. items 50-89)	3. transfers from third parties
4. loans, national debt, etc. (l. items 90-99)	4. repayments, etc

Central government accounting and financial reporting – agency level

- Standard ERP system
- 3/4 of the agencies use shared services
  (by the Norwegian Government Agency for Financial Management)
- Accrual (1/3) or cash (2/3) accounting
- Reports on cash basis to the central state accounts, published monthly
- Standardised annual report including financial report by 15 March



The accrual accounting standards

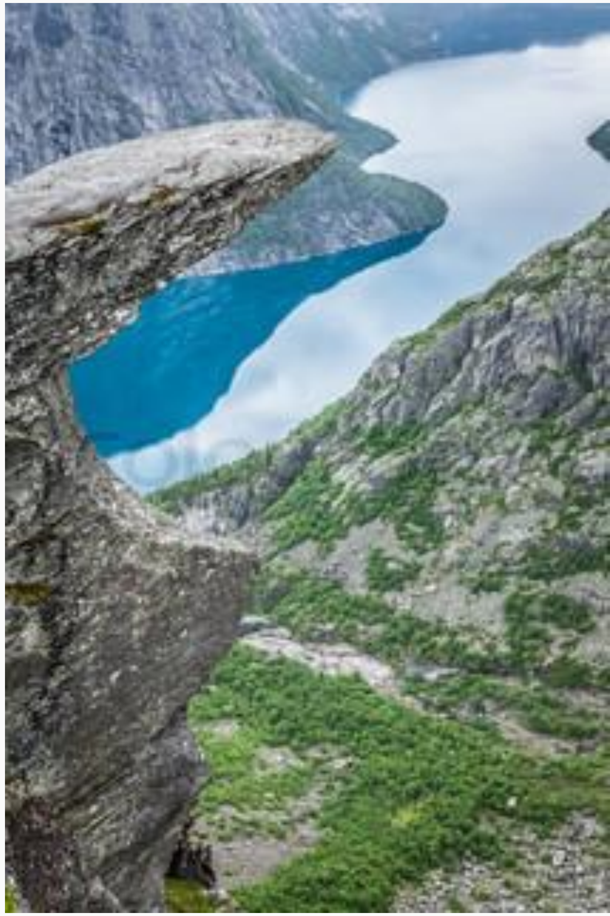
- The standards are mainly based on the relevant Norwegian private sector standards
- Based on IPSAS where there is no applicable Norwegian private sector accounting standard
- Mandatory as from 2016
- The opening balance: replacement value
- Objective: better cost information and balance sheet information

Central government accounting and financial reporting – central level (state accounts)

- Cash based financial reporting that mirrors the budget
- Appropriation accounts
  (by ministry, programme, budget chapter and transaction category)
- Capital accounts (balance sheet)
- Central web portal for monthly financial reporting
- Annual white paper on the accounts to the Storting by end of April

Local government accounting and financial reporting

- Financially oriented accounting system on a modified accrual basis
- The municipal accounts include operating accounts, capital accounts and balance sheet accounts
- The accounts are specified according to account category, function and type
- KOSTRA provides service data and key financial figures on local government



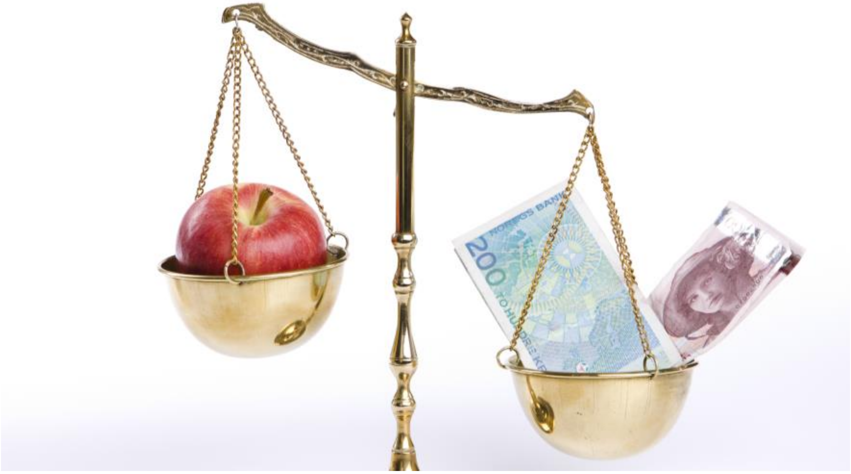
Next steps

2015 Public commission report (NOU 2015:1)

2016 The public hearing demonstrated higher costs and less benefit of accrual accounting than documented

2017 A simplification project started

2020 Accounting standards to be reassessed within three years after simplification measures



Norwegian Ministry
of Finance

Thank you for your attention!

