

# REGULATION

## for the implementation of the fiscal budget and the accountability for Treasury finances of the A-budget.

### CHAPTER I

#### Purpose, main concepts and area of applicability

##### Article 1

###### *Purpose*

The purpose of this regulation is to promote the efficient operation of ministries and their agencies so that their finances remain within budget limits and that managers be responsible for their finances in accordance with Article 49 of the Government Financial Reporting Act no. 88/1997 and the provisions of the Government Employees Act no. 70/1996.

In the course of the operation of ministries and government agencies, the budget limits as well as the laws and regulations applying to their operation must be observed. Managers shall also work towards planning and the conclusion of agreements in accordance with views on performance management in government operations. Managers shall also make certain that individuals purposes and policy aims be respected, as they are let out by competent parties.

##### Article 2

###### *Definition of terms*

The definition of terms in this regulation is as follows:

*An agency* is a part of the central government that comes under the authority of the highest level of government, including ministries and central government institutions, cf. Paragraph 2 of Article 3.

*A manager* is a civil servant as defined in Article 22 of the Government Employees Act no. 70/1996 who can be held accountable according to Article 38 of said Act.

*An annual budget plan* represents the allocation and distribution of the agency's budget limit for the year, based on its projection of expenditures and is subject to the budget limits for the year, cf. Article 8.

*Unforeseen expenditures* represent expenditures that were not foreseen when the fiscal budget was passed and lead to an obligation for the government to pay in excess of budget limits, cf. Article 33 of Act no. 88/1997.

*An unallocated budget account* is a special undivided item in the budget from which for certain specified projects can be allocated.

*Performance management* covers the setting of performance objectives as well as their assessment and financial projections.

*A budget limit* consists of expenditures less agency income according to the fiscal budget, plus transfers from unallocated budget accounts, wage and price supplements, supplementary fiscal budget allocations plus carry-overs of surpluses or shortfalls from the previous year.

##### Article 3

*Area of applicability.*

This regulation applies to managers and managing boards of agencies when these parties arrive at decisions regarding operations and the use of funds in accordance with budget limits. The regulation also applies to ministries regarding their supervision of the implementation of managers and managing boards of agencies of the fiscal finances of agencies and when they make decisions in accordance with Act no. 88/1997, including the use of unallocated budget accounts.

The Ministry of Finance will make a list of agencies to which this regulation applies in consultation with competent ministries.

## CHAPTER II

### **Organisation and allocation of responsibility.**

#### Article 4

*General supervision and coordination.*

The Ministry of Finance is charged with the task of general supervision of fiscal budget implementation and provides general instructions related thereto. It monitors the total expenditure of agencies in order to ascertain that they are in accordance with budget limits.

The Ministry shall monitor the supervision of other ministries of the finances of those agencies that come under their competence. For this purpose, it may request information from individual ministries regarding the fiscal finances of agencies and proposed measures of fiscal implementation.

#### Article 5

*Individual ministries.*

Each ministry is in charge of affairs under its responsibility in accordance with law. Once the Althingi has passed a budget appropriation, it may be disbursed in accordance with the fiscal budget without further approval of the Ministry of Finance.

Ministries shall decide upon general policy objectives that shall serve as guidelines for the implementation of individual tasks and take the initiative in the drafting of performance agreements. Ministries shall monitor the fiscal finances of agencies under their competence.

#### Article 6

*Agency management.*

An agency manager is accountable for the fiscal expenditure and fiscal results of his agency and that they are in accordance with budget limits and that funds be used in a responsible manner cf. Article 49 of Act no. 88/1997.

In cases where the board of managers is expected to be accountable for the operation, finances and accounts of their agency, and a manager is appointed to manage these tasks, in accordance with further instructions in special legislation, the ministry shall see to it in its letter of instructions to the manager and, as the case may be, in its letter of appointment to the board of managers, that there is a clear division of responsibility between the board and the manager.

