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## **Third Evaluation Round**

### **Second Compliance Report on Norway**

#### **“Transparency of Party Funding”**

Adopted by GRECO  
at its 59<sup>th</sup> Plenary Meeting  
(Strasbourg, 18-22 March 2013)

## I. INTRODUCTION

1. The Second Compliance Report assesses further measures taken by the authorities of Norway since the adoption of the Compliance Report in respect of the recommendations issued by GRECO in its Third Round Evaluation Report. It is recalled that the Third Evaluation Round covers two distinct themes, namely:
  - **Theme I – Incriminations:** Articles 1a and 1b, 2-12, 15-17, 19 paragraph 1 of the Criminal Law Convention on Corruption (ETS 173), Articles 1-6 of its Additional Protocol (ETS 191) and Guiding Principle 2 (criminalisation of corruption).
  - **Theme II – Transparency of party funding:** Articles 8, 11, 12, 13b, 14 and 16 of Recommendation Rec(2003)4 on Common Rules against Corruption in the Funding of Political Parties and Electoral Campaigns, and - more generally - Guiding Principle 15 (financing of political parties and election campaigns).
2. The Third Round Evaluation Report on Norway was adopted at GRECO's 41<sup>st</sup> Plenary Meeting (16-19 February 2009) and made public on 5 May 2009, following authorisation by Norway (Greco Eval III Rep (2008) 6E, [Theme I](#) and [Theme II](#)). The subsequent Compliance Report was adopted at GRECO's 50<sup>th</sup> Plenary meeting (28 March - 1 April 2011) and was made public on 14 April 2011, following authorisation by Norway ([Greco RC-III \(2011\) 2E](#)).
3. As required by GRECO's Rules of Procedure, the authorities of Norway submitted their Second Situation Report with additional information regarding the actions taken to implement those recommendations that were partly implemented or not implemented according to the Compliance Report. This report was received on 17 December 2012 and served as a basis for the Second Compliance Report.
4. GRECO selected Romania to appoint a rapporteur for the compliance procedure on Theme II. The Rapporteur appointed was Ms Anca STROE on behalf of Romania. She was assisted by GRECO's Secretariat in drawing up the Second Compliance Report.
5. It is recalled that GRECO in its Evaluation Report addressed two recommendations to Norway in respect of Theme I and both recommendations were considered implemented satisfactorily in the Compliance Report. Thus, there are no further recommendations concerning theme I to be assessed in this report and the focus is on Theme II (see below).

## II. ANALYSIS

### Theme II: Transparency of Party Funding

6. It is recalled that GRECO in its Evaluation Report addressed six recommendations to Norway in respect of Theme II and that recommendations ii and iii were considered as having been implemented satisfactorily in the Compliance Report. The remaining recommendations, which were classified as partly implemented in the Compliance Report, are dealt with below.
7. First of all, GRECO recalls that, at the time of the adoption of the Compliance Report, a consultation process regarding draft amendments to the Political Parties Act (hereafter PPA) prepared by the Ministry of Government Administration, Reform and Church Affairs in order to meet the requirements of the GRECO recommendations concerning political party funding was

pending. The Norwegian authorities now report that the proposed amendments have been adopted by parliament (Storting) and sanctioned by the King in Council. The revised PPA became effective as of 1 March 2013, with the exception of the new sections dealing with extended annual reporting obligations of political parties (costs, debt, assets-in addition to income) which will come into force on 1 January 2014<sup>1</sup>.

