

# The Icelandic National Audit Office



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“THE NATIONAL AUDIT OFFICE shall discharge its functions under the auspices of Parliament. It shall carry out auditing of the Annual Accounts of the Central Government and such other bodies that are charged with government operations and guardianship, according to Articles 43 of the Constitution No. 33/1944. More-over, it may carry out performance audit according to Art. 9 of this Act. Further, it shall monitor the execution of the Budget and assist parliamentary committees in the discharge of their functions relating to government fiscal affairs.”

**(National Audit Act No 86/1997, Art. 1)**

## Introduction

THE ICELANDIC NATIONAL AUDIT OFFICE is an independent auditing and regulatory body operating under the auspices of the Icelandic Parliament, Althingi. According to the National Audit Act, the main tasks of the Office are:

- to audit agencies and enterprises under state ownership and to verify that financial statements give a true and fair view of their operations and financial position,
- to examine the economy, efficiency and effectiveness of public spending and whether state funds are administered as Parliament intended,
- to evaluate whether internal control of state agencies is adequate and whether their performance is satisfactory.

The Presidential Committee of the Althingi appoints the Auditor General for a period of six years and he employs the staff. The staff shall be completely independent of those ministries and organisations where the audit is being carried out.

A large part of the projects undertaken by the Office is either statutory or performed at the request of the Presidential Committee of the Althingi, ministries or individual central government bodies. The National Audit Act clearly stipulates, however, that the Office is independent in the performance of its work. This entails the requirement that the Office takes initiative in the selection and organisation of projects, and that its procedures are objective, professional and in conformance with generally accepted auditing principles and rules. The Act also stipulates that the Office shall have access to all data important for the performance of its auditing.

The Icelandic National Audit Office gives an account of most of its projects in reports or opinions. These reports are in all cases sent to the audited parties and to the ministries under which they belong. Some reports are also made public and sent to the Parliament and the media. This applies in particular to reports prepared in relation to performance audits of bodies and enterprises, reports relating to specific issues and various guidelines for public bodies. The Audit of the Central Government Accounts is always made public.

## Mission

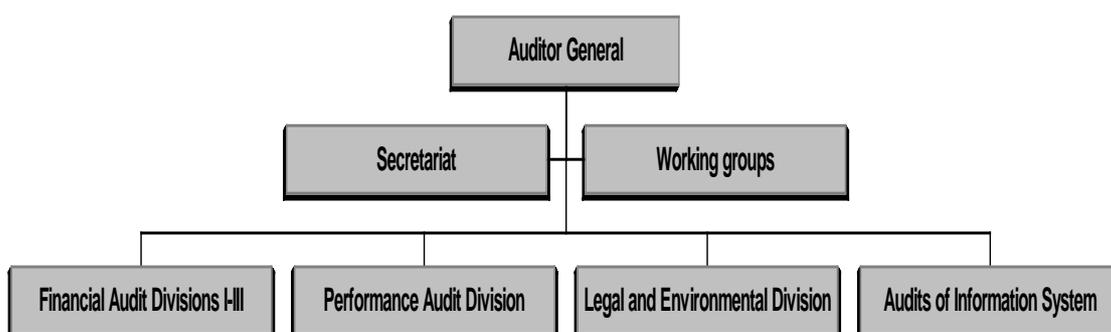
THE ICELANDIC NATIONAL AUDIT OFFICE audits in accordance with Icelandic laws and generally accepted auditing standards and guidelines. Its main values are independence, objectivity, competence and credibility. In recent years, the Office has set the goal to increase the quality, efficiency and transparency of its work. It has also made an effort to expand its auditing scope by examining various factors in the operating environment of central government agencies and enterprises concurrently with conducting traditional financial audits.

In the future, the regulatory role of public audit bodies will increasingly focus on risk assessment and internal control systems of central government bodies, their management and organisation. In addition to traditional financial audits, they will also focus on the quality of financial management and of information systems.

The Icelandic National Audit Office has sought to formulate a policy on environmental audits. Important tasks include the reviewing of whether, and in which manner, central government authorities enforce the provisions of international agreements and conventions relating to the environment.

## Organisation chart

THE ACTIVITIES of the Office are divided into four main departments: Financial Audit Divisions I-III, Performance Audit Division, Legal and Environmental Division and Audits of Information Systems. In addition the Office has a Secretariat.



## Financial Audit Division

CONVENTIONAL FINANCIAL AUDITING represents the largest part of the activities of the Icelandic National Audit Office. Financial auditing takes place within three divisions. Audit Division I handles institutions, enterprises and limited liability companies outside Group A of the Central Government Accounts. Audit Division II audits entities in Group A of the Central Government Accounts, other than those who belong under the Ministry of Finance. Audit Division III audits bodies under the Ministry of Finance, and has also been placing increased emphasis on examining the internal control of institutions and their procedures for risk assessment.

