

**Public Finance
ACT**

THE PRESIDENT OF ICELAND

makes known: The Althingi has passed this Act and I have signed it into law:

**CHAPTER I
Objective, scope and definitions**

Article 1

Objective

The objective of this Act is to promote good economic governance and strong and responsible public financial management. To this end, this Act is intended to ensure:

1. comprehensive fiscal policymaking for the long and short term,
2. thorough preparation of plans and legislation regarding the finances of public entities and the raising and handling of public money,
3. efficient and cost-effective public financial management and government activities,
4. that government accounting is in accordance with generally accepted accounting principles,
5. active supervision of the management and allocation of public money, assets and rights.

Article 2

Scope

This Act shall apply to the finances of public entities, cf. point 12 of Article 3, as further provided for in this Act and within the limitations enacted in laws governing specific subject matter (*lex specialis*).

Article 3

Definitions

For the purposes of this Act, the following definitions shall apply:

1. *Fiscal balance*: Net lending/borrowing balance (NLB) or net operating balance (NOB).
2. *Appropriation*: An authorisation granted by Iceland's parliament, the Althingi, in the Budget and Supplementary Budget, for the allocation of public money to expenditure areas and expenditure functions. A budget appropriation is divided into an operating contribution, current transfers, capital transfers and a capital contribution.
3. *Fiscal Strategy*: A Cabinet's strategy statement submitted to the Althingi that contains an analysis of the economic situation, a further breakdown of fiscal policy objectives and an outline of how to achieve the objectives of the strategy.
4. *Fiscal Policy Statement*: The Cabinet's policy statement on fiscal performance targets for at least five years, submitted to the Althingi.

5. *Budget provision*: The allocation of an appropriation for a given budget year to central government entities, programmes or a contingency reserve. A budget provision is divided into an operating contribution, current transfers, capital transfers and a capital contribution.
6. *Economic classification of expenditure*: Classification of expenditure into current operations, transfers and investment according to an international standard for government finance statistics (GFS).
7. *Total expenditure*: Operating expenses, transfers and interest, including investment in non-financial assets according to an international standard for government finance statistics (GFS).
8. *Net lending/borrowing balance (NLB)*: Total revenue less total expenditure according to an international standard for government finance statistics (GFS).
9. *General government*: Activities and programmes included under Group A of the central government and Group A of local governments.
10. *Expenditure functions*: A category of naturally related government affairs that fall under a particular expenditure area.
11. *Expenditure area*: A field of naturally related expenditure functions defined on the basis of a United Nations standard on the classification of expenditure.
12. *Public entity*: An entity exercising central or local government power and the agencies, funds and enterprises half- or majority-owned by the central government or municipalities.
13. *Central government entity*: An entity exercising central government power and the agencies, funds and enterprises half- or majority-owned by the central government, cf. Article 50. Central government entities are divided into Groups A, B and C.
14. *Tax expenditure*: Relief of a tax charge against a taxpayer owing to special circumstances or events.
15. *Revenue*: Receipts of funds that increase net worth and are divided into the main categories of revenue pursuant to Article 51.
16. *Transfer*: A contribution or subsidy provided without a commitment for a direct consideration to be provided by the recipient. Transfers are divided into current transfers, which are provided for current use by the recipient, and capital transfers, which are provided for investment.
17. *Programme*: Defined and demarcated activities to which funds are allocated through an appropriation decided by each minister.

CHAPTER II

Fiscal policymaking

Article 4

Fiscal Policy Statement

Whenever a government has been formed, it shall formulate a Statement of Fiscal Policy to be submitted by the Minister to the Althingi in the form of a proposal for a parliamentary resolution as soon as possible, no later than concurrently with the submission of the next Budget Bill.

The Statement of Fiscal Policy shall be divided into the following components:

1. A policy on the scope, fiscal balances and development of assets, liabilities and long-term obligations of public entities as a whole and of the general government for a period of at

least five years. The objectives shall be presented as a ratio of gross domestic product. Definitions regarding fiscal performance and fiscal balances shall take account of a standard for government finance statistics (GFS).

2. A statement on how the principles under paragraph 2 of Article 6 will be followed, both as regards the policy adopted with regard to the expenditure development and tax policy as well as other revenue generation of the general government.

The Statement of Fiscal Policy shall confirm that the policy is in accordance with the principles listed in paragraph 2 of Article 6 and with the conditions under Article 7.

The parliamentary resolution on the Statement of Fiscal Policy shall form the basis of the Fiscal Strategy submitted annually to the Althingi.

Article 5

Fiscal Strategy Plan

No later than 1 April each year, the Minister shall submit to the Althingi a proposal for a parliamentary resolution on a Fiscal Strategy Plan for at least the next five years.

The Fiscal Strategy Plan shall be based on the Statement of Fiscal Policy under Article 4 and its conditions under Article 7. It shall be divided into the following components:

1. An account and reporting of the economic developments in the three preceding years and an assessment of the economic outlook for the next five years. A summary shall also be given of the fiscal performance as regards fiscal balance and the financial positions of the general government as a whole as compared with the objectives specified in the Fiscal Policy Statement and Fiscal Strategy Plans for the preceding three years.
2. Targets for the fiscal balances and balance sheet position of the general government as a whole for the next five years. Targets shall also be set for the finances of Groups B and C of the central government and Group B of local governments, in addition to key figures on the projected fiscal performance and balance sheet position for the next five years. Targets shall also be set for the nominal increase of total expenditure and for the ratio of total liabilities, including pension liabilities, to gross domestic product.
3. Targets for the fiscal balances and balance sheet position of Group A of the central government and a projection on:
 - a. the development of taxes and other revenue generation,
 - b. the development of expenditure, broken down by expenditure areas and economic classification,
 - c. the balance sheet development, i.e. changes in assets and liabilities.
4. Targets for the finances of Group A of local governments and a plan for:
 - a. the development of the revenues and expenditure of municipalities by economic classification,
 - b. transfers between the Treasury and municipalities,
 - c. the balance sheet development of municipalities.

The Fiscal Strategy Plan shall confirm that it is in accordance with the Statement of Fiscal Policy under Article 4.

The report accompanying the Fiscal Strategy Plan shall present the policy formulation for individual expenditure areas of Group A of the central government and how it accords with targets for the development of revenues and expenditure.

The presentation of the Fiscal Strategy Plan shall be in accordance with the international standards specified in Chapter V.

The parliamentary resolution on the Fiscal Strategy shall form the basis for the drafting of the Budget Bill and local government budgets for the upcoming budget year. If the Fiscal Policy has been reviewed in accordance with Article 10, the assumptions underlying the Fiscal Strategy Plan shall be reviewed as soon as possible.

Article 6

Principles for the Statement of Fiscal Policy and Fiscal Strategy Plan

Fiscal policymaking comprises the formulation of the government's fiscal policy, cf. Article 4, the fiscal strategy, cf. Article 5, and the conclusion of an agreement between the central government and local government, cf. Article 11.

The policymaking shall be based on the following principles:

1. *Sustainability*, which means ensuring that public liabilities are manageable in the long and short term and do not impose an inequitable burden on future generations.
2. *Prudence*, which aims to maintain an appropriate balance between revenue and expenditure and to prevent decisions or circumstances that may have unforeseen and negative consequences.
3. *Stability*, which means a fiscal policy conducive to economic stability.
4. *Predictability*, which means avoiding unexpected and sudden changes from the current policy and plans on fiscal development.
5. *Transparency*, which means setting clear and measurable medium-term objectives for fiscal development that are consistent with the principles set out in points 1–4. A comparison of targets and performance, with clear indicators, shall be published regularly.

Article 7

Conditions for the Statement of Fiscal Policy and Fiscal Strategy Plan

The targets of the fiscal policy and fiscal strategy regarding the fiscal balance and balance sheet position of the general government, i.e. Group A of the central government and Group A of local governments, under point 1 of paragraph 2 of Article 4 shall be in accordance with the following conditions:

1. The net lending/borrowing balance over a five-year period shall always be positive and the annual deficit always below 2.5% of gross domestic product.
2. Total liabilities, excluding pension liabilities and accounts payable, minus the currency and bank deposits assets, shall be lower than 30% of gross domestic product.
3. If the debt ratio under point 2 exceeds 30%, the part in excess thereof shall be reduced on average in every three-year period by at least 5% ($1/20$) per year.

Article 8

Economic indicators underpinning policymaking

Fiscal policymaking shall be based on sound assumptions and data prepared in an objective and systematic manner, and on government finance statistics and macroeconomic forecasts in which the fiscal and economic impacts of government plans are taken into account. Regard shall also be had to economic forecasts from recognised bodies and international organisations. The assumptions underlying the policymaking must be stated.

Article 9

Long-term outlook and development

At least every three years, the Minister shall submit to the Althingi a report containing an assessment of the likely development of social, employment, environmental and regional factors and demographic variables for the next decades and their impact on the fiscal performance, such as fiscal balances, financial position and commitments of public entities.

Article 10

Review of Statement of Fiscal Policy

In the event that the basic assumptions underlying the fiscal policy fail to materialise or it is foreseeable that they will not materialise owing to economic shocks, national crisis or other circumstances that cannot be remedied by available measures, the Minister shall submit to the Althingi a proposal for a parliamentary resolution to amend the policy as soon as possible. The proposal for the parliamentary resolution shall be submitted before or at the same time as the submission of the Fiscal Strategy Plan or the Budget Bill. In such cases, the conditions of Article 7 may be departed from temporarily or for up to three years. The amended Statement of Fiscal Policy shall cover at least a five-year horizon.

The Fiscal Council shall provide the Althingi with its comments on the proposal and on whether there are fully valid reasons to review the current policy.

Article 11

Communication and consultation between central and local government

The Minister shall ensure formal and regular co-operation with the local governments on the formulation of the Fiscal Policy and Fiscal Strategy. Preparation for the conclusion of agreements with the local governments takes place in consultation with the minister responsible for local government affairs.

During the formulation of the Fiscal Strategy Plan, before it is submitted to the Althingi, the Minister shall seek an agreement with the Association of Local Authorities in Iceland, acting on behalf of the local governments, which shall cover the following matters among other things:

1. A target for the fiscal balances and balance sheet position of municipalities for the next five years, broken down by year.
2. Measures to ensure the achievement of the municipal fiscal performance targets.
3. The funding of municipal public services and municipal revenues.
4. The division of responsibilities between central and local government.

The agreement between central and local government under paragraph 2 shall be subject to the Althingi's approval of the fiscal strategy.

The central government and local governments shall have a mutual duty to submit full and clear information on their fiscal performance, liabilities, long-term obligations and assets for the immediately preceding two years and on the projected development of these over the next five years. The Association of Local Authorities in Iceland shall be responsible for collecting information on the finances of municipalities and municipally owned agencies and enterprises.

Co-operation under this Article shall be discussed by the Co-operation Forum between Central and Local Government and the Co-operation Committee between the same parties, cf. Article 128 of the Local Government Act.

Article 12

Quarterly report on public finances

Within eight weeks from the end of each quarter, the Minister shall publish a report comparing fiscal developments with the objectives of the Fiscal Strategy on the basis of statistical data collected by the Financial Management Authority and Statistics Iceland.

Article 13

Fiscal Council

The Minister appoints three members to the Fiscal Council. Two members shall be appointed on nomination by the Althingi and one member, who shall also be Chairman of the Council, on nomination by the Prime Minister. Alternates shall be nominated and appointed in the same manner. The Chairman shall be appointed for a five-year term. Other members shall be appointed for a three-year term at a time. No member of the Fiscal Council shall serve for more than two consecutive terms.

The Fiscal Council shall be independent in its functions and adopt its own rules of procedure. Appointees to the Fiscal Council shall have completed a university degree programme, be impartial and possess knowledge of public finances. The Chairman of the Fiscal Council shall have completed a postgraduate programme in a subject relevant to the role of the Council.

The role of the Fiscal Council is to form an opinion as to whether the fiscal policy and fiscal strategy are in accordance with the principles set out in paragraph 2 of Article 6 and the conditions of Article 7. The opinions of the Fiscal Council shall be made public.

No later than two weeks after the submission to the Althingi of a proposal for a parliamentary resolution on the Statement of Fiscal Policy or Fiscal Strategy Plan, or of a proposal for a parliamentary resolution to amend current strategies/plans, the Fiscal Council shall submit its opinion on the proposal to the Althingi.

The government shall provide the Council with any information and data necessary and requested by the Council and ensure that it is provided with adequate conditions in other respects to carry out its tasks.

The Minister decides the remuneration of Fiscal Council members.

CHAPTER III

Budget Bill, budget appropriations

Article 14

Budget Bill

At the first meeting of the autumn legislative session, the Minister shall submit to the Althingi a Budget Bill for the next calendar year, seeking approval for expenditure by expenditure areas and expenditure functions and for any commitments for Group A of the central government.

The Budget Bill shall present a revenue estimate for Group A of the central government. The estimate shall be based on official macroeconomic forecasts, current laws and, as applicable, related legislative bills submitted in parallel with the Budget Bill. Where possible, the passage of such bills shall be completed before final voting on the Budget Bill.

The Budget Bill shall be consistent with the targets of the Fiscal Strategy Plan.

Within four weeks from the submission of the Budget Bill, the Icelandic Regional Development Institute shall report to the Budget Committee of the Althingi on the Bill's

impact on regional communities in Iceland.

Article 15

Changes in assumptions underlying a Budget Bill

If the economic or revenue assumptions underlying a Budget Bill change after its submission and before the final voting, the Minister shall assess the impact thereof on the Budget Bill and apprise the Althingi Budget Committee of this assessment.

Article 16

Presentation of the Budget Bill

The Budget Bill shall be presented on an accrual basis and include, among other things, the following:

1. The presentation and classification of information on the finances of Group A of the central government in accordance with an international statistical standard on government finances, showing the main fiscal indicators, a projection of revenues and expenditure broken down by economic classification and the main changes to assets and liabilities and their respective positions.
2. The budget appropriations of Group A of the central government for expenditure areas. The projected operating revenue and projected total expenditure for each expenditure area shall also be shown.
3. The budget appropriations of Group A of the central government for expenditure areas and expenditure functions broken down by ministries in accordance with the Presidential Decree on the Division of Government Affairs between Ministries of the Government Offices of Iceland.
4. The authorisation of central government entities within Group A to enter into agreements and other financial arrangements, as further specified in this Act.
5. Group A and B authority to borrow, relend and provide government guarantees.

The budget appropriations for expenditure areas and expenditure functions shall be divided between current operations, current transfers, capital transfers and investment.

The numerical database underlying the Budget and the Budget Bill shall be accessible in computer-readable form and on an open medium. These data shall be accessible to all for post-collection processing in a computer-readable manner.

Article 17

Explanatory Notes to the Budget Bill

The Explanatory Notes to the Budget Bill shall include explanations of its content. This shall include an account of, first, the general assumptions underlying the Bill and, second, its individual provisions.

The account of the general assumptions underlying the Bill shall include the economic outlook, the assumptions underlying the Fiscal Policy and how it accords with the proposals in the Budget Bill. The account of individual provisions shall include, among other things, the following aspects:

1. The division of budget appropriations by expenditure areas and expenditure functions for the upcoming budget year with regard to the changes and emphases stated in the Bill.
2. Further details of revenue generation and tax policy as well as an outline of tax expenditures.

3. Changes in the balance sheet of Group A of the central government, including net worth.
4. The central government debt management, including among other things an outline of central government borrowings and lending and the borrowings of central government entities within Group B.
5. Government guarantees and an evaluation of the exposures of the central government.
6. Explanations of authorisation under the Bill to enter into agreements and financial arrangements, such as to purchase, sell and lease assets, holdings and ownership rights. An account shall also be given of agreements in force and planned agreements of major fiscal importance and the estimated cost resulting therefrom over the subsequent five years.
7. The finances of Group B central government entities, including projected operating results, dividends, investment, borrowing and lending, as well as other summaries at the discretion of the Icelandic Accounting Standards Board.
8. Law amendments necessary to achieve the expenditure and revenue plans stated in the Bill.
9. Risks that may affect central government finances and economic stability and security, and how to react in the event of deviations from the Budget's projections/plans for Group A of the central government.

Article 18

Gender budgeting and equality:

The Minister, in consultation with the minister responsible for gender equality, leads the formulation of a gender budgeting programme, which shall be taken into account in the drafting of the Budget Bill. The Budget Bill shall outline its effects on gender equality targets.

Article 19

Budget Annex to the Budget Bill

The Minister shall submit a Budget Annex to the Budget Bill showing, among other things:

1. A detailed breakdown of the projected revenue of Group A of the central government in accordance with an international standard for government finance statistics.
2. The division of budget appropriations into budget provisions to central government entities in Group A and programmes and to the contingency reserves of expenditure functions. Budget provisions to central government entities and programmes shall be broken down into current operations, current transfers, capital transfers and investment, with an account given of the projected operating revenue of central government entities and programmes. The budget provisions to the contingency reserve for each expenditure functions shall amount to a maximum of 2% of the budget appropriation for that expenditure function. The same applies to any expenditure area not divided into expenditure functions.
3. A breakdown of budget provisions to central government entities and programmes in Group A by ministries and expenditure functions. A comparison shall be shown between the Government Accounts for the immediately preceding year, budget provisions during the current year, budget provisions in the upcoming budget year and planned budget provisions in the next two years thereafter.
4. Budget provisions underlying assumptions based on mathematical models or special formulae and intended changes to the models or formulae.

Article 20

Policy formulation for expenditure areas

Each minister shall formulate and submit at least five-year policy for those expenditure areas and expenditure functions for which that minister is responsible. The policy shall set out focus areas and targets, including quality and service targets, for the organisational structure, development and improvement of the activities falling under the respective expenditure area. The policy shall also outline how the targets will be achieved, the division of responsibilities, timing, the utilisation of funds and focus areas with respect to purchasing. It shall also set out prospective law amendments. The policy for a given expenditure area shall be comprehensive and comply with the maximum amounts specified in the current Fiscal Strategy.

In cases where the areas of responsibility of two or more ministers fall under the same expenditure area, these ministers shall through consultation formulate a policy for the expenditure area and, as applicable, expenditure functions, having regard to the governmental matter pertaining thereto and its scope.

When formulating a policy for the courts of law, the line minister in question shall ensure formal consultation with the Council of District Courts Administration and the Supreme Court of Iceland. The policy on the affairs of the legislature shall be the responsibility of the Presidium of the Althingi.

Article 21

Proposals for budget appropriations

Each line minister shall submit proposals for the division of appropriations made to expenditure functions, cf. point 3b of paragraph 2 of Article 5, in the Budget Bill for the upcoming budget year to the Minister. Each minister's budget proposals shall be broken down by expenditure area and expenditure functions, shall be based on the minister's policy and plans for the subsequent five years and be consistent with individual central government entities' policies approved by that minister.

The Presidium of the Althingi makes proposals for appropriations to be made to the Althingi and its agencies and submits these to the line minister with remit over the constitutional affairs of the Republic of Iceland.

When formulating proposals for appropriations to the courts of law, the line minister in question shall engage in formal consultation with the Council of District Courts Administration and the Supreme Court of Iceland. In case of deviation from the proposals of the Council of District Courts Administration or the Supreme Court of Iceland, the line minister shall provide the Budget Committee with the reasons for the deviation in the Budget Bill.

Article 22

Proposals for provisions to agencies and programmes

Group A central government entities shall submit reasoned proposals for budget provisions for agencies and programmes in the upcoming budget year to the minister concerned when so requested.

Each minister shall inform the respective central government entities of decisions and plans relevant to their operations and finances in a timely manner so as to enable them to manage their policy formulation and planning in accordance with such assumptions and planned budget provisions.

Article 23

Amendments to the Budget Bill

When proposals to amend a Budget Bill are submitted to the Althingi, an assessment of the impact of the amendments on the central government's comprehensive result, its commitments and other the assumptions underlying the Fiscal Strategy shall be available.

Article 24

General contingency reserve for Group A

Budget Bills shall set aside an unallocated general contingency reserve to fund expenditures that are temporary, unforeseeable and unavoidable and cannot be accommodated by any other means under this Act. The contingency reserve shall amount to at least 1% of the budget limits under the Budget.

The Minister makes decisions on allocations from the contingency reserve and informs the Althingi Budget Committee of their use when the decisions have been made.

Article 25

Financial commitments of Group B

Central government entities in Group B may, after receiving the approval of the Minister and the line minister concerned, enter into financial commitments beyond those envisaged in the Budget, provided that this is necessary to ensure normal operations. Such financial commitments must not undermine the targets of the Fiscal Strategy.

Article 26

Supplementary Budget Bill

The Minister may, if necessary, seek higher budget appropriations in the Budget Bill to meet temporary, unforeseen and unavoidable expenditures within the budget year, provided that these expenditures could not be met by the remedies specified in this Act. The Budget Annex to the Budget Bill shall outline the division of budget provisions to central government entities and programs, cf. Article 19.

When proposals to amend a Supplementary Budget Bill are submitted to the Althingi, an assessment of the impact of the amendments on the central government's comprehensive result, its commitments and other assumptions underlying the Fiscal Strategy shall be available.

CHAPTER IV

Budget execution

Article 27

Supervision and responsibility for Budget execution

Budget execution and treasury management shall be efficient, cost-effective and in accordance with this Act, Budgets and Supplementary Budgets.

The Minister supervises and monitors that the division of budget appropriations into budget provisions, Budget execution, the finances of central government entities and treasury management are in accordance with the provisions of this Act. The Minister establishes rules thereon, provides guidance on Budget execution and supervises compliance therewith.

Line ministers are responsible for and actively monitor Budget execution in their respective

expenditure areas. Each minister is responsible for ensuring that the allocation of budget appropriations is within the framework decided by the Althingi.

The head of a Group A central government entity, or where applicable its board of directors, is responsible to the minister in question for ensuring that the entity achieves the intended results and that its operations and fiscal performance are in accordance with approved budget provisions and plans.

Article 28

Notice on the division of appropriations under the Budget into budget provisions

Within two weeks from the Althingi's approval of the Budget, the Minister shall update the Budget Annex to the Budget Bill on the basis of proposals from the line minister in question. The updated Budget Annex shall be in accordance with the Althingi's amendments to the Budget Bill and with the legislature's emphases, if applicable. The Minister shall present the updated Budget Annex to the Cabinet and the Budget Committee of the Althingi and issue a notice thereon in the B Section of the *Official Journal of Iceland*.

Each minister informs central government entities in Group A and parties responsible for programmes on the division of budget appropriations into budget provisions in accordance with the notice and is responsible for the recording of budget provisions in the Government Financial and Human Resources System.

Article 29

Virement of budget provisions

Each minister may alter the allocation of budget provisions within an expenditure function, cf. Article 19, provided that this does not involve virement of budget provisions between current operations, current transfers, capital transfers and investment in non-financial assets. The same applies to any expenditure area not divided into expenditure functions. A minister's decision under this Article shall be reasoned and reported to the head of the entity in question and to those others affected by the changes with at least six weeks' notice. Operating plans/budgets shall be updated in accordance with the decision.

Once the decision of the minister concerned to change the division of budget provisions is available, the Minister shall confirm whether it is in accordance with paragraph 1 and within the Budget framework approved by the Althingi. In the event that a decision regarding virement is of such a nature as to be deemed an important governmental matter, it shall be submitted to the Cabinet in accordance with the provisions of the Act on the Government Offices of Iceland, No. 115/2011.

The Minister handles the disclosure of decisions pursuant to paragraph 2 and shall inform the Budget Committee of the Althingi on such decisions before they take effect.

Article 30

Authorisation for year-to-year carryover of appropriations

Any year-end excess of actual expenditure over an appropriation shall be deducted from the following year's appropriation. In such cases, the line minister concerned shall immediately inform the Minister of the measures that the line minister intends to take to ensure compliance with the targets of the Budget for the current budget year, if a deduction is made under the first sentence of this paragraph.

If an appropriation has not been fully expended at year-end, the line minister concerned may make a request to the Minister that a full or a partial carryover be made of the unused portion of the appropriation to the following budget year, provided that it will be used to meet expenditure that has been deferred or for clear reasons of cost-efficiency.

The provisions of paragraphs 1 and 2 do not apply to appropriations determined by the economic assumptions underlying a Budget Bill, estimates of numbers in financial reporting or other criteria not at the discretion of the Minister. After consulting the Budget Committee of the Althingi, the Minister lays down rules on the settlement of appropriations pursuant to this paragraph and how to treat these when preparing expenditure plans.

The Minister shall report to the Budget Committee of the Althingi on the treatment and settlement of appropriations and handle the publication of changes pursuant to paragraphs 1 and 2 in the same manner as decisions pursuant to paragraph 1 of Article 28.

Article 31

Three-year policy formulation of Group A central government entities

Central government entities shall annually formulate a policy for their respective activities in at least the subsequent three years. The policy shall state targets and general areas of emphasis as well as the manner in which these are to be achieved with regard to planned budget provisions. It shall also specify the indicators and criteria used to assess performance for the activities and state the results of such assessment for the immediately preceding years.

The policy formulated by the central government entity shall be confirmed by the minister concerned, who shall ensure that the targets and areas of emphasis under paragraph 1 are in accordance with the current policy on the expenditure area in question.

Article 32

Annual plans of central government entities in Group A

After the Budget Bill has been submitted, central government entities shall submit to the minister concerned a plan for their operations over the upcoming budget year, with the operations adjusted to budget provisions. The plan shall show the allocation of budget provisions in accordance with the Budget Annex to the Budget Bill and the projected distribution of expenditures and revenues within the year. It shall also include the targets of the operations and the indicators used to assess performance.

The minister concerned sets time limits for the submission of central government entities' annual plans and adopts a position on these plans. If the minister does not accept the annual plan, the minister shall instruct the central government entity to review the plan as soon as possible. The minister's final approval must be obtained no later than 31 November of each year.

If the minister concerned makes any changes to the budget provision for a central government entity as provided for in Article 28, the central government entity shall update its annual plan and submit it to the minister for approval.

Each central government entity shall record the annual plans of central government entities and amendments thereto in the Government Financial and Human Resources System.

Article 33

Assessment of long-term expenditures outlook

Each minister shall continually assess the long-term outlook for fiscal trends in the expenditure areas and expenditure functions for which the minister is responsible. The

minister shall also identify and clarify any risks that may cause deviations from plans or may incur financial commitments for the central government and thereby undermine long-term plans on central government fiscal performance.

Each line minister shall notify the Minister of any risks and make proposals on how to react to them. The Minister informs the Cabinet and the Budget Committee of the Althingi of such risks and proposed reactions to them.

Article 34

Monitoring of finances within budget year

Each line minister shall regularly monitor the finances of Group A central government entities under that line minister's administrative responsibility so as identify and react to risks and weaknesses in their operations. In the event of risk of expenditures exceeding budget provisions, the minister concerned shall endeavour to reduce expenditures within the year, reallocate budget provisions within expenditure functions or use contingency reserves so as to ensure that expenditures do not exceed provisions.

Each line minister shall deliver a report to the Minister comparing actual expenditures with budget appropriations for that line minister's respective expenditure functions for each quarter of the year, based on the published financial statements of the central government for the same period. In the event of significant divergence between actual expenditures and budget appropriations, or if there is reason to expect such significant divergence, the line minister concerned shall immediately inform the Minister of the reasons thereof and the measures that the minister has taken or intends to take in order to prevent a divergence between actual expenditures and budget appropriations.

The Minister shall report to the Cabinet and the Althingi Budget Committee, as frequently as needed and at least quarterly, on Budget execution and central government fiscal trends.

If the Budget Committee of the Althingi requests information, each minister shall give an account of Budget execution within that minister's respective expenditure area.

Article 35

Reporting requirement, deviations from operating plans of Group A central government entities

The head of a Group A central government entity shall report to the minister concerned any deviations from the entity's operating plan/budget, the reasons thereof and the intended response. The minister concerned shall inform the head of the entity within 15 days of the position taken by the minister with respect to the intended response. If the minister does not accept the proposals, the minister shall within the same time limit instruct the head of the entity to react in specified manner to achieve the targets set.

If the head of the entity fails to report on deviations from operating plans/budgets, the fiscal performance or operations of a Group A central government entity are not in adequate order or there is reason to believe that this is the case, the minister concerned may entrust an independent party with carrying out an audit of the operations of the central government entity. The minister concerned shall independently assess the explanations provided by the audit and ensure that necessary measures are taken so that performance and operations are in accordance with approved plans.

If the central government entity in question has its own board of directors, the board shall inform the minister in accordance with paragraph 1. In the event of failure to do so, the

minister may resort to the same measures as provided for in paragraphs 1 and 2.

Article 36

Responsibility of heads and boards of central government entities

The provisions of Article 38 of the Government Employees Act No. 70/1996 apply to the responsibility of heads of Group A central government entities.

Their responsibility includes ensuring that the operations and treasury management of the central government entity are effective and in accordance with agreed plans as provided for in Articles 32 and 33. The accounts of any central government entity shall give as true a picture as possible of its financial position, and its annual financial reports shall be prepared in accordance with the law and submitted to the minister concerned. Monthly and quarterly financial reports shall give as clear a picture as possible of the financial position and obligations of the central government entity at each given time.

If the central government entity has its own board of directors, the board's responsibility shall be governed by the law applicable to the entity.

Article 37

Treasury management

The Minister is responsible for the Treasury's cash management. Central government entities in Group A may, after receiving the approval of the Minister, have their own bank accounts for day-to-day payments. Interest income from general bank deposits held by central government entities in Group A shall accrue to the Treasury. Interest on the principal of assets of funds authorised under *lex specialis* to recognise interest income is exempted from the provisions of the third sentence of this paragraph.

The Minister is responsible for the collection and custody of all revenues of Group A of the central government accruing to the Treasury, with the exception of the operating revenue of Group A central government entities, cf. paragraph 3 of Article 51, which shall be collected by the central government entity in question and allocated in accordance with plans.

Article 38

Debt management

The Minister administers borrowing by the Treasury and Group A central government entities on the basis of authorisations under the Budget and in accordance with the Act on Government Debt Management No. 43/1990. However, central government entities in Group A may engage in transactions without immediate cash payment, in which case a short-term deferral of payment is negotiated and the expenditure is met by the appropriation for the year in which the transaction takes place.

The Minister shall submit annually, on the basis of the Fiscal Strategy, a policy on the targets and criteria for government debt management for at least five years. The policy shall also include areas of emphasis for the issuance of Treasury securities and the central government debt composition, risk factors and information disclosure.

Following the approval of the Budget and before the year-end, the Minister shall submit an annual plan for central government debt financing. The annual plan shall contain information on the projected issuance of Treasury securities, repayments and the cash position over the course of the upcoming year.

Article 39

Carryover of borrowing approvals

Unused borrowing approvals for the Treasury and central government entities may be carried over between years, provided that preparation for their use has begun before the end of the budget year; such borrowing shall be completed before 1 April of the subsequent budget year.

Article 40

Contracts on infrastructure development, operating functions or defined projects

Central government entities in Group A may, after receiving the approval of the Minister and the line minister concerned, enter into work contracts or contracts on operating functions or other defined projects for a term exceeding one year, but not for longer periods than five years. "Contracts on operating functions" refers to contracts on specific operating components or services that the central government provides, provided that they do not confer power to make decisions regarding the rights and obligations of individuals unless a clear legal authority to that effect exists.

After receiving the Althingi's approval, it is permissible to enter into contracts on infrastructure development, operating functions or other defined projects for periods longer than five years if the purchaser requires the contractor to make cost-intensive investments to meet the terms of the contract.

Group A central government entities may, without the involvement of the Minister or the line minister concerned, enter into contracts of no longer than five years on defined operating functions, provided that the aggregate annual financial obligation resulting therefrom does not exceed 15% of the central government entity's annual appropriation or of its turnover if the entity is funded by its own revenue.

Expenditure because of contracts pursuant to paragraphs 1, 2 and 3 shall be in accordance with the policy formulation underlying the Fiscal Strategy.

Contracts on operating functions under this Article shall, among other things, define the scope and quality of the activities covered by the contract, the term of the contract, conditions for contractual payments, monitoring of their performance and the handling of disputes.

Article 41

Other agreements with states, organisations of states and international organisations

Each minister and Group A central government entities may conclude agreements on specific projects or research within the respective expenditure areas for which they are responsible for a term of more than one year, with states, organisations of states and international organisations. Expenditures because of such agreements shall be in accordance with the Fiscal Strategy and budget appropriations and, where applicable, the approved policy formulation of central government entities under Articles 31 and 32.

Agreements under paragraph 1 shall, among other things, define the scope of the activities covered by the agreement and the conditions for contractual payments.

Article 42 (withdrawn)

Grants

Each minister may award special-purpose grants and contributions to projects relating to the expenditure functions for which the minister is responsible. Non-discrimination,

objectivity, transparency and due regard to competitive factors shall be maintained when awarding grants and contributions. An account shall be given of expenditures on such grants in the Budget Annex to the Budget Bill under Article 19 and in the annual report of the minister concerned pursuant to Article 62.

Each line minister shall establish rules on its awarding process and advertise for applications for grants and contributions. As applicable and relevant, competition perspectives shall be respected when awarding grants and contributions. A written agreement shall be entered into for individual grants, except for minor grants. Contributions thereunder shall be subject to conditions regarding adequate reporting on the progress of projects and regarding accounting.

Article 43

Administration and representation of central government assets and rights

The Minister administers the central government's ownership interests in enterprises, real property, land, real-property-related rights, natural resources and other rights of central government entities in Group A and has charge of their representation, acquisition and disposal, unless otherwise stipulated by law or governmental orders.

The Minister shall formulate a general ownership policy for all assets and rights owned by the central government. This policy shall set out the central government's ownership objectives and focus areas for the management and utilisation of assets and rights, by types of asset pursuant to paragraph 1.

The Minister may transfer the day-to-day administration of assets under paragraph 1 to a separate unit or central government entity operating under the responsibility of the Minister. This unit or central government entity may, after consulting with the Minister, transfer the use, management and operation of assets to another central government entity under a special agreement thereon.

Article 44

Government's ownership policy for enterprises

The Minister formulates a general ownership policy for all state-owned enterprises. The general ownership policy shall set out the objectives and emphases of the central government with respect to such ownership as well as the principles to apply to relations and information exchange between the owner and the enterprise.

The Minister may adopt a special ownership policy for individual enterprises or activities in defined areas if their unique circumstances require a more detailed policy or owner objectives than provided by the general policy.

The Minister, or the line minister concerned or the central government entity representing the central government's ownership interest in the enterprise, shall monitor the compliance of state-owned enterprises with the ownership policy. Where the central government is not the only owner of the enterprise, the members of the enterprise's board of directors elected to represent the central government shall take account of the main considerations set out in the ownership policy adopted for the field of activities or the enterprise concerned.

The Minister makes nominations to the boards of directors of enterprises in which the central government holds an ownership interest on the basis of ability, education and experience. The Minister establishes rules on general and objective conditions for the selection of members to such boards and makes these public as part of the ownership policy.

Article 45

Main principles for the purchase, sale and rental of assets

With regard to the sale, rent or other disposal of central government assets, and assets that need to be purchased or rented for central government needs, emphasis shall be placed on transparency, objectivity, equal treatment and cost-effectiveness. Due account shall also be taken of competition considerations when entering into such transactions, as applicable.

Article 46

Authorisations for the disposal and acquisition of assets

The Minister shall obtain authorisation in law to purchase, sell, exchange, or rent long-term, real property, marine vessels and aircraft, collections and parts of collections containing cultural valuables, minority ownership interests held by the central government in enterprises and other assets of financial value.

When selling an ownership interest held by a Group A central government entity in an enterprise or organisation wholly or majority-owned by the state, the Minister shall introduce a legislative bill on the sale, explaining in detail the reasons and objectives of the sale, the sale method and the requirements on which its execution is to be based. Upon completion of the sale, the Althingi Budget Committee shall report on the results of the sale. The sale of holdings in organisations that fall under Article 26 of the Act on Public Higher Education Institutions No. 85/2008 shall be governed by paragraph 1.

The sale of central government holdings in financial undertakings shall be governed by special legislation thereon.

Notwithstanding the provisions of paragraph 1, assets may be taken on lease or leased out in the case of a standard lease, subject to the prior approval of the Minister and the line minister concerned.

Article 47

Gifts

No minister or central government entity in Group A is permitted to accept a gift that is subject to an obligation or condition that entails or may entail expenditure for the central government, unless this can be accommodated within the appropriations and the Minister grants approval for accepting the gift. If such gifts entail significant or long-standing expenditure, authorisation must be obtained in the Budget to accept them, or they may be accepted subject to the Althingi's approval obtained through the Budget.

Central government entities in Group A must not give or deliver assets of financial value without charge unless they obtain authorisation for so doing under the Budget.

Article 48

Forced-sale assets, movable property and equipment

Central government entities in Group A may, without specific statutory authority, purchase assets in a forced sale on the basis of a security interest or terms relating to crystallised contingent liabilities. Assets purchased for such reasons shall be sold as soon as deemed feasible.

The same entities may, without specific statutory authority, sell movable property, such as vehicles, machinery, tools and other equipment, and use the proceeds to renew equipment.

CHAPTER V
Financial statements and fiscal reporting

Article 49

Reports and information

Reports and information on central government finances shall be clear, informative, reliable, presented in a timely manner and made public.

The Minister ensures that fiscal and other reporting is in accordance with the provisions of this Act.

Article 50

Central government activities and programmes

Central government activities and programmes are classified in the following manner:

1. *Group A.* Group A consists of activities and programmes funded mostly by tax revenue, statutory service revenue or grants.
2. *Group B.* Group B consists of public non-financial and financial corporations under direct central government control and operated under Treasury guarantee. These entities are market participants and fund the majority of their operations through revenue from sales of products or services to the general public and businesses.
3. *Group C:* Group C consists of partnerships and limited companies majority-owned by the central government. Group C also includes the Central Bank of Iceland.

The classification of central government activities is based on an international standard for government finance statistics (GFS).

Article 51

Revenue of Group A of the central government

The definition and classification of the revenue of Group A of the central government shall accord with an international government finance statistics standard, the main categories of revenue being tax revenue, social contributions, grants and revenues subdivided into property income, the operating revenue of the central government and central government entities in Group A, fines, penalties and forfeits, transfers other than grants, and miscellaneous other revenue.

The central government's operating revenue under paragraph 1 includes revenue for services provided where the charging is decided pursuant to the Treasury Additional Revenue Act No. 88/1991.

The operating revenue of central government entities in Group A covers revenue directly related to the operations of central government entities, and is divided into statutory revenue and revenue from market transactions for services provided. Operating revenue is recognised as income both in the statements for the central government as a whole and in the financial statements and accounts of the Group A central government entities in question.

Article 52

Preparation and presentation of financial statements

The financial statements for Group A of the central government as a whole shall be prepared on the basis of international accounting standards for public sector entities that use an accrual basis. The Icelandic Accounting Standards Board may temporarily defer the

introduction of part of the standards, provided that there are objective reasons for so doing. If some standards are not followed, it shall be indicated in the Government Accounts which aspects of the standard are not followed, the reasons for this and the effects on fiscal performance and the financial position.

The financial statements for individual Group A central government entities shall meet the requirements of the Annual Accounts Act No. 3/2006.

The financial statements for Groups B and C of the central government shall meet the requirements of the Annual Accounts Act No. 3/2006.

Article 53

Fiscal year of central government entities

The fiscal year of central government entities shall be the calendar year.

Article 54

Preparation and submission of annual financial statements for Groups A, B and C

The annual financial statements of Group A central government entities shall meet the requirements of the Annual Accounts Act No. 3/2006, cf. Article 52. They shall also include:

1. Comparison of actual figures with budget provisions for current operations, current transfers, capital transfers and investment in non-financial assets.
2. A summary of changes in budget provisions during the year and their balance at year-end.

The Financial Management Authority establishes guidelines on the presentation of information in annual financial statements.

Central government entities in Group A shall submit their annual financial statements and register of assets to the Authority, the minister concerned and the National Audit Office no later than 28 February each year.

Central government entities in Groups B and C shall submit their annual financial statements to the Authority, the minister concerned and the National Audit Office no later than 31 March each year.

All ministers shall ensure that the central government entities under their respective remit meet the provisions of this Article regarding the deadline for submissions of annual financial statements.

Article 55

Attestation of annual financial statements in Group A

The annual financial statements of central government entities in Group A shall include their attestation by the head of the entity, confirming, among other things, that they have been prepared in accordance with the law and rules applying to central government financial reporting and other information necessary to ascertain the operating performance and position of the central government entity.

Article 56

Preparation of the Government Accounts

Within six months of the end of the year, the Minister shall publish Government Accounts covering the finances of Groups A, B and C of the central government. The Government Accounts shall be presented in two sections.

The first section of the Government Accounts shall cover the finances of Group A of the central government as a whole, and shall include:

1. The financial statements for the preceding fiscal year, prepared on the basis of international accounting standards for public sector entities.
2. Presentation and classification in accordance with an international standard for government finance statistics.
3. Financial statement figures with comparison with the allocation limits for the fiscal year, the Budget and the financial statement figures for the immediately preceding year.
4. The classification and allocation of budget appropriations by origin.
5. Virements of budget provisions within expenditure functions that have been approved and disclosed.
6. Breakdowns of the main classes of assets and liabilities on the balance sheet of Group A of the central government as a whole.
7. A summary showing the Treasury's revenues from the utilisation of state-owned resources and from limited rights allocated by the government.
8. A summary giving a breakdown of non-refundable tax expenditures shall be presented separately in the revenue summary.

The latter section of the Government Accounts shall include summary information on the finances of central government entities and key figures from the annual financial statements of central government entities in Groups A, B and C.

Concurrently with each publication of the Government Accounts, the Financial Management Authority shall make public the annual financial statements of individual central government entities in Groups A, B and C.

Article 57

Attestation of the Government Accounts

The Government Accounts shall include a signature by the Minister and the Director General of the Financial Management Authority, certifying that the accounts have been prepared in accordance with the law and rules applying to central government financial reporting and other information necessary to ascertain the performance and position of the central government.

Article 58

Confirmation of the Government Accounts

The Minister shall submit to the Althingi a Bill for confirmation of the Government Accounts. The Explanatory Notes to the Bill shall discuss the final figures of the Government Accounts and outline deviations in revenues, expenditures and loans from the authorisations approved by the Althingi.

Article 59

Auditing

The National Audit Office is the auditor of the Government Accounts and of the annual financial statements of central government entities.

Article 60

Monthly report for Group A of the central government

Within thirty days of the end of each month, the Minister shall publish a report based on the statements of the Financial Management Authority on the cash transactions of Group A of the central government for the immediately preceding month, including a comparison with plans within the year and the outcome for the corresponding period of the preceding year. Such a monthly report shall include, among other things, information on collected revenue, expenses paid, investment, funding and debt position.

Article 61

Quarterly report for Group A of the central government

Within thirty days from the end of each quarter of the year, the Minister shall publish a report based on the statements of the Financial Management Authority on the operations and balance sheet of Group A of the central government within the year until the end of the quarter in question. The report shall show a comparison of budget appropriations and expenditures by expenditure area and expenditure function. It shall also include a comparison of the financial position of central government entities and programmes with budget provisions according to the Budget Annex and approved amendments thereto.

Article 62

Ministers' annual reports

Each minister shall no later than 1 June each year publish an annual report for the preceding fiscal year. Such reports shall present the outcomes within the expenditure areas and expenditure functions of the minister's portfolio and compare these outcomes with the budget appropriations under the Budget, in addition to outlining carryover of appropriations under Article 30. They shall also outline budget provisions to individual central government entities and programmes and include an assessment of the benefits of their allocation with respect to set targets and measures under Article 20. The presentation of the annual report shall be clear and unambiguous.

Article 63

The Icelandic Accounting Standards Board

The Icelandic Accounting Standards Board for Group A shall be composed of five members elected for a term of five years. The Director General of the Financial Management Authority and the Director General of Statistics Iceland shall each have a seat on the Board on account of their respective positions. In addition, three Board members shall be appointed by the Minister, at least one of whom shall be a Certified Public Accountant. The Board allocates tasks among its members. The Auditor General attends its meetings and has the right to speak and submit motions at the meetings.

The role of the Icelandic Accounting Standards Board is to make decisions on the introduction of financial accounting standards and issues relating thereto. In the Board's resolution of any matter, the majority of its members carries the vote. In the event of an equality of votes, the Chairman shall have a casting vote. Decisions of the Board are final. The Board may provide an opinion on other matters of importance for central government financial reporting.

CHAPTER VI
Miscellaneous

Article 64
Financial Management Authority

The Financial Management Authority is a separate agency under the Minister. The Authority is headed by a Director General appointed by the Minister for a term of five years. The Authority supervises the accounting and the preparation of annual financial statements of Group A government entities and shall ensure that consistency is maintained in their keeping of accounts and preparation of financial statements.

The Authority shall assist and advise central government entities in Group A on their accounting practices and preparation of financial statements. It shall lay down rules of implementation and procedures and set out guidelines that may be significant for accounting and the preparation of annual financial statements.

The Authority acts as the treasurer of the central government and administers payroll, accounting and payment services for the Treasury and Group A central government entities as specifically determined by the Authority, the reception of collected funds from central government entities and the collection of debt securities and receivables. The Authority administers the disbursement of financial contributions from the central government in accordance with budget provisions and may after consultation with the Minister defer the payment of a budget provisions if it considers the entity in question to have sufficient financial resources for a deferral of the payment of further provisions.

If the accounting of a central government entity in Group A is seriously deficient, or in the event of failure to comply with accounting instructions, the Authority may with the Minister's approval temporarily assume the entity's accounting responsibilities or assign these to another party.

The Authority oversees the operation of joint information systems relating to the finances of central government entities in Group A, such as regarding collection, accounting and human resources management. The Authority also decides on the structure and operation of the financial data systems of central government entities.

The Authority handles the monthly and quarterly financial statements of Group A of the central government as well as the preparation of the Government Accounts.

Article 65
Internal control and internal audit

The head of a Group A central government entity, or its board of directors where applicable, is responsible for the implementation of internal control. Internal control consists of the regular actions and measures taken by the entity in question to promote cost-efficiency, safety of funds, reliable information, the achievement of the operation's objectives in general and compliance with laws and rules.

Internal audit shall be carried out within Group A central government entities on the basis of a regulation adopted by the Minister, cf. Article 67, and in accordance with international standards and internal audit codes of ethics issued by the international Institute of Internal Auditors. Internal audit involves a systematic, independent and objective assessment of the efficacy of risk management, controls and governance of the entity in question. The head of internal audit shall have expertise in internal audit.

The Minister may appoint a special committee to consult on the organisation and implementation of internal control and internal audit.

Article 66

Assessment of the effects of Cabinet bills and regulations

Each minister shall assess the effects of Cabinet bills, including financial effects, before they are submitted to the Cabinet and the Althingi in accordance with the Rules of Procedure of the Government. When assessing the effects of Cabinet bills, the objectives and intended effects of the legislation shall be clearly identified.

Assessments pursuant to paragraph 1 shall be presented to the Minister. If necessary in his/her view, the Minister gives an opinion on the assessment and, as appropriate, the economic significance of the Bill in question. In such cases, the Minister's opinion shall accompany the Cabinet bill when it is submitted to the Cabinet and the Althingi.

Each minister must submit to the Minister for comment any regulations that may be of material financial or economic significance, before they take effect.

The Minister shall establish guidelines on the implementation of this provision in consultation with the Prime Minister's Office.

Article 67

Regulation authorised

The Minister shall issue provisions on the further implementation of this Act in a regulation, including:

1. the presentation and breakdown of fiscal strategies, cf. Article 5,
2. the further preparation and implementation of consultations, cf. Article 11,
3. definitions of expenditure areas and expenditure functions based on an international standard on the classification of expenses by certain subject areas, after receiving the opinion of the Icelandic Accounting Standards Board, cf. Article 16,
4. the types and structure of subject components of policymaking for individual expenditure areas and expenditure functions, cf. Article 20,
5. the preparation and submission of proposals, including their presentation and time limits, cf. Articles 21 and 22,
6. the allocation of funds from a reserve on the basis of the conditions stipulated in paragraph 1 of Article 24,
7. carryovers of budget limits between years, cf. Article 30,
8. the further duties and responsibilities of heads of entities with respect to Budget execution, cf. Articles 35 and 36,
9. rules and further restrictions on the permissible cash position and treasury management, cf. Article 37,
10. the preparation, execution and monitoring of contracts, cf. Article 40, and grants, cf. Article 42,
11. the disposal of central government assets and the purchasing and renting of real property, cf. Article 45,
12. the execution of assessments of the impacts of Cabinet bills and regulations, cf. Article 66,

After receiving the proposals of the Financial Management Authority, the Minister makes a regulation on the accounting and payroll processing of individual central government entities in Group A, cf. Article 64. The regulation shall specify, among other things, the objective criteria that central government entities must meet to be able to manage their own accounting and payroll processing, such as regarding staff numbers or the financial scope of

their activities.

The Minister shall also make a regulation on internal audit on the basis of internationally recognised standards, cf. Article 65. The regulation shall provide for the organisation of internal audit, procedures, the recording of processes, criteria for good practice and the assessment of key operational risks.

Article 68

Entry into force

This Act shall enter into force on 1 January 2016. Upon the entry into force hereof, the Government Financial Reporting Act No. 88/1997, as amended, is repealed.

Temporary provisions

I

Notwithstanding the provisions of Article 68, the legislative bills for the Budget, Supplementary Budget and the Final Budget up to and including the year 2016 shall be in accordance with the Government Financial Reporting Act No. 88/1997. The same applies to government entities' annual financial statements up to and including the year 2016.

Notwithstanding the provisions of Article 68, the Government Financial Reporting Act No. 88/1997 shall apply to the preparation of the Government Accounts up to and including the year 2016. The revaluation of loan accounts to reflect the impacts of changes in wages, prices and exchange rates shall employ the same methods as used in the Government Accounts for previous years. By the same token, accrued holiday entitlements shall not be recorded in the accounts of individual government entities nor in the accounts of the central government as a whole.

If the entry into force of individual provisions of this Act pursuant to a temporary provision results in the prerequisites for Budget execution not being present, cf. Chapter IV, the provisions of Act No. 88/1997 shall apply.

II

The quarterly report on public finances under Article 12 shall be published for the first time within eight weeks from the end of the first quarter of 2017.

Ministers' annual reports pursuant to Article 62 shall be published no later than 1 June 2017 for the year 2016.

Done at Bessastaðir, 28 December 2015.

Ólafur Ragnar Grímsson.

(Act signed)

Bjarni Benediktsson.

Group A – Date of issue: 30 December 2015