#### **Recommendation i.**

8. *GRECO recommended (i) to require party organisations to disclose expenditure annually, in addition to the current disclosure of income; (ii) to oblige party organisations to submit information on their assets and debts, as appropriate, and (iii) to establish a standardised format (accompanied by appropriate guidelines, if necessary) for the provision of such information.*
9. It is recalled that this recommendation was considered partly implemented in the Compliance Report as the legislative process of amending the PPA was underway at that time.
10. The authorities of Norway report that with the amendments introduced in section 18 of the PPA<sup>2</sup>, political parties and party units shall now submit annual reports of their income and expenditures for the period from 1 January to 31 December, as well as their assets and liabilities as at 31 December. The reports shall be submitted to the central register within five months after the end of the accounting year. Moreover, the parties are now obliged to register in an accounting system any transaction or disposition that affects the composition and size of the party or party unit's income, costs, liabilities or assets.
11. As regards the third part of the recommendation, the authorities report that Statistics Norway (SN) finalised a standardised form for the reporting of the donations received by the political parties during election campaigns and will launch an amended version of the current electronic forms for the annual reporting on income which includes costs, assets, liabilities as well as appropriate guidance for filing the forms at least two months before the deadline for the first reporting of complete accounts.
12. GRECO is pleased to see that the party funding regulations of Norway now require political parties and party units to prepare complete accounts and financial reports that include information on expenditure, income, assets and liabilities. GRECO is further pleased to learn that these financial reports will be provided in a standardised format.
13. GRECO concludes that recommendation i has been implemented satisfactorily.

#### **Recommendation iv.**

14. *GRECO recommended to establish clear rules ensuring the necessary independence of auditors who are to audit the accounts of political parties.*

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<sup>1</sup> The authorities explained that it is not considered appropriate to introduce any new and substantial obligations as regards accounts or their submission during an accounting year. According to established practice, new accounting rules enter into force at the beginning of the next accounting year (at the earliest).

<sup>2</sup> The relevant provisions read as follows; "(2) Parties and party units mentioned in the first subsection must submit annual reports about income and expenditures in the period from 1 January to 31 December, as well as of assets and liabilities as at 31 December. The report must at the latest be submitted five months after the end of the accounting year. (5) Reports pursuant to this section must be submitted to the central register for the system."

15. It is recalled that GRECO concluded, in the Compliance Report, that this recommendation was partly implemented as the revisions proposed by the Ministry of Government Administration, Reform and Church Affairs to supplement the requirements contained in the Auditor's Act (with new rules providing for the appointment on a rotational basis and excluding auditors from being members of audited party) were awaiting adoption by the Parliament.
16. The authorities of Norway report that the PPA now includes a new section, 21a, dealing with the "auditing obligations" of political parties. Pursuant to the third paragraph of this new section, the person who audits and approves the accounts of a political party cannot at the same time be a member of the party or have had a total period of assignment in the party that exceeds eight years.
17. GRECO welcomes the adoption of these additional rules to provide more precise regulation of the necessary independence of auditors as regards political parties.
18. GRECO concludes that recommendation iv has been implemented satisfactorily.

**Recommendation v.**

19. *GRECO recommended to ensure appropriate independent monitoring of political funding, including electoral campaigns, in line with Article 14 of Recommendation Rec(2003)4.*
20. GRECO concluded, in the Compliance Report, that this recommendation was partly implemented. It is recalled that Norway was planning to introduce a mechanism for the supervision of political financing by means of a) an extension of the mandate and responsibilities of the existing Political Parties Act Committee (to be entrusted with the general supervision and controlling authority over all financial matters); and b) the introduction of an associated expert body - the Party Auditing Committee - composed of auditors and accounting experts to carry out detailed verifications of the accounts of a given party.
21. The authorities of Norway now confirm that the amendments to the PPA have established the new supervisory arrangements. The Political Parties Act Committee can require the party/party unit to present all accounting information where there is a suspicion of incorrect reporting. The PPAC can act upon the initiative of a citizen as well as ex officio. Additionally, if the Political Parties Act Committee finds it necessary, the party or party unit's compliance with its accounting and book-keeping duties can be controlled by the Party Auditing Committee. The Party Auditing Committee too can demand that the party or party unit presents all documentation that is significant for its control. Moreover, the Party Auditing Committee is also given the duty of providing guidance to the political parties and/or their units in order to improve their understanding of reporting obligations foreseen in the PPA.
22. GRECO welcomes the introduction of the new supervisory arrangements described above, specifically the creation of an institution responsible for scrutinising the accuracy of the political parties' financial accounts and reports as well as their accounting practices. Non-political members are also involved in the process when it comes to the composition of the Political Parties Act Committee, and the Party Auditing Committee (which is composed exclusively of accounting and audit professionals). GRECO is satisfied overall with the measures adopted.
23. GRECO concludes that recommendation v has been implemented satisfactorily.

## **Recommendation vi.**

24. *GRECO recommended to introduce appropriate (flexible) sanctions for all infractions of the Political Parties Act, in addition to the current range of sanctions.*
25. This recommendation was considered as partly implemented in the Compliance Report due to the fact that the legislation process towards introducing more flexible sanctions for a wider range of violations of the PPA was still underway at that time.
26. The authorities of Norway now report that the range of sanctions at the disposal of the Political Parties Act Committee has been extended via amendments to the PPA as announced in the first Compliance Report. The authorities underline that the Political Parties Act Committee can now issue formal warnings, withhold part of the state grant (as opposed to the former situation in which it was only possible to withhold the entire state grant) and/or use administrative confiscation (in the case of unlawful donations). They further emphasise that the Political Parties Act Committee is now able to impose sanctions for any violations of party funding rules as provided in the PPA. In addition, the amended PPA includes the possibility of imposing (criminal) fines or up to two years' imprisonment for serious or repeated violations of the PPA.
27. GRECO welcomes the final adoption and enactment of a new sanctioning regime in order to ensure effective compliance with the rules on transparency of political financing in Norway. Administrative sanctions in the form of formal warnings, partly or completely withholding state grants (and in certain cases confiscation as well) are applicable for party branches. Nevertheless, the PPA also introduces criminal sanctions, in the form of fines or a maximum of two years of imprisonment, for material or repeated violations of the provisions of the PPA.
28. GRECO concludes that recommendation vi has been implemented satisfactorily.

## **Additional Information**

29. The Norwegian authorities have provided additional information on recommendations ii and iii, although they were already considered fully implemented in the first Compliance Report.

*GRECO recommended to provide further guidance on the reporting and valuation of in-kind donations as well as on the concept of 'political agreements' which require reporting under the Political Parties Act (recommendation ii).*

*GRECO recommended to consider introducing an obligation to report on income received and expenses incurred in connection with election campaigns (recommendation iii).*

30. The Norwegian authorities now report that they have introduced legal amendments in the recently adopted PPA covering these recommendations in order to enhance the accountability and transparency of their political party funding system.
31. GRECO recalls that it welcomed the proposal to the Storting to explicitly stipulate in the law that donations received by entities wholly or partly controlled by political parties or party units, including party branches outside Norway, will also have to be included in the report of the party/party unit in question (regardless of whether the donation was received in the period before elections or not). GRECO also welcomed the proposal of a further draft amendment to the Political Parties Act providing that the Ministry of Government Administration, Reform and Church

Affairs may issue additional rules requiring candidates to report on the funding of their election campaigns (paragraphs 28 and 29, Compliance Report). GRECO now notes with satisfaction the enactment of these proposals and the initiatives taken by the Norwegian authorities to ensure that the rules governing the finances of political parties and electoral campaigns are adequate in preventing the occurrence of any kind of misconduct.

### III. CONCLUSIONS

32. **In view of the above, GRECO concludes that Norway has implemented satisfactorily all of the eight recommendations contained in the Third Round Evaluation Report.**
33. As regards the compliance with the recommendations assessed in this report, GRECO welcomes the adoption and entry into force of the draft amendments to the Political Parties Act which create a legal basis for, *inter alia*, monitoring the finances of political parties, in line with Article 14 of Recommendation Rec(2003)4 of the Committee of Ministers to member states on common rules against corruption in the funding of political parties and electoral campaigns, ensuring a more flexible sanctioning regime and implementing additional disclosure requirements as regards expenditure, assets and debts as well as certain donations received in the context of an election campaign. GRECO congratulates the Norwegian authorities on these reforms, which suitably address all of GRECO's recommendations.
34. The adoption of the Second Compliance Report terminates the Third Round compliance procedure in respect of Norway.
35. Finally, GRECO invites the authorities of Norway to authorise, as soon as possible, the publication of the report, to translate the report into the national language and to make this translation public.