Further information: knut.klepsvik@fin.dep.no

Foto credit: Colourbox.com

Norwegian Ministry
of Finance

Appendix

Reform timeline (central government)

2003 Shared Services Centre for wages and accounting in the central government

2003 Government decision after a public commission report (NOU 2003:5)

- Cash based state budget and state accounts (central government)
- Voluntary accrual accounting for central government agencies
- The Government Pension Fund is valued in the state's balance sheet at market value

2004-2007 Development of accounting standards for central government agencies

2010 Recommended accounting standards and chart of accounts

Accrued interest and loss provisions for student loans etc. in the state accounts

2014 Mandatory chart of accounts in the central government

Standardised annual reports including financial reports (web)

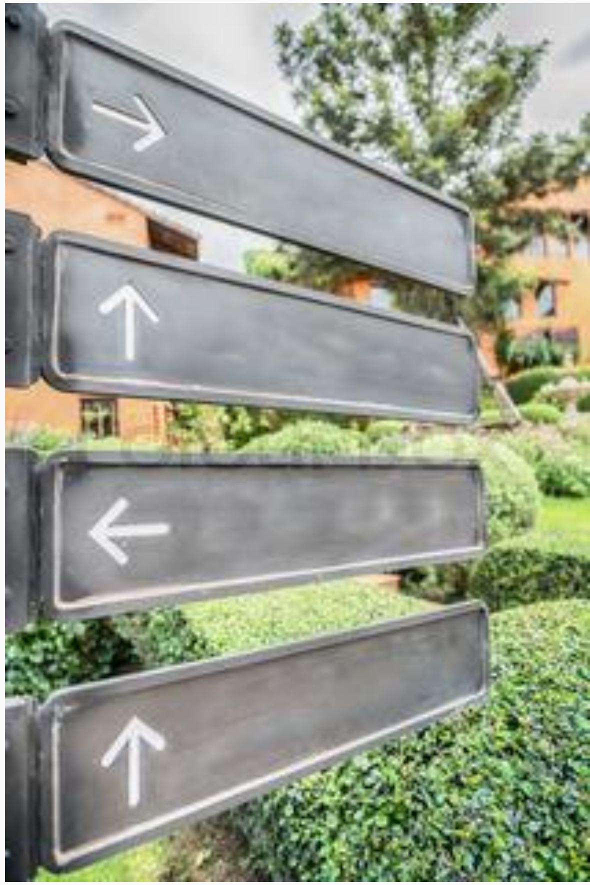
2015 Public commission report (NOU 2015:1)

2016 Mandatory accounting standards for agencies that do not apply cash accounting

2017 Standards to be reassessed within three years after simplification measures

Objective of the accrual standards: improved information

- Better cost information for supplementary use
- A better basis for measuring cost per output
- Improved basis for deciding the allocation of public resources
- Basis for benchmarking/comparisons:
  - within governments agencies over time
  - between government agencies
  - in relation to private companies
- More and better information in the balance sheet



Accrual accounting standards for agencies

- Memo on principles, including the opening balance
- SRS 1 Presentation of the financial report (agency accounts)
- SRS 2 Cash flow statement
- SRS 3 Change of principle, estimate change and correction of errors
- SRS 9 Transaction-based revenue
- SRS 10 Income from grants, grants and transfers to the agency, as well as transfers to and from the state
- SRS 11 Construction contracts
- SRS 12 Inventories of goods and operating materials
- SRS 13 Leases
- SRS 17 Fixed assets
- SRS 19 Contingent liabilities and contingent assets
- SRS 25 Employee benefits