## CHAPTER III

## **Fiscal budget implementation.**

### Article 7

#### *On agency planning.*

In accordance with the emphasis on performance management objectives, agency managers are responsible for the drafting of a long-term plan for their agency, an annual plan and an annual report. The long-term plan shall reflect the objectives and areas of main emphasis of the agency. A ministry is obligated to express its position regarding the long-term plan of the agency. The annual plan shall be within budget limits and in addition it shall specify individual objectives and indicators of performance in the agency's operations.

### Article 8

#### *Annual plan.*

In October each year, a ministry shall introduce agencies to the budget amounts that are expected to be at disposal for the year in accordance with the fiscal budget proposal for the coming year. Agency managers are expected to turn in their annual plan to the ministry before the end of December each year. The plan shall be within budget limits and be based on the provisional accounts of the agency. It shall include the distribution of expenditure within the year. The distribution shall be specified by main tasks, wages, other current expenditure, asset purchases, transfer payments and agency income.

Before the middle of January each year the ministry shall decide upon and confirm the annual plan of the agency, with or without amendments. Following that, budget disbursements shall be distributed by month within the year in the central government's information system.

As soon as final accounts for the previous year are ready, the agency manager shall review the annual plan of the agency if needed and send it to the ministry for a new consideration, cf. Paragraph 2.

### Article 9

#### *The passing of information.*

Agency managers shall turn in, within the time limits set by the Financial Management Authority, information so that the central government's accounting system can at each time present as accurate a picture as possible of the financial state of agencies.

The Financial Management Authority shall as quickly as possible make information available regarding the expenditure of agencies that must be turned in according to Paragraph 1 for ministries so that such information may be useful to them for supervisory purposes.

The Ministry of Finance shall prepare a quarterly report on the implementation of the fiscal budget and present the conclusions to the Government and the fiscal budget committee of the Althingi.

### Article 10

#### *Unallocated budget accounts.*

If an agency determines that such conditions are at hand where it can request supplementary funds from unallocated budget accounts which are intended to meet specified expenditure, it shall report and explain its reasons to the competent ministry. The ministry shall as soon as possible act on such a request and inform the agency of its conclusion. If the ministry concurs with the request, the annual budget shall at the same time be revised in line with expenditures.

## Article 11

### *Unforeseen payment obligations.*

If a ministry has determined that an agency is incurring unforeseen expenditures, the ministry shall immediately inform the Ministry of Finance of the situation. The Ministry of Finance shall assess, in consultation with the competent ministry, whether the expenditures are unforeseen and will lead to a payment obligation of the Treasury, cf. Article 33 of Act no. 88/1997. The Ministry of Finance shall inform said ministry of its conclusion as soon as possible. The conclusion shall be based on the reference guidelines of the Ministry of Finance regarding frame budgeting.

If wage agreements are concluded that call for additional expenditures that are not provided for in the fiscal budget, the Ministry of Finance shall assess their impact as soon as possible.

If a payment obligation is incurred by the Treasury pursuant to this Article, the Ministry of Finance shall seek the authorisation of the Althingi for the payment of such expenditures in accordance with further instructions of Articles 33, 34 and 44 of Act no. 88/1997.

## Article 12

### *Supervision of annual plan.*

In the operation of an agency, the manager shall see to it that the expenditures are in concert with the plan at the end of each period within the year.

The ministry shall regularly and no less than every third month compare the plan with actual expenditures. If it emerges in the ministry's inquiry into an agency's expenditure, or upon information received from the manager, that the expenditure of the agency exceeds plans by more than 4 per cent in excess of the plan, the ministry shall take the initiative to seek an explanation and see to it that the manager resorts to necessary measures to bring expenditure back within limits.

## Article 13

### *Commitments.*

An agency manager or its board are not authorised to initiate other expenditures than those assumed in the fiscal budget, except to the extent that they would fall within the frame of the Regulation of the Ministry no. 83/2000 regarding borrowing and account transactions of A-budget agencies. Commitments that arise from traditional trade credits are not included under this provision, provided they are based on decisions already incorporated in the annual plan, cf. Article 32 of Act no. 88/1997.

## CHAPTER IV

### **The obligations of managers.**

## Article 14

### *General.*

A manager is responsible for the operation of the agency that he manages and that it operates in accordance with law and his letter of instruction. The manager shall see to it that its expenditures are in accordance with budget limits and that its funds are used efficiently, cf. Article 38 of Act no. 70/1966. A manager shall also see to it that the finances and operation of the agency in question are in accordance with longer-term and short-term plans, cf. Article 7 and 8.

## Article 15

*The obligation of reporting significant excess expenditures.*

A manager shall see to it that expenditures are in concert with the annual plan. If expenditures less income turn out to be more than 4 per cent in excess of the agency's plan, the manager shall immediately report to the board and the ministry and explain the reasons why and how he plans to respond.

The report of a manager to a ministry that expenditures are in excess does not absolve him from his duties. He is nevertheless obligated to seek every possible means of responding to the problems at hand.

## Article 16

*Letter of instruction.*

The minister issues a letter of instruction to each manager where he outlines the main long- and short-term objectives and what his duties should be in this regard.

The letter of instruction shall specify the division of tasks between the board of the agency and its manager.

The letter of instruction shall outline the main tasks of the manager. The tasks that pertain to the interaction between the ministry and the managers regarding the drafting of the annual plan shall be explained in greater detail, cf. Article 8, and regarding its implementation. The letter shall also note the obligation of the manager of informing the ministry when the expenditures of the agency are in excess of the annual plan, according to Article 15 and the obligation of the manager to report information in accordance with Article 9.

## CHAPTER V

**Special measures regarding excess expenditures.**

## Article 17

*Expenditures in excess of the annual plan.*

As soon as a ministry becomes aware of the fact that the expenditures of an agency exceeds the annual plan by more than 4 per cent, it shall go over the explanations of the manager, cf. Paragraph 1 of Article 15 and if necessary procure necessary additional explanations from the manager and the board of the agency in question. The ministry may give the manager and the board of the agency a deadline of up to five days to turn in the necessary documentation and information. The ministry will then make an independent assessment of the explanations provided.

## Article 18

*The initiative of the ministry.*

The competent ministry shall see to it that the manager takes necessary measures to solve the operational problems at hand. It may set a deadline for the manager and, as the case may be, for the board of the agency to implement its instructions for correction.

## Article 19

*Reprimand.*

If it becomes evident that a manager has violated the duties of his office, but there are not sufficient grounds to relieve him temporarily of his duties, cf. Paragraph 3, Article 26 of Act no. 70/1996, the competent authority shall issue a reprimand to him, cf. Article 21 of the same Act.

Before a manager is reprimanded, he shall receive a written report of the infractions of duty that he is charged with and give him an opportunity to explain his case.

A reprimand shall be in writing and its reasons must be explained.

Article 20

*Relief of duty.*

If it becomes evident that accounts or finances are not in order or that expenditures are repeatedly or considerably in excess of budget limits, cf. Paragraph 2, Article 12, the competent authority, ministry or the board of the agency shall assess whether the manager shall be reprimanded according to Paragraph 2, Article 26 and Paragraph 2, Article 38 of Act no. 70/1996 or whether he shall be temporarily relieved of his post according to Paragraph 3, Article 26 of the same Act.

If the manager has become guilty of a significant or repeated dereliction of duty, he shall be temporarily relieved of his post. Before a decision is reached regarding a temporary relief of duty due to a repeated dereliction of duty, a reprimand must be at hand, cf. Article 19. The ministry of the authority issuing the relief, cf. Article 31 of Act no. 70/1996, shall ensure that the matter has been made fully clear.

Should a manager wish, a temporary relief of duty shall be explained. If another authority than a minister has made such a decision, the decision may be referred to the competent minister.

If a manager is temporarily relieved of his duties, his case shall be referred to a committee according to Article 27 of Act no. 70/1996.

In all other regard, the provisions of chapter VI of Act no. 70/1996 shall apply to the relief of a manager from duty, as applicable.

CHAPTER VI

**Entry into force.**

Article 21

This regulation is issued according to Article 51 of the Financial Reporting Act no. 88/1997 and enters into force immediately. The regulation no. 116 of February 13<sup>th</sup> 2001 regarding the same matters is abolished at the same time.

*The Ministry of Finance, December 22<sup>nd</sup> 2004*

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