According to the National Audit Act financial audits shall at any given time be in particular aimed at the following:

- That the financial statements presents fairly the operations and financial position in accordance with generally accepted accounting principles.
- To examine internal control and whether it assures adequate results.
- That accounts are in conformity with authorisations under the Budget, the Supplementary Budget or any other Acts of the Parliament, lawful instructions, business practice or service contracts as it applies.
- To examine and verify the indicators which show the activity and performance of governmental entities and are reported in the financial statements.

The audit of the state accounts covers about 250 institutions and enterprises that are completely or primarily financed by the state and 100 other budgetary items. Reports of the Financial Audit Division are not usually published officially, but a summary of all the work done in the division each year can be found in the Office's report on the Audit of the Central Government Accounts.

In the coming years, the Icelandic National Audit Office will spend more time than before on examining the operations, operating environment and the accounting- and surveillance systems of the bodies that it audits, prioritise tasks according to importance and seek to ensure that its audit work yields the expected results, using quality audit reports that are also useful for the audited body, Parliament and the public. Among the methodologies that will be used is risk management.

## Performance Audit Division

THE OBJECTIVE of a performance audits is to improve the activities and results of central government bodies and enterprises by means of suggesting various possible improvements in their management, organisation, personnel issues, control, goal setting and procedures. The National Audit Act stipulates that a performance audits shall mainly consist of the following tasks:

- Examining the handling and spending of public funds.
- Examining whether economy and efficiency are maintained in the operations of central government agencies and enterprises.
- Examining whether applicable lawful instructions are complied with in their activities.
- Assessing whether the appropriation of grants and contributions have yielded the intended results.

The Icelandic National Audit Office itself determines which projects to undertake, but often takes account of the requests of the Presidential Committee of Parliament, ministries or agencies. Projects can be extremely varied in substance, handling and scope. They can vary from examining specific operating areas of organisations, the organisation as a whole or more than one organisation. The conclusions of audits are, as a rule, published in the form of official reports or memoranda. The Office produces annually about 8-10 reports.

As performance audits require substantial time and manpower, the Icelandic National Audit Office has endeavoured to choose its projects carefully. The main emphasis has been on issues of considerable importance for public administration in general, individual ministries or bodies. In the selection of projects, account has been taken of reasoned comments regarding shortcomings or flaws in the activities of central government bodies or enterprises. The Office tries to handle each and every project in an objective manner and in accordance with generally accepted auditing principles. The reports of the Icelandic National Audit Office often contain some criticism, but an effort is made to present the criticism in a fair and constructive manner. The audited party is also given the opportunity to evaluate the points made by the Office and submit comments or corrections before the final report is completed. When a report has been published, the activities of the Icelandic National Audit Office usually end in respect of the matter in question.

## Audits of Information Systems

RAPID DEVELOPMENTS in the field of information and communication technology have affected the operations and service of state agencies in many ways. In recent years, the Icelandic National Audit Office has emphasised the auditing of information systems of central government bodies and enterprises. The aim is to ensure the integrity, efficiency and security of those systems, and to verify that they fulfil all requirements and comply with laws, regulations and standards. For this purpose, the staff of the Icelandic National Audit Office has performed various audits of the information systems of individual agencies and bodies, in addition to preparing a number of best practice guidelines relating to the Office's area of responsibility.

Computer specialists in the Division of Audits of Information Systems also provide other employees of the Icelandic National Audit Office with advice and assistance in their work. They also manage the operation of all the computer systems within the Office.

## Legal and Environmental Division

THE MAIN ROLE of the Legal and Environmental Division is to assist and advise other divisions on legal issues and questions relating to audit projects. The staff of this Division also handle the inspection of chartered funds and institutions. Finally, the Legal and Environmental Division is responsible for environmental audits, particularly focussing on how the Icelandic State honours laws and international agreements on environmental protection.

Each year, the Legal and Environmental Division produces a large number of opinions on legal issues relating to the Office's audit projects. These opinions are seldom published, but sometimes make their mark on the publications and reports issued by the Office.

## International Relations

THE ICELANDIC NATIONAL AUDIT OFFICE is a member of various multinational audit organisations, such as INTOSAI (The International Organisation of Supreme Audit Institutions) and EUROSAI (The European Organisation of Supreme Audit Institutions), and enjoys good relations with its counterparts in other countries. Every year, its employees participate in international collaboration, congresses, conferences and meetings, providing information about its operations in Iceland and benefiting from the experiences and knowledge of others.



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