



# THE ICELANDIC NATIONAL AUDIT OFFICE

## ANNUAL REPORT 2010

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# FOREWORD BY THE AUDITOR GENERAL, MR SVEINN ARASON



Sveinn Arason

2010 was a difficult year in the operation of many public bodies. Appropriations were cut in the year's Budget, and public bodies had to take action to adapt their operations to changed circumstances. The monthly statements of the State Accounting Office during 2010 showed, however, that the majority of public bodies were able to reduce their operations to the extent that appropriations covered costs. The managers and staff are to be commended for the generally successful operations during the year and the acceptable operating results at the end of the year.

In its work during the year, the Icelandic National Audit Office (INAO) took account of the current difficulties in government operations. The Office generally tries to adapt its operations to circumstances and tries to take account of them in the selection and performance of projects. Over the past few years, the focus has been on short and delineated reports to ensure that the Althingi and the administration receive timely information that can be of use in decision making. An example of this is the Office's audit of the state's procurement issues, which covers the purchase of both goods and services. Last year, the Office issued a total of four progress reports containing the results of these audits as well as two independent recommendations. These last two are in fact short reports (leaflets) and are an innovation in the Office's publications. I believe that this type of publication can be highly appropriate when the project is clearly defined and does not require a very detailed investigation and analysis. At the same time, emphasis is placed on not compromising on the quality requirements of the underlying investigation.

During the past year, the INAO focused, moreover, on public body mergers and published three reports containing the results of audits in this field. During economic downturns, the authorities and public bodies must seek new ways to utilise the limited funds available as advantageously as possible. Public bodies in Iceland generally have significantly fewer employees as compared to neighbouring countries. In 2010, there were 65 public bodies and budgetary items with between 1–10 man-years and 128 with between 1–30 man-years. Public bodies of this size are uneconomical operating units, and it is therefore vital to merge and enlarge them to better utilise funds. I believe this matter to be a priority issue for the ministries and

that they should not propose the establishment of new micro-bodies when it is clear that projects can be allocated to bodies or operating units that take care of similar or related operations.

In recent years, the INAO has repeatedly pointed out the necessity of revising the Government Financial Reporting Act No. 88/1997. During the past year, the State Accountant, Gunnar H. Hall, was appointed chairman of the government accounts committee. He and the committee have agreed to strengthen the committee's work considerably and to begin work on revising the Act. The committee has appointed working groups to discuss several issues that the Act does not cover or which are disputed. In this context, mention may be made of lease agreements, contracts involving private finance initiatives and the state's obligations in connection with such initiatives, asset capitalisation of plant property and equipment and ear-marked income, to mention a few. I would like to take this opportunity to express my delight that this work has been started.

In 2009, the INAO decided to economise by ceasing to print its reports. Instead, they are published on the Office's website. The Speaker of the Althingi and the subjects of the report, however, are sent printouts of the report. Thereafter, the Speaker decides which of the Althingi's committees will receive the report for discussion and, as appropriate, for processing. Once the committee places the report on its agenda, the Auditor General is invited to present its substance and the results. This arrangement is now firmly established, which gives me great pleasure. On the other hand, I believe that it would be more efficient if parliamentary committees were to submit written opinions on the INAO's reports after having discussed them. This has been done by both the Parliamentary Budget Committee and the Education and Cultural Affairs Committee in a noteworthy manner.

The Althingi is currently processing a bill to amend the Act on the rules of procedure of Althingi which, among other things, proposes changes to the arrangement of the parliament's committees. The Bill proposes the establishment of a constitutional and surveillance committee to be responsible for processing reports from the INAO and the Althingi ombudsman. This is intended to strengthen the Althingi's monitoring role. Such committees currently operate within the parliaments of several of our neighbouring countries. Nevertheless, the Parliamentary Budget Committee is expected to continue to process the INAO's reports on the Implementation of the Government Budget and audit of the Central Government Accounts. The Office supports this change and hopes that it will be realised.

The INAO's new organisational chart came into effect on 1 April 2010. The Office's professional activities now take place in two departments for the most part, the Financial Audit Department and the Performance Audit Department. There are three support departments, while various monitoring and special projects are carried out by the office of the Auditor General. Efforts have recently been spent on policy formulation for the Office based on the balanced scorecard methodology. We hope to finish this work before yearend 2011.

In 2003, the INAO established a Code of Conduct for itself based on the Code of Conduct established by the International Organisation of Supreme Audit Institutions – INTOSAI. At the beginning of last year, the decision was made to update the Office's Code of Conduct. Account was taken of the recommendations of a working group preparing a Code of Conduct for the employees of the Government Offices of Iceland. This may be found in the bill of the Act to amend the Act on the Government Offices of Iceland that was submitted to the Althingi in February 2010 and approved in June. The updated Code of Conduct of the INAO came into effect during the same month.

In November 2010, the INTOSAI Convention approved new audit standards for national audits, i.e. the ISSAI standards (International Standards of Supreme Audit Institutions). These standards are based on the International Standards of Auditing (ISA) issued by the International Federation of Accountants (IFAC). The ISSAI standards involve the adaptation of the latter standards to public operations, as their nature is, as known, somewhat different to the operation of private companies. The INAO will adopt these standards into its operations during 2011 and has already started such work.

The operations of the INAO in 2010 were characterised by the cutbacks that the Althingi decided when passing the 2010 Budget. The National Audit Office's budgetary appropriation was reduced by ISK 34.5 m from the year before. The Office's operating plan anticipated a deficit of ISK 12 m, although there was, in fact, a surplus of approximately ISK 16 m. The reason for this reversal was on the one hand the fact that the Office's income from services was substantially higher than anticipated and, on the other, that the Office managed to keep expenses within the limits set by the operating plan.

The INAO's total assets amounted to ISK 76.8 m at year-end 2010, liabilities amounted to ISK 6.9 m and the aggregate surplus amounted to ISK 69.9 m. The number of employees at the end of the year was 47, with two employees leaving during the year. Man-years in 2010 measured based on daytime wages were 44.9, 1.9 fewer than the previous year.

# OBJECTIVES AND ROLE OF THE ICELANDIC NATIONAL AUDIT OFFICE

## PART OF ALTHINGI'S MONITORING OF THE EXECUTIVE BRANCH

The National Audit Office (INAO) is an independent body operating under the auspices of the Althingi (Iceland's parliament). The Office is a part of the legislature and is involved in monitoring the executive branch. Its main roles are to audit the Central Government Accounts and the financial statements of central government bodies and to monitor and promote improvements in the financial management of the state and in the use of public monies.

The INAO operates in accordance with legislation applicable to it (No. 86/1997) and, as applicable, the Act on Auditors (No. 79/2008), as well as with various other acts of law applicable to its operation. Furthermore, the Office takes account of the standards and guidelines of the International Organisation of Supreme Audit Institutions (INTOSAI) and the standards of the International Federation of Accountants (IFAC). Moreover, employees take account of the Office's Code of Professional Conduct.

## SUBJECT TO THE UNWRITTEN PRINCIPLES OF ADMINISTRATIVE JUSTICE

As the INAO operates under the auspices of the Althingi, the Administrative Procedures Act and the Information Act do not apply to the activities of the Office. Nevertheless, a number of unwritten principles of administrative justice apply to the Office, such as rules on competence.

Taking into account acts of law, rules, standards and guidelines, the National Audit Office has defined its principal tasks in the following manner:

### FINANCIAL AUDITING

Auditing the Central Government Accounts and the accounts of public bodies and enterprises in which the state owns at least half or more of the shares. Auditing the accounts of entities that operate under the auspices of the state or provide statutory services or undertake other projects in exchange for payment or contributions from the state. Examination of the internal controls and security of IT systems. Suggestions on what improvements may be made to accounting, the preparation of financial statements, internal controls and the operation of IT systems.

## FIVE MAIN TASKS

## PERFORMANCE AUDITING

Evaluations of the performance of public bodies, state-owned enterprises and parties that accept contributions from the state. Assessments of economy, efficiency and success in operations. Suggestions on how performance may be improved.

## MONITORING THE IMPLEMENTATION OF THE GOVERNMENT BUDGET

Monitoring whether public bodies operate in accordance with the Budget, the Government Financial Reporting Act and the Regulation on the Implementation of the Government Budget.

## MONITORING THE FINANCES OF SELF-OWNED ORGANISATIONS (FOUNDATIONS)

Monitoring the accounts of funds and public bodies operating in accordance with approved charters.

## MONITORING THE FINANCES OF POLITICAL PARTIES AND POLITICAL CANDIDATES

Receipt, processing and publication of information on the income and expenses of political parties and candidates in pre-elections.

It must be noted that the above tasks often overlap and are linked in various ways. Moreover, the definition of a task may change in accordance with the Office's change of focus from time to time.

By law, the INAO has a very broad mandate for auditing. The Office may call for financial statements from public bodies, associations, funds and any other bodies that receive government funds or guarantees. Furthermore, the Office is permitted access to original documents and reports prepared in relation to invoices issued to the Government, in order to verify the content of the invoices and the Treasury's payment obligations. Finally, the Office may request reports on the disbursement of grants and other contributions from public funds and assess whether such payments have achieved the intended results.

### BROAD AUDITING MANDATE

The INAO selects and organises its own projects, even though it is constitutionally under the auspices of the Althingi. The Presidential Committee of the Althingi, however, may require the Office to submit reports on matters that fall within its mandate. In such cases, however, the Office determines the approach to the subject matter, the methods used, when the report is completed and the manner in which the conclusions are presented.

### INDEPENDENCE OF THE NATIONAL AUDIT OFFICE

The INAO notifies the appropriate public bodies, the Althingi, the media and the public of the results of its investigations through printed reports, press releases and its website, [www.rikisend.is](http://www.rikisend.is). Results that touch on sensitive internal issues of public bodies, however, are not made public. The Althingi discusses the reports of the INAO in accordance with the Althingi Procedures Act and rules on the parliamentary treatment of reports from the Office.

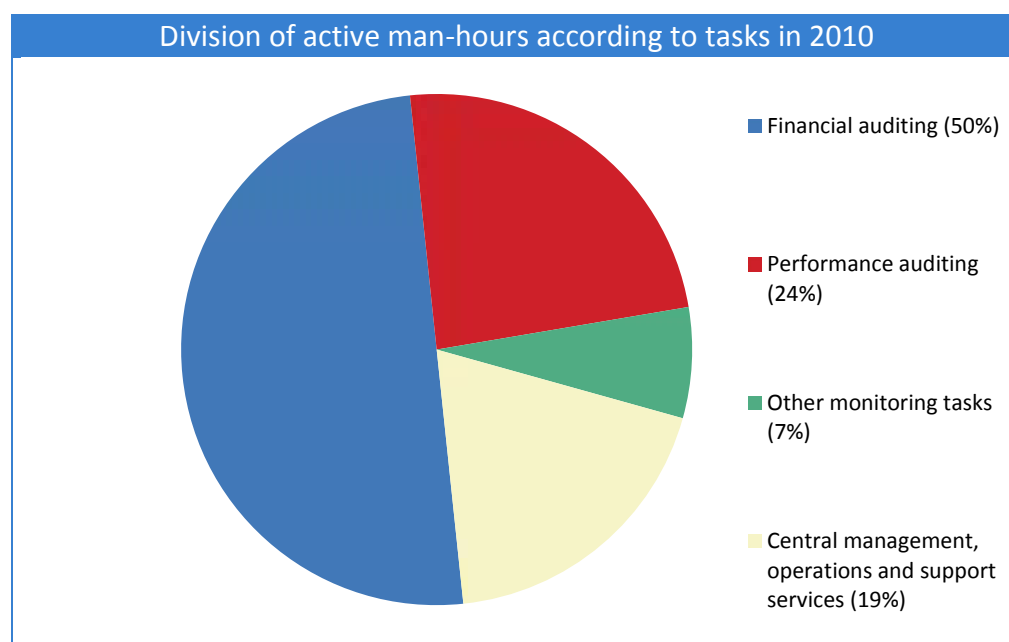
# WORK CONTRIBUTION, OPERATIONS AND INTERNAL ORGANISATION

ACTIVE WORKING  
HOURS DECREASED BY  
5%

## DIVISION OF WORK CONTRIBUTION BETWEEN TASKS

In 2010, the active working hours of the INAO's employees came to a total of 80,000, a reduction of over 4,000 from the previous year, or 5%. Active man-hours refer to the hours employees are at work, with absences, due to illness or vacation for example, excluded. The reduction can be attributed to a reduction in overtime work when compared with 2009 due to economisation in operations. Furthermore, two employees left the office and no one was recruited to replace them.

In addition to the work contribution of employees, the Office purchases services from auditing firms corresponding to approximately 3,400 working hours. In total, therefore, the staff of the INAO and others working on its behalf worked a total of approximately 83,400 active man-hours in 2010.

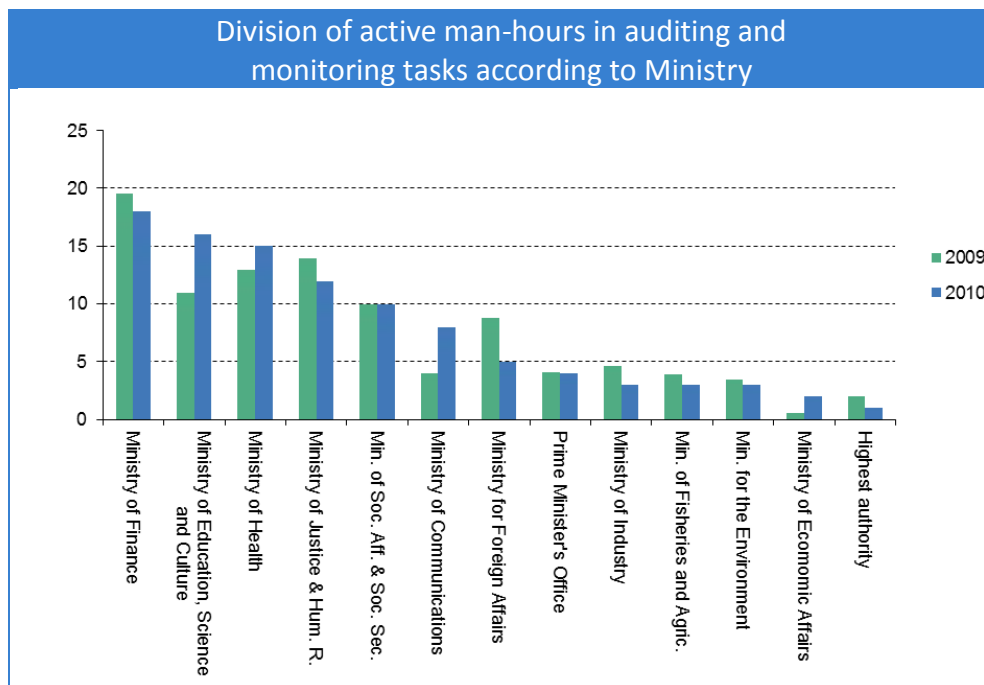


As in recent years, the largest proportion of active man-hours by far was spent on financial auditing, or approximately 50%. Approximately 25% was spent on performance auditing, 7% on other monitoring tasks and approximately 19% on central management, operation and support services.



In total, active man-hours in auditing and monitoring tasks were approximately 72,000 in 2010, somewhat less than in 2009. As before, the greatest amount of time was spent on auditing and monitoring the budgetary items of the Ministry of Finance, or approximately 18% of active working hours. Approximately 16% were spent on the budgetary items of the Ministry of Education, Science and Culture and 15% on the budgetary items of the Ministry of Health.

**GREATEST AMOUNT  
OF TIME SPENT ON  
ITEMS FROM THE  
MINISTRY OF  
FINANCE**



As shown in the histogram, there was some transfer of hours between ministries from the previous year. The hours spent depend, among other things, on the choice of projects at any particular time and risk assessments. For instance, performance audits generally focus on different ministries between years, and this can have an effect on the proportional division of active man-hours.

## INCOME AND EXPENSES

The total expenditures of the INAO amounted to ISK 475m. With the exception of costs relating to bought-in expert services, which were unusually high in 2009 due to the auditing of the commercial banks, expenditures fell by ISK 31m (4%) between years. Revenues amounted to approximately ISK 67m, and the state contribution amounted to ISK 425m in 2010. As a result, the surplus amounted to ISK 17m. Payroll costs amounted ISK 349m, decreasing by ISK 18m (5%) between years, as employee wages were generally reduced in accordance with government instructions to such effect.

**PAYROLL COSTS  
DECREASED BY  
APPROX. 5%**

Summary of profit and loss account (ISK millions)				
	YEAR		CHANGE	
	2010	2009	AMOUNT	%
SALARIES	349.0	366.9	-17.9	-5%
OTHER OPERATING EXPENSES	123.0	451.5	-328.5	-73%
PURCHASED ASSETS	3.2	2.9	0.3	10%
<b>TOTAL COST</b>	<b>475.2</b>	<b>821.4</b>	<b>-346.2</b>	<b>-42%</b>
REVENUES	67.2	366.7	-299.5	-82%
COSTS NET OF REVENUES	408.0	454.7	-46.7	-10%
STATE CONTRIBUTION	424.8	459.3	-34.5	-8%
<b>SURPLUS (DEFICIT)</b>	<b>16.8</b>	<b>4.6</b>	<b>12.2</b>	<b>265%</b>

## HUMAN RESOURCES

At year-end 2010, the INAO had a total of 47 employees, 23 women and 24 men. The number of employees decreased by two during the year. The average age of employees was approximately 52 years. In comparison, the average age of employees of the Government Offices of Iceland was 48.3 in 2010.

### STAFF TURNOVER 4% IN 2010

Employee turnover is defined as the proportion of employees who resign during the year out of the total number of employees at year-end. Over the past three years, employee turnover has fallen considerably when compared to the years before that, as conditions on the labour market have altered drastically in the wake of the economic collapse. Thus, employee turnover in 2007 was approximately 17%, fell to 2% in 2009 and was 4% in 2010.

The ratio of those with at least three years' experience at the Office was 90% in 2010, and this figure has been rising between years. The average length of service was approximately 12 years, slightly higher than the year before. In comparison, the average length of service of employees in the Government Offices of Iceland was 8.5 in 2010.

### THE MAJORITY WITH DEGREES IN BUSINESS ADMINISTRATION

At year-end 2010, the INAO had 39 university-educated employees, many holding a master's degree, and eight employees with other types of education. The majority of university-educated employees had degrees in business administration or economics, five had degrees in political or administrative sciences, three were lawyers, two had degrees in computer science, and two had degrees in other fields. Furthermore, there were five chartered accountants and three with certification in internal auditing (CIA). One of them is also a Certified Government Auditing Professional (CGAP), and another has certification in IT auditing (Certified Information Systems Auditor – CISA).

The INAO endeavours to ensure that the staff maintain and strengthen their professional abilities through continuing education. To this end, employees are able to attend a range of courses in conjunction with their work. They may also

undertake university studies in conjunction with their work in accordance with a special agreement between the Office and the employee. The employees who enter into such an agreement may spend up to 4 hours of their working hours in study programmes for every course they complete.

In 2010, the INAO's budget allocation was considerably reduced when compared to the year before. Economisation was achieved by, among other things, reducing expenditures towards continuing education and educational courses. As a result, each employee spent, on average, substantially fewer hours on continuing education in 2010 than in 2009, or 19 as compared to 55. Continuing education hours, in fact, fell also quite sharply between 2009 and 2008, as can be seen in the following table.

Key figures in human resources			
	2010	2009	2008
STAFF TURNOVER	4	2	6
AVERAGE LENGTH OF SERVICE AT THE INAO	12	11	11,5
3 YEARS' WORK EXPERIENCE AT THE INAO	90%	71%	66%
AVERAGE NO. OF HOURS CONT. ED. PER PERSON	19	55	71

## NEW ORGANISATIONAL CHART FOR THE NATIONAL AUDIT OFFICE

A working group was appointed within the INAO in 2008 to prepare proposals for changes to the internal organisation of the Office. The group submitted their proposals in November 2008, and at the beginning of 2009, defined changes were made to the organisation. In March 2009, another working group was appointed to further elaborate on these changes. Its conclusions were available by the end of the year, at which time they were processed. The Office's new organisational chart came into effect on 1 April 2010.

The principal change is that almost all of the Office's auditing and monitoring activities take place within two speciality departments instead of five as previously. The Financial Auditing Department is responsible for carrying out financial audits and related tasks in accordance with Article 8 of the National Audit Act, while the Performance Audit Department is responsible for carrying out performance audits and related tasks in accordance with Article 9 of the same Act. In addition, there are three units responsible for diverse centralised tasks and for providing services to the main departments: Financial Administration and IT Services, Legal and Archive Services and Communications and International Relations. The Auditor General's Office is responsible for a range of tasks involving the monitoring of state agencies as well as providing assistance to the Auditor General. Five members of staff have been appointed to an Advisory Board which addresses various issues that relate to the professional development of the Office's activities.

**TWO MAIN  
DEPARTMENTS, THREE  
SUPPORT DEPARTMENTS  
AND THE OFFICE OF THE  
AUDITOR GENERAL**

Each speciality department is managed by a Director, and under him are Department Managers, four in the Financial Audit Department and two in the Performance Audit Department, who guide the work of experts. The Director of the

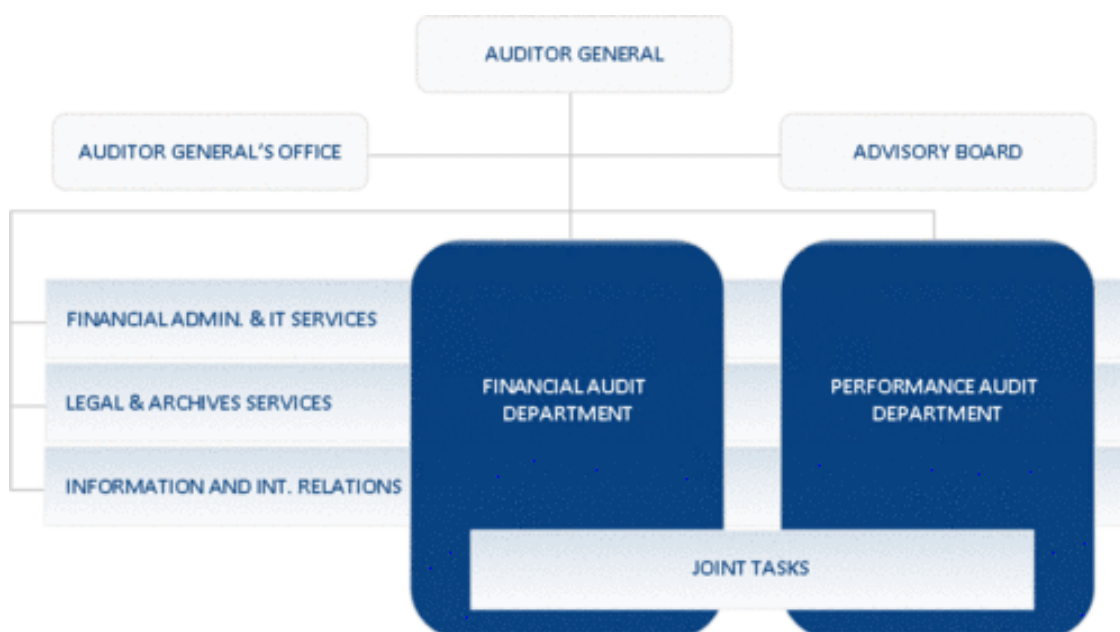


## THE INAO'S ADVISORY BOARD

Financial Auditing Department is Ingi K. Magnússon, and the Director of the Performance Auditing Department is Kristín Kalmansdóttir. Senior Attorney at Law and substitute for the Auditor General is Lárus Ögmundsson, the Director of Operations is Eythór Borgthórsson and the Office Director in the Office of the Auditor General is Jón Loftur Björnsson.

Members of the Office's Advisory Board are Pétur Vilhjálmsson, Chairman, expert in the Office of the Auditor General (previously in Performance Audit Department); Albert Ólafsson, Office Manager in the Financial Audit Department; Ingunn Ólafsdóttir, expert in the Performance Audit Department; Kristín Jónsdóttir, expert in the Financial Audit Department; Sigurgeir Bóasson, Department Manager in the Financial Audit Department.

In addition, it should be noted that by the end of 2010, all employees had signed a written job description defining the scope of their responsibility and main tasks.



# FINANCIAL AUDITING

Financial auditing is the most extensive task undertaken by the Icelandic National Audit Office (INAO). In 2010, a total of over 40 thousand hours were spent on financial auditing, or the equivalent of approximately half the total number of active man-hours spent by the Office. Employees of the Financial Auditing Department at year-end 2010 were 24.

The INAO annually audits the Central Government Accounts and the accounts of ministries, agencies, funds and other parties. By law, the financial audits must determine the following in particular:

- That the financial statements present a fair view of operations and financial position in accordance with generally accepted accounting principles.
- That internal controls are examined to ascertain whether they ensure adequate results.
- That accounts are in accordance with Budget authorisations, the supplementary Budget or other appropriate laws, lawful instructions, business practices or service contracts.
- That the reliability of key indicators on the scope and results of the operation of public bodies are examined and certified, if such indicators are published with the annual accounts.

Account is taken of the National Audit Act, the Auditors' Act, INTOSAI standards and IFAC standards in the Office's auditing activities as applicable.

Government financial auditing includes examining the internal controls of ministries, public bodies and state enterprises. Internal control means diverse measures and actions intended to encourage successful and efficient operations; safeguard assets, valuables and sensitive data; provide trustworthy financial information; and ensure that operations comply with laws and regulations. Internal controls are generally based on analyses and assessments made by public bodies and enterprises of possible operational risks, and can be seen in work procedures of various types, e.g. regarding the division of tasks, the approval of expenses and recording of business transactions, and also in codes of conduct and human resources policies.

The INAO provides assistance in the preparation of annual financial statements to a number of public bodies in connection with its annual financial audit. The work also involves performing various procedures to obtain audit evidence about the amounts and other information in statements.

## GOALS OF STATE FINANCIAL AUDITING

## INTERNAL CONTROLS EXAMINED



The more that the state's scope of activities grows and becomes more complicated, the greater the risks in its operation. Over the past few years, the National Audit Office has increasingly focused on analysing risks in the operation of the state and on organising its work in accordance with the results of such analysis. All state expenditures, whether from public bodies, collective items or contributed items, are evaluated with respect to scope and risk. Particular attention is paid to items where the risk is the greatest. In such cases, each item is further risk analysed as regards the nature of expenditure, operating environment, amendments to laws, budget appropriations and the strength of internal controls. In this manner, an attempt is made to utilise the limited funds and human resources of the Office as well as possible.

The focus on risk-based auditing has inevitably lead to fewer public bodies being audited in the manner previously the norm. In particular, the auditing of public bodies within the accounting services of the state Accounting Service has changed, as the INAO increasingly relies on the work of the state Accounting Office in connection with annual statements. Moreover, greater emphasis is placed on auditing the Treasury's finances, as the state's debts have increased following the collapse of the banks. Furthermore, various amendments to laws and the decisions of the authorities as regards the Treasury's ability to generate revenue have had an effect on the development of the Office's financial auditing.

The INAO annually publishes a report, The Audit of the Central Government Accounts, containing a summary of all the financial audits that it has performed during the year, the principal results of such audits, and comments. In 2010, this report was issued in December.

## THE AUDIT OF SPKEF AND BYR

At the end of April 2010, the Minister of Finance established two companies to take over the operation of the Keflavík Savings Bank and the Byr Savings Bank, both of which had failed. As these were state-owned companies, the responsibility for auditing them lay with the INAO. The decision was made to issue an invitation for tender for the task, and an agreement was reached with the state Trading Centre to manage the process. Four valid bids were submitted, and the most advantageous was from the auditing firm Ernst & Young hf. The decision was made, therefore, to enter into negotiations with that company for the audit of both savings banks. An agreement was reached and signed in October 2010. The agreement applied to the financial years 2010–14. In March 2011, however, the decision was made to merge Landsbanki Íslands and SpKef Savings Bank. This meant that the work contract for the audit of SpKef was terminated, while the agreement for the audit of Byr Savings Bank remained in effect.

## SEMINARS ON THE BUDGETING PROCESS AND THE STATE'S HUMAN RESOURCES ISSUES

Sveinn Arason, the Auditor General, pointed out ways to increase discipline and restraint in the budgeting process during a breakfast meeting held by the INAO with the Association of Directors of Public Bodies and the Institute of Administrative Sciences and Politics in March 2010. Over the past two decades, the Office has annually criticised ministries and public bodies for not respecting budget authorisations. Moreover, the Office has submitted proposals on changes to methods used to formulate and pass the Budget through the Althingi. At the beginning of the meeting, Gylfi Magnússon, the Minister of Economic Affairs, gave an address. The image shows (from left) Ásta Valdimarsdóttir, Director General of the Icelandic Patent Office, who chaired the meeting; Sveinn



Arason, Auditor General; Kristján Thór Júlíusson, member of the Althingi; and Björn Zoëga, CEO of Landspítali University Hospital. Örn Hauks-son, expert from the Ministry of Finance, and Kristinn Hjálmars-son, operating consultant, also addressed the meeting.

In November, the INAO held another breakfast meeting in co-operation with the above

parties. The State's human resources issues were discussed at this meeting. Ingunn Ólafsdóttir, expert from the Department of Performance Auditing, presented the results of the Office's opinion poll among directors. The survey was a part of an examination of the retirement of government employees. Her report was published in January 2011.

## PRODUCTIVITY AND PERFORMANCE ASSESSMENT

The tangible results of financial auditing consist for the most part of certified annual accounts and auditing reports prepared for individual public bodies or budget items. Over recent years, the audit has mainly been based on standardised work practices and points of focus. As a result, it has been considered realistic to compare productivity between years, i.e. the number of certified annual financial statements and auditing reports. However, the decision was made in 2010 to change the Office's focus in financial auditing, which meant that there were fewer financial statements and the auditing reports became more substantial. For this reason, it is unrealistic to compare productivity between 2009 and 2010 in the usual manner. It should be mentioned, however, that the number of certified financial statements prepared by

**CHANGE IN FOCUS AS  
OF 2010**

## ATTEMPTS MADE TO FINISH AUDITS EARLY IN THE YEAR

the Office's employees decreased by 91 between years, from 319 to 228. In contrast, the number of auditing reports increased by three, from 209 to 212.

The INAO has always sought to complete the audit and certification of financial statements of public bodies and other financial items as early in the year as possible. Over the past few years, the Office has been able to complete approximately half the financial statements of public bodies and other financial items by the middle of the year, as is shown in the following table.

The accumulated proportion of certified annual accounts within the year				
YEAR	Q1	Q2	Q3	Q4
2007	9.4%	58.6%	93.4%	100%
2008	11.5%	50.3%	76.0%	100%
2009	13%	51%	75%	100%
<b>2010</b>	<b>15%</b>	<b>57%</b>	<b>89%</b>	<b>100%</b>

For 2011, the National Audit Office has set itself new goals as regards the auditing and certification of financial statements. The Office no longer plans to certify as many annual financial statements as possible during the first part of the year as has hitherto been the goal. Instead, the Office plans to complete the certification of the accounts of public bodies and financial items responsible for at least 80% of state expenditures before mid-year.

## IT AUDITING

## GOAL OF IT SYSTEM AUDITS

Part of the state's financial auditing involves making sure that the IT systems of public bodies and enterprises are secure and perform as expected. In such work, account is taken of the National Audit Act, the standards and guidelines of INTOSAI, as well as the guidelines of the Financial Supervisory Authority on the operation of the IT systems of parties subject to supervision.

The results of IT audits are presented in reports usually sent only to the public bodies being audited and to the relevant ministry, as these reports regularly include information on sensitive security issues. It would be irresponsible to publish such reports and allow information on the possible weaknesses of an IT system to become common knowledge before any such weaknesses could be remedied.

Three of the 24 employees of the Auditing Department are responsible for IT systems auditing. In addition, they compiled a guidance paper on open software (freeware) which was issued in March 2010.

STAFF OF THE FINANCIAL AUDIT DEPARTMENT



# PERFORMANCE AUDITING

According to Article 9 of the National Audit Act, the INAO may examine the handling and utilisation of public funds and submit proposals on ways to improve these issues. The task is called performance auditing and is one of the principal tasks of national audit offices around the world. Performance audits are, in reality, examinations of how successful ministries, public bodies and state enterprises are in the tasks entrusted to them. When performing this work, the Office takes account of the National Audit Act, documents relevant to the interpretation of applicable acts and the standards and guidelines issued by INTOSAI.

## MORE STAFF IN THE PERFORMANCE AUDITING DIVISION

In 2010, a total of 19,250 hours were spent on performance auditing, or the equivalent of a quarter of the total number of active man-hours spent by the Office. This is a much higher proportion than in recent years and can be attributed to the fact that as a result of the organisational changes last year (see page 12), the number of employees in the Performance Auditing Department rose from 7 to 13. In fact, one employee left the employ of the Office during the year, and the number of staff at the end of the year, therefore, was 12.

## AUDITS COMPLETED IN 2010

## 22 REPORTS

The results of performance audits are presented in reports sent to the Speaker of the Althingi and the entities involved, and are published on the INAO's website, [www.rikisend.is](http://www.rikisend.is). In 2010, the employees of the Performance Auditing Department completed a total of 22 reports, as opposed to 6–8 in recent years. This increase is for the most part attributable to the fact that audits are now much more limited in scope and take, therefore, generally less time. In addition to reports of traditional length, the Office published a number of shorter reports, some only a few hundred words in length (independent recommendations). With these changes, the INAO wishes to ensure that the Althingi and the authorities receive timely information that is useful in their decision making. Some of the increased productivity of the Performance Audit Department can be traced to the fact that the department has a greater number of employees, as previously stated.

In 2010, the Performance Audit Department of the INAO completed the following reports:

- Support to industrial and regional population development
- Follow-up report: Cost, efficiency and the quality of university teaching (2007)
- Follow-up report: The Administration of Occupational Safety and Health in Iceland (Vinnueftirlit ríkisins) (2007)



- Recommendation from the National Audit Office. Handling of applications and grants from industrial development funds
- Follow-up report: Measures against the importation of illicit drugs (2007)
- RES, the School for Renewable Energy Science. Operating status – future vision
- Recommendation from the National Audit Office. Purchase of technical services for the Session of the Nordic Council
- Merger of central government bodies – 3. A single company responsible for air navigation services and airport operation
- Merger of central government bodies – 2. Formation of Registers Iceland
- Follow-up report: St. Jósefsspítali – Sólvangur (2007)
- Implementation of agricultural agreements
- Keilir ehf. state contributions and performance
- Services to the disabled
- Recommendation from the National Audit Office. Purchase of painting services by Fasteignir ríkisins (State Properties)
- Merger of central government bodies – 1. Iceland a single tax region
- Recommendation from the National Audit Office. Service Agreement for Heilbrigdisstofnun Sudausturlands (South East Iceland Health Care Facility)
- Organisation and remedies in prison issues
- Public Procurement. Milestone report 4. Contractor payments at the Icelandic Property Registry
- Follow-ups to the 2006 Performance Audits
- Public Procurement. Milestone report 3. Transactions of central government bodies with 800 suppliers
- Public Procurement. Milestone report 2. Contractor payments at the University of Iceland
- Public Procurement. Milestone report 1. Procurement policies of Ministries

## REVIEW OF WORK SCHEDULE

In 2010, the three-year work schedule of the Performance Auditing Department was renewed. The new schedule applies to the period 2010–12. It states that audits during the period will specifically be directed at the problems that the authorities and public bodies face with falling government revenues, reductions in public operations and the reorganisation of public services. Consideration must be given to ways to promote better utilisation of public funds and economisation in state operations and its individual bodies. Also, the Department will monitor whether tasks or services paid by the state are performed in accordance with laws and regulations. Furthermore, the Department will monitor the daily operation of ministries, public bodies and public enterprises and the general schedules and actions of the state in individual fields.

**PROBLEMS RESULTING  
FROM THE ECONOMIC  
DOWNTURN EXAMINED**

## FOLLOW-UP OF PERFORMANCE AUDITS

The INAO seeks to evaluate the results or outcome of performance auditing by examining reactions from the authorities and public bodies to the recommendations stated in the reports. Such follow-ups are generally performed approximately three

**THREE YEARS AFTER  
ISSUE OF REPORT**

years after the report is published. Results are evaluated based on whether the recommendations can be seen to have been implemented fully or partly.

In 2010, the Office followed up on five performance audits from 2007 in the above mentioned manner. A total of 45 suggestions were put forward in these audits. Of these, the INAO considered that 23 had been implemented in full, 9 in part and 12 had not been acted on at all. The Office decided to retract one recommendation, while reiterating those that had not been acted on or only partially implemented. Such reiteration is a first in the operation. The INAO thereby wishes to urge the Government to act on its recommendations or at least adopt a reasoned view towards such recommendations. A summary of the results of the follow-up of performance audits from 2005–7 may be seen in the table below.

Follow-ups to the 2005–7 Performance Audits						
Year	Reports	Recomm.	Implemented	Results	Retracted	Reiterated
2008	4 from 2005	42	38	90%		
2009	3 from 2006	29	22	76%		
2010	5 from 2007	45	32	71%	1	21
<b>Total</b>	<b>12</b>	<b>116</b>	<b>92</b>	<b>79%</b>	<b>1</b>	<b>21</b>

It goes without saying that the INAO does not dictate the response of the authorities or agencies to recommendations that are given in its reports. However, the general rule applies that the better the reasoning that supports the recommendation, the more it is likely to be implemented.

## STAFF OF THE PERFORMANCE AUDIT DEPARTMENT



## OTHER TASKS

In 2010, the INAO spent approximately 7% of its total active man-hours on monitoring tasks other than financial auditing or performance auditing. These included monitoring the implementation of the Budget, monitoring the finances of political parties and political candidates and monitoring self-owned organisations. Moreover, mention must be made of the fact that in 2010, the Ministry of Transport, Communications and Local Government and the Committee Supervising Municipal Finances reached an agreement with the National Audit Office to the effect that the Office would perform a detailed audit of the financial position of the Álfarnes municipality.

Approximately 19% of working hours were spent on central management and support services. This includes the work of the Auditor General, the general operation of the Office, canteen, reception and computer services to employees. This also includes legal consultancy services to the Auditor General and the Office's departments, information dissemination, publications and international relations.

In total, the employees responsible for support services and monitoring tasks other than financial auditing or performance auditing numbered 11 at year-end 2010.

### MONITORING THE IMPLEMENTATION OF THE GOVERNMENT BUDGET

In addition to regular financial auditing, the INAO is responsible for monitoring the implementation of the Government Budget in accordance with legislation applicable to the Office. This means examining whether public bodies comply with the provisions of the Budget, the Government Financial Reporting Act and the Regulation on the Implementation of the Government Budget. In 2010, the INAO published two reports on the results of monitoring the implementation of the Government Budget.

**TWO REPORTS IN  
2010**

### MONITORING THE FINANCES OF POLITICAL PARTIES AND POLITICAL CANDIDATES

The INAO is responsible for monitoring the finances of political parties and candidates in accordance with Act No. 162/2006. The Act requires political parties to submit their consolidated accounts, i.e. annual financial statements for all units under their responsibility, to the INAO, which subsequently publishes a summary thereof. Moreover, the Act obligates candidates standing for personal election within political parties, whether in pre-election/pre-selection or election to offices of responsibility within parties, to submit to the Office a statement of income and costs relating to the

**ACT No. 162/2006**

election campaign. If, however, the costs of the candidate do not exceed the limit specified in the Act, it is sufficient for the candidate to submit a written statement thereto. INAO subsequently publishes a summary of such statements. The accounts of political parties must be audited and certified by an auditor, and the accounts of a candidate must be endorsed by the candidate.

At the beginning of February 2010, the INAO published a summary of the annual financial statements of the Progressive Party (Framsóknarflokkurinn), the Icelandic Movement – Living Country (Íslandshreyfinginn – lifandi land), the Social Democratic Alliance (Samfylkingin) and the Left-Green Movement (Vinstrihreyfingin – grænt framboð) for the year 2008. The Office had not received the annual financial statements from the Liberal Party (Frjálslyndi flokkurinn) and the Independence Party (Sjálfstæðisflokkurinn) at that time. These were submitted at a later date, at which time a summary was published. In the middle of December, a summary was published of the accounts of the Citizens' Movement (Borgarahreyfingin), the Coalition for the Sovereignty of Iceland (Samtök fullveldissinna) and the Left-Green Movement for the year 2009. At the time, no statements had been received from the Progressive Party, the Liberal Party, the Social Democratic Alliance or the Independence Party. These were submitted a while later and a summary of their content published as soon as the Office received them.

## MONITORING SELF-OWNED ORGANISATIONS

According to Act No. 19/1988 on Funds and Institutions Operating According to Approved Charters, the INAO is responsible for monitoring the entities covered by the Act. These currently number just over 700. Specifically, these are self-owned organisations (foundations) that do not engage in business operations, such as various sponsorship and memorial funds. These entities are under obligation to send their annual financial statements to the INAO, which is responsible for monitoring that they do so. Moreover, the Office is responsible for maintaining a register of these entities. If no statements have been submitted for one calendar year, or if the statements prove to be inadequate in some manner, the INAO is authorised to refer the matter to the relevant district commissioner, who, as appropriate, can ask the police to investigate the finances of the entity in question.

## LEGAL OPINIONS

Every year, the INAO must discuss or provide its opinion on various legal questions relating to central government administration and finances. These are generally prepared in connection with the Office's auditing and monitoring tasks and published, in one way or another, in its reports. In 2010, for example, the Office addressed various legal questions in its report The 2009 Audit of the Central Government Accounts.

## EXTERNAL COMMUNICATION

The INAO makes every effort to disseminate information to society in general about itself and its role and operations. The Office does this by distributing official reports to members of parliament and the media, issuing press releases, maintaining a website

(www.rikisend.is) and holding open meetings where the results of examinations are presented. The Office makes a particular effort to tailor its reports to the needs of the Althingi, as such reports are intended to be of use to the Althingi in its monitoring of the executive branch.

#### A VARIETY OF METHODS USED

A proportion of the reports generated by the Office every year are in fact never made public, the reason being that these contain sensitive information about the internal issues of public bodies. The publication of such information is believed to be harmful to the operation in question.

The INAO's communication policy is in accordance with INTOSAI's principles of transparency and accountability in the operation of such bodies and takes account of the communication policies of Nordic sister offices. According to the policy, dynamic and high-quality external communication is one of the prerequisites of the INAO's ability to fulfil its role and achieve results. It also states that the Office intends to take the initiative in the dissemination of information on its role and activities. The Office has prepared a three-year schedule for external communication, with measureable goals on the basis of the communication policy.

#### THE INAO'S COMMUNICATION POLICY

Following the financial crisis in 2008, there have been increased demands for transparency in public operations. The INAO has endeavoured to meet these demands with increased information provision on its role and tasks to the media and the public. These efforts conform well to the above INTOSAI principles. Increased publication and dissemination of information has led to more discussion of the Office's work in the media than was previously the case.

## INTERNATIONAL RELATIONS

In order to ensure that the operation of the INAO develops in tune with international trends, the Office focuses on good relations and co-operation with its overseas counterparts. The Office has a long history of co-operation with the national audit offices of the Nordic countries, as well as of participation in the work of the European and international associations in this field, i.e. EUROSAI and INTOSAI. Moreover, the INAO participates in the auditing of multinational bodies and associations of which Iceland is a member.

In July 2010, discussions on Icelandic membership of the EU formally began. A representative from the INAO is a member of the negotiation team on financial issues that operates under the auspices of Iceland's main negotiating committee.

Employees of the INAO attended a total of 13 meetings overseas in 2010 as a result of the Office's international co-operation. Most of the meetings involved the Office's participation in the EFTA Board of Auditors (EBOA), of which Ingi K Magnússon, Director of the Auditing Department, is a member. Other meetings related to Nordic co-operation, the Office's membership of EUROSAI and its participation in the negotiations involving Iceland's application for EU membership.

#### MOST MEETINGS IN CONNECTION WITH EBOA



A number of representatives from overseas sister offices, international bodies and overseas authorities visited the INAO and learnt about its activities. Thus the Office was visited last year by representatives of the surveillance committee of the Irish Parliament, the House of the Oireachtas, who attended a presentation of the Office's operations and its communications with the Althingi.

## EUROSAI GOVERNING BOARD MEETING IN MADRID

The Auditor General attended the XXXVI Governing Board meeting of EUROSAI in Madrid, the capital of Spain, in November 2010. The meeting's main agenda involved preparations for the organisation's congress which was held in Lisbon, the capital of Portugal, in early June 2011. At the meeting, draft proposals were submitted for the association's policy formulation for the period 2011–17, which will be submitted to the congress. Also introduced was a new manual on quality control in public auditing.

Moreover, a review was made of the activities of various working groups operating under the



auspices of the organisation. The image shows Manuel Núñez Pérez, Auditor General, who has now left the Secretary General of EUROSAI, Governing Board of EUROSAI as his term has expired. The image also shows Sveinn Arason, Auditor General of Iceland, shaking hands.

In 2005, the then Auditor General, Sigurdur Thórdarson, was elected to the Governing Board of EUROSAI. The current Auditor General, Sveinn Arason, took that seat when his predecessor retired from office in 2008. The Auditor General attended the Governing Board meeting in Madrid in November 2010 (see information in the frame above). The electoral term has now expired and Sveinn formally left the Governing Board of EUROSAI at the organisation's congress in Lisbon in early June this year.

STAFF OF SUPPORT SERVICES AND AUDITOR GENERAL’S OFFICE



# PUBLIC REPORTS 2010

- Examination of the financial position of the Álfarnes municipality
- Examination of contributions paid by the Local Governments' Equalisation Fund for the operation of the Álfarnes primary school
- Recommendation from the National Audit Office. Purchase of technical services for the Session of the Nordic Council
- Recommendation from the National Audit Office. Purchase of painting services by Fasteignir ríkisins (State Properties)
- Recommendation from the National Audit Office. Handling of applications and grants from industrial development funds
- Recommendation from the National Audit Office. Service Agreement for Heilbrigdisstofnun Sudausturlands (South East Iceland Health Care Facility)
- Icelandic National Audit Office 2009 Annual Report
- Follow-ups to the 2006 Performance Audits
- Audit of the 2009 Central Government Accounts. Report to Althingi
- Implementation of agricultural agreements
- Implementation of the Government Budget 2009 and from January to April 2010
- Implementation of the Government Budget 2010. January to August
- Implementation of service agreement with Menntaskólinn Hradbraut. Report prepared at the request of the Ministry of Education, Science and Culture
- Free and open software
- Keilir ehf. state contributions and performance
- Public Procurement. Milestone report 1. Procurement policies of Ministries
- Public Procurement. Milestone report 2. Contractor payments at the University of Iceland
- Public Procurement. Milestone report 3. Transactions of central government bodies with 800 suppliers
- Public Procurement. Milestone report 4. Contractor payments at the Icelandic Property Registry
- RES, the School for Renewable Energy Science. Operating status – future vision
- Merger of central government bodies – 1. Iceland as a single tax region
- Merger of central government bodies – 2. Formation of Registers Iceland
- Merger of central government bodies – 3. One company responsible for air navigation services and airport operation
- Organisation and remedies in prison issues
- Follow-up report: Cost, efficiency and the quality of university teaching (2007)

- Follow-up report: The Administration of Occupational Safety and Health in Iceland (Vinnueftirlit ríkisins) (2007)
- Follow-up report: Measures against the importation of illicit drugs (2007)
- Follow-up report: St. Jósefsspítali – Sólvangur (2007)
- Support to industrial and regional population development
- List of self-owned organisations and funds operating in accordance with approved charters for the 2008 operating year
- Services to the disabled

# FINANCIAL STATEMENTS 2010

The Icelandic National Audit Office operates under the auspices of the Icelandic Parliament according to Act No. 86/1997. Its principal role is to audit central government bodies, state enterprises and other entities responsible for operations on behalf of the Icelandic Government. The Office is also responsible for auditing companies which operations are guaranteed by the Government and companies in which the Treasury holds a share of at least 50%. The National Audit Office monitors the execution of the Government Budget and may conduct performance audits of state entities as authorized by the Legislature.

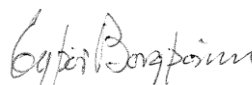
In the year 2010, the Office's operations generated a surplus of ISK 16.8 million. According to the Balance Sheet, the assