

Overview of the most important remarks concerning the ministries' administration and implementation of the budget for 2008

22 October 2009

The Office of the Auditor General has no serious remarks on the administration and budget implementation for 2008 for the Office of the Prime Minister, the Ministry of Fisheries and Coastal Affairs, the Ministry of the Environment and the Ministry of Petroleum and Energy.

The other ministries in alphabetical order:

The Ministry of Agriculture and Food

The use of funds for the marketing of reindeer meat

The Office of the Auditor General finds that the Ministry's decision not to subject the marketing of reindeer meat to competition warrants criticism. The Office of the Auditor General has noted that the Ministry has referred to the Marketing Act and the national Agricultural Agreement as legal authority for deviating from the provisions of the Public Procurement Act. The Office of the Auditor General fails to see that the marketing of agricultural products is exempt from the procurement regulations.

Norwegian Institute for Agricultural and Environmental Research (Bioforsk)

In 2008, Bioforsk has again carried out procurements in violation of the regulations for public procurements. The control shows that the records for some procurements are missing or inadequate. There are also significant cost overruns for some procurements.

The regulations for the accounting treatment of write-downs of share values have not been complied with, and the profit/loss for the year has therefore been stipulated too high.

The Norwegian Agricultural Authority

A parallel framework agreement for the purchase of ICT services has been entered into in violation of the regulations for public procurements. The audit has uncovered significant deficiencies in the framework agreement itself as well as in the manner in which it is practiced.

The Ministry of Children and Equality

County Social Welfare Boards

Nearly 90 per cent of child welfare cases in 2008 exceeded the four-week case processing time stipulated as a goal in the Child Welfare Act. Despite the fact that the Ministry has increased the County Social Welfare Boards' personnel resources since 2007, case processing times are still too long. The Office of the Auditor General is concerned that the long case processing times could have serious consequences for the children concerned.

The County Social Welfare Boards are responsible for case processing in child welfare cases pursuant to the Child Welfare Act. Rapid case processing is intended to ensure that children receive the help they need at the right time. The Office of the Auditor General is critical of the Ministry's insufficient follow-up of the substantial differences in case processing times between County Social Welfare Boards. Nor has it introduced uniform procedures and methods for good case management. In the Ministry's opinion, the establishment of a central body from 2010 will improve utilisation of capacity and make the individual County Social Welfare Boards less vulnerable.

Measures to combat poverty among children and young people

Grants for measures aimed at combating poverty among children and young people in 23 urban municipalities are intended to help to improve the children and young people's situation and living conditions by offering holiday and leisure activities. The regulations governing the grant scheme are imprecise and inadequate. Among other things, they lack goal achievement criteria. The regulations are also unclear about what measures should be given priority.

Applications for grants for measures to combat poverty among children and young people are processed by both the municipalities and the Ministry. This delays case processing and causes problems for the municipalities' overall prioritisation as regards measures for children and young people. The Office of the Auditor General questions this double processing.

The Ministry of Culture and Church Affairs

The Norwegian Church Endowment (Opplysningsvesenets fond)

The Norwegian Church Endowment's accounts contain material errors, and there are weaknesses in its accounting documentation. This is in violation of the Accounting Act and the Bookkeeping Act. The regulations for public procurements are still not satisfactorily complied with, including the verifiability requirement in the procurement process.

Norsk Tipping AS

Norsk Tipping AS has awarded a contract worth approx. NOK 20 million without competition to its wholly-owned subsidiary Fabelaktiv AS. The award may have resulted in the procurement being unnecessarily expensive, and it constitutes a risk of illegal cross-subsidising of the subsidiary.

Norsk Tipping AS has not had guidelines and procedures in place that satisfactorily prevent illegal cross-subsidies in connection with the buying and selling of Fabelaktiv AS' services. This matter was first pointed out in the reporting to the Storting for 2003. The Office of the Auditor General takes a serious view of the fact that Norsk Tipping AS has not implemented adequate measures, and that the Ministry of Culture and Church Affairs has not followed up more closely Norsk Tipping AS' management of its subsidiaries and associated companies.

The Ministry of Defence

The Armed Forces

According to the Ministry of Defence, military exercises and training are crucial in terms of securing the operational capability of the Armed Forces. It is therefore the Office of the Auditor General's opinion that it is unfortunate that, for 2008 overall and during the previous long-term period, the Armed Forces were not able to train personnel at a desirable level in relation to their tasks and operational capability. The Office of the Auditor General notes that the Ministry of Defence reports an expected increase in military exercises in 2009 compared with 2008.

Critical shortcomings have been identified in certain categories of personnel and materiel in several units. The shortcomings identified may have serious consequences, both in terms of personnel safety and the Armed Forces' ability to carry out its statutory tasks.

In summer 2008, the Armed Forces decided to put part of its financial management system FIF 2.0 into operation despite the fact that it was known to have considerable defects and shortcomings. Among other things, this decision resulted in deterioration in the Armed Forces' overview of their own materiel and a delay in the introduction of a complete logistics solution (FIF 3.0). The Office of the Auditor General has previously raised shortcomings in the Armed Forces' material management in its reporting for the years 2005, 2006 and 2007.

The Office of the Auditor General finds that it warrants criticism that the Armed Forces still have problems paying all their invoices on time. The same matter was pointed out in the audits of the accounts for 2004, 2006 and 2007.

The Norwegian Defence Estates Agency

The Norwegian Defence Estates Agency has failed to establish satisfactory internal control. Among other things, this has resulted in inadequate reporting of reportable payments, violations of the act and regulations relating to public procurements, and in transactions that are not acceptable in terms of the norms and standards that apply to government financial management. The Norwegian Defence Estates Agency has, for example, extended restructuring agreements and placed free housing and cars at employee's disposal without legal authority. A lack of traceability between invoice and procurement documentation has also

been uncovered. A control of operating and maintenance procurements found inadequate documentation for 73 per cent of the invoices checked.

The Ministry of Education and Research

In the Office of the Auditor General's view, it warrants criticism that as many as five agencies have received audit letters containing serious remarks. The agencies concerned are the Directorate for Education and Training, the Norwegian School of Veterinary Science, Bergen National Academy of the Arts, Lillehammer University College and Stord/Haugesund University College. Among other things, the Office of the Auditor General takes a serious view of the fact that, at Bergen National Academy of the Arts, the academy's management is itself directly responsible for the matters that have been uncovered, for example as regarding travelcost and representation . Weaknesses have also been uncovered in supervision of private university colleges abroad, including inadequate accounts and some colleges charging tuition fees that are too high in relation to the regulations.

Many of the weaknesses relating to the quality of the accounts in subordinate agencies in the university and university college sector have been brought to the attention of the Ministry of Education and Research over a number of years. This raises the question of whether the Ministry should organise its work in a manner that would enable it to exercise better control and assess whether orders are complied with.

Goal and performance management

There is lack of audit trail between data in the research systems and the Database for Statistics on Higher Education (DBH). The Office of the Auditor General has specified that the data reported must be reliable and verifiable in order to enable the Ministry of Education and Research to assess whether the goals for each individual budget year have been achieved.

The role of boards in the university and university college sector

The Office of the Auditor General takes a serious view of the fact that several university and university college boards have not yet followed up key requirements in statutes, regulations and allocation letters, and expects the Ministry of Education and Research to follow up the responsibility assigned to the boards.

Pay for extra work for teaching and research positions

The Office of the Auditor General finds that it warrants criticism that the universities and university colleges continue to pay for extra work on the basis of an agreed number of hours, with no form of registration of hours worked. This is in violation of the requirements of the Basic Agreement for state employees and the State Personnel Handbook.

The Ministry of Finance

The Government Pension Fund – Global (GPFG)

The Ministry of Finance has received its concluding audit letter with comments relating to the administration of the Government Pension Fund – Global for 2008.

The Office of the Auditor General is critical of the insufficient framework provided by the Ministry of Finance for securities lending and leverage in GPFG. Both of these matters amounts to several hundred billion kroner each, and the magnitude underlines the need for a concise framework.

In the Office of the Auditor General's view the Storting has not been provided sufficient information about the use of GPFG's leverage, and therefore the use of leverage has not been in accordance with the decisions and intentions of the Storting until 2009.

The Office of the Auditor General is also critical of that investments in American Mortgage Backed Securities were initiated without adequately identifying the operational risk. This is not in compliance with the guidelines for the administration of GPFG.

The Office of the Auditor General has no other serious remarks regarding GPFG's financial statements.

The Tax Administration

Taxpayers are not treated equally as regards the levying of additional tax. Minimum amounts have been established for imposing additional tax in cases involving incorrect or incomplete information about income. This minimum amount varies from NOK 25,000 to NOK 100,000 depending on where taxpayers live. It is positive, however, that an initiative has been taken to avoid differential treatment of taxpayers. The Office of the Auditor General expects the Ministry to follow up this matter.

Information flow in international benefits administration

The Office of the Auditor General takes a critical view of the fact that the Ministry of Finance and the Ministry of Labour and Social Inclusion do not contribute more to developing overall ICT solutions in order to ensure a good information flow and quality in various electronic information registers relating to the international administration of benefits. ICT solutions and registers that are of cross-sectoral importance are developed by each agency separately, and the respective agencies' own tasks and goals are the primary focus. Consequently, registers and the information flow in the field of international benefits administration have not been optimised and rationalised in accordance with the intentions of the Storting.

Inadequate coordination and information flow between the Norwegian Tax Administration and the Norwegian Labour and Welfare Administration weakens the quality of registers. This could result in errors in, for example, the assessment of what taxes they had to pay entitlement to National Insurance benefits for foreign nationals living or working in Norway or on the Norwegian

continental shelf, and for persons staying abroad who have rights pursuant to Norwegian National Insurance legislation.

Internal control

Weaknesses have been uncovered in the internal control of both the Tax Administration and the Customs and Excise Service. Internal control procedures do not work as intended and represents breaches of general and internal regulations. The errors and shortcomings identified entail a risk of control failure and financial irregularities. In the Office of the Auditor General's view, it also warrants criticism that this situation has not been rectified despite it being raised previously.

Security and emergency response

The audit showed that satisfactory follow-up of security and emergency response arrangements has not been established for the Ministry of Finance and most of its subordinate agencies. The Ministry has overall sector responsibility for ensuring that this issue is dealt with in a satisfactory and uniform manner. The Office of the Auditor General has noted that the agencies will implement measures to rectify these matters, and that the Ministry of Finance will follow up the matter.

The Ministry of Foreign Affairs

Grants to Serbia

The Office of the Auditor General has uncovered circumstances that warrant criticism in connection with the Ministry of Foreign Affairs' management and follow-up of grants to Serbia; there has also been too little focus on goal and performance achievement in the projects. The Ministry has not established management and follow-up procedures. The Office of the Auditor General has found that risk assessments and measures to reduce the risk of corruption are only mentioned to a small extent in project documentation.

Bilateral assistance to Angola

The lack of baseline data in projects relating to assistance in Angola has resulted in inadequate reporting and follow-up. Inadequate reporting has been found in risk areas, and measures implemented to reduce the risk have not been sufficient. The Office of the Auditor General considers it unfortunate that the Ministry has not given priority to combating and uncovering corruption during and at all levels in the projects.

Working hours and the Working Environment Act in the Ministry and at foreign service missions

For the accounting year 2005, the Office of the Auditor General raised the issue that the Ministry has exempted nearly half the central Ministry employees from the working hours chapter of the Working Environment Act. The Standing Committee on Scrutiny and Constitutional Affairs has pointed out that work on this matter has taken far too long, and that the committee expected it to be given far higher priority. The Office of the Auditor General is critical of the fact that the Ministry has postponed its consideration of the matter pending the possible

inclusion of the foreign service missions under the working hours chapter of the Working Environment Act.

The Ministry of Government Administration and Reform

The county governor offices

Weaknesses in the county governor offices' financing and management systems makes it difficult for them to coordinate and prioritise tasks. Central guidelines from some ministries have only been incorporated to a limited extent in the plans of the county governor offices. An unclear management system entails a risk that the services provided to the population may not be uniform. The audit found that some county governor offices' solutions to of tasks and reporting of results have been unsatisfactory.

The Ministry of Health and Care Services

The Ministry of Health and Care Services has incorrectly budgeted grant and operating funds. The errors are evident both in Proposition No 1 to the Storting and in the allocation for the Directorate of Health. The Directorate has spent more than NOK 100 million of the grant funds on operating the schemes. This use of the funds is not in accordance with the intentions of the Storting and constitutes a breach of the requirements in the Appropriation Regulations. Misuse of several items demonstrates major weaknesses in the Directorate's accounting, and the Office of the Auditor General cannot exclude the possibility that the total incorrect entries may be greater.

The Directorate only reports to a limited extent to the Storting on the use of the grant schemes administrated by the Directorate of Health. The Directorate administers a total of approx. NOK 9.5 billion divided between about 175 grant schemes. Insufficient reporting can contribute to uncertainty about whether the funds are used for the purposes intended by the Storting.

The Norwegian System of Compensation to Patients and the Patients' Injury Compensation Board

The Norwegian System of Compensation to Patients has an average case processing time of two and a half years for cases in which compensation is awarded. Patients who appeal decisions to the Patient's Injury Compensation Board have to wait for roughly one more year for a decision. Long case processing times can have financial consequences for the individuals concerned, and the waiting period entails a significant additional burden on individual applicants. The Office of the Auditor General is critical of the fact that the Ministry of Health and Care Services has not taken sufficient steps to ensure that the Norwegian System of Compensation to Patients and the Patients' Injury Compensation Board can reduce the total waiting period for users.

The Norwegian Patient Register

The data in the Norwegian Patient Register, a central health register containing information about patients in hospitals, outpatient clinics or in the specialist health services, are incomplete. The Ministry has not set any reporting requirements for performance goals for data quality at the Norwegian Patient Register in its allocation letter to the Directorate of Health. The Office of the Auditor General finds it unfortunate that there is no basis on which to draw a conclusion about data quality in 2008. The lack of a goal formulation and weaknesses in data quality can result in a weaker basis for management and administration of the specialist health services.

The Ministry of Justice and the Police

It warrants criticism that such key agencies as the Directorate of the Police, the Norwegian Correctional Services' central administration and the Directorate for Emergency Communication (the Nødnett digital public safety radio network project) have received several serious remarks relating to their administration and implementation of the budget.

The Nødnett project

There are still considerable challenges relating to the digital public safety radio network project and, so far, the delay is two years. The Ministry of Justice and the Police states that this concerns uncertainty and progress relating to development of the fire and health sector communication centres in particular. The Office of the Auditor General is concerned about the project's progress and the fact that there is still considerable uncertainty as to when stage 1 of the programme will be operational in all three emergency services.

It is unfortunate that these delays also mean a postponement of the realisation of the gains from a new joint digital public safety radio network. The Office of the Auditor General expects the Ministry to obtain information about and documentation for additional costs in the emergency service sectors caused by delays on the part of the supplier, and it also expects the lost gains to be calculated for the emergency services.

Information security

Weaknesses have been uncovered in information security in several agencies in the criminal justice chain. The Office of the Auditor General wishes to emphasise the Ministry's responsibility for following up compliance with information security requirements for the agencies for which the Ministry has overall responsibility.

The Directorate of the Police

The situation appears to have deteriorated since the Office of the Auditor General first raised the matter of weaknesses in ICT administration in the Directorate of the Police in connection with the accounts for 2005. The question must therefore be asked whether the Ministry of Justice and the Police has contributed sufficiently to remedying the situation that has arisen in connection with the ICT infrastructure in the police service. There is a considerable risk that more disruptions to operations will occur in the field of ICT, resulting in additional costs for the central government.

The Office of the Auditor General's control of weapons management in certain police units shows that local procedures and local practice do not comply with the provisions of the applicable weapons instructions for the police. It is serious that this limited control shows such significant non-conformities in terms of weapons and ammunition management.

The Office of the Auditor General considers it unfortunate that follow-up of 15 apartments at the disposal of Oslo Police District has been inadequate. The lack of follow-up has resulted in some apartments deteriorating to a standard unfit for human habitation.

The Norwegian Correctional Services' central administration

Some entities in the Correctional Services do not comply with the regulations for public procurements, the Act relating to Personal Data Filing Systems etc. and provisions for calculation and reporting of value added tax and employer's National Insurance contributions.

The Ministry of Labour and Social Inclusion

In the Office of the Auditor General's opinion, the Ministry has failed to establish the framework conditions necessary to enable the Norwegian Labour and Welfare Administration to achieve its goals for 2008. This applies to reorganisation as well as to day-to-day operations and service production.

The Norwegian Labour and Welfare Administration

The Office of the Auditor General cannot approve the Norwegian Labour and Welfare Administration's accounts for 2008. Major weaknesses have been uncovered in the internal control of several benefits administered by the Norwegian Labour and Welfare Administration (NAV). The weaknesses identified include erroneous payments and poorer quality of the accounts. The Office of the Auditor General takes a serious view of this situation considering that NAV's budget amounts to one third of the national budget and that the accounts largely concern benefits paid to individuals.

The Norwegian Labour and Welfare Administration is implementing the NAV reform during the period 2006 to 2010. The pension and health reimbursement reform is being implemented in parallel with this work. The pressure created by these changes is high and extensive, at the same time as day-to-day work must also be attended to. This is demanding in relation to the agency's implementation capacity.

Service production has not maintained a satisfactory level in 2008. The audit found consistently poor quality in follow-up services. Persons on sick leave are only followed up to a limited extent, despite this being a task that the agency is required by law to carry out. There are also challenges relating to providing follow-up, education and work training to users in the qualification programme in accordance with the intentions and the new regulations. The administration of several benefits was of inadequate quality in 2008, and case processing times

and the backlog of cases have increased. The audit identified errors in the payment of sickness benefit, transitional benefit and child maintenance payments.

The establishment of NAV offices, the introduction of new regulations for following up people on sick leave, the establishment of the administration entities (which, among other things, make decisions regarding various benefits) were all implemented before the ICT systems, case processing and document handling procedures and archive solutions were in place. This resulted in increased waiting times for users and errors and shortcomings in the administration of benefits. The present case processing systems will constitute an obstacle to the agency solving its tasks efficiently for a long time to come. The Office of the Auditor General emphasises that the negative consequences of inadequate ICT solutions represent a significant risk to NAV's ability in the short term to carry out its statutory tasks and its ability in the long term to achieve the goals of the NAV reform.

In 2008, the establishment of administrative entities affected the distribution of competence in the agency. In the Office of the Auditor General's opinion, the consequences have been particularly noticeable in the local offices. The Office of the Auditor General takes a serious view of the fact that an overall competence plan for the Norwegian Labour and Welfare Administration was not in place until 2008, and it emphasises the importance of giving sufficient priority to competence-building in the future development of NAV.

Information flow in international benefits administration

The Office of the Auditor General takes a critical view of the fact that the Ministry of Finance and the Ministry of Labour and Social Inclusion do not contribute more to developing overall ICT solutions in order to ensure a good information flow and quality in various electronic information registers relating to the international administration of benefits. ICT solutions and registers that are of cross-sectoral importance are developed by each agency separately, and the respective agencies' own tasks and goals are the primary focus. Consequently, registers and the information flow in the field of international benefits administration have not been optimised and rationalised in accordance with the intentions of the Storting.

Inadequate coordination and information flow between the Norwegian Tax Administration and the Norwegian Labour and Welfare Administration weakens the quality of registers. This could result in errors in, for example, the assessment of liability to tax and entitlement to National Insurance benefits for foreign nationals living or working in Norway or on the Norwegian continental shelf, and for persons staying abroad who have rights pursuant to Norwegian National Insurance legislation.

The Ministry of Local government and Regional Development

Regional development funds

The Ministry of Local Government and Regional Development has failed to adequately document the results of the regional development grants received by the county authorities, and how the grants have helped towards achieving the goals in the county plans. This means that the results of the use of this instrument are not sufficiently apparent to the Storting.

The Norwegian State Housing Bank (Husbanken)

The State Housing Bank has materially breached the applicable regulations in ways that are not acceptable in relation to the norms and standards for government financial management.

In the Office of the Auditor General's opinion, the basic loan should be used actively to add housing quality to building projects, thereby ensuring good goal achievement. The Office of the Auditor General is critical of the fact that the State Housing Bank has not exercised sufficient control of building projects financed by basic loans, and that some regional offices do not carry out spot checks.

From 2005 to 2008, State Housing Bank employees have had a reduced working hours agreement that is in violation of the Basic Agreement for state employees. This has resulted in total additional costs to the State Housing Bank of more than NOK 20 million. This agreement was replaced by a new agreement entailing manual control of working hours by employees themselves, an arrangement that does not adequately ensure the State Housing Bank's control of working hours.

The State Housing Bank has failed to comply with the regulations for public procurements in its procurement of several ICT and consultancy services, despite the fact that this was also pointed out last year. The Office of the Auditor General takes a serious view of the fact that competition and documentation considerations have not been taken into account.

The Ministry of Trade and Industry

The Office of the Auditor General cannot see that the Ministry of Trade and Industry has established procedures to ensure that the evaluation of the grant schemes is of a frequency and extent that is based on an overall risk and materiality assessment.

The Ministry of Transport and Communications

Regularity in railway traffic

The Office of the Auditor General is critical of the fact that the Ministry of Transport and Communications does not make more specific requirements relating to the Norwegian National Rail Administration's registration of operational disruptions in railway traffic, which the Office of the Auditor General has pointed out on several occasions. The Norwegian National Rail Administration's proportion of the causes for operational disruptions is

increasing, and many registrations are listed with unknown cause. In the Office of the Auditor General's view, it must be in the best interests of the Ministry, the Norwegian National Rail Administration and the railway companies to clarify roles and responsibilities, thereby facilitating the implementation and coordination of targeted measures to reduce delays.

Procurements in the Public Roads Administration

Although there are signs of improvement, there is still a long way to go before the Norwegian Public Roads Administration can be given a sound bill of health in relation to its procurements and projects. There are also considerable cost overruns in relation to agreed contracts. Of 45 contracts controlled, substantial overruns were found in 22, i.e. nearly half.

The Public Roads Administration's control activities

Material non-conformities were uncovered in the planned controls of driving and rest periods, heavy transport and the use of seat belts. This is especially serious considering the risk of traffic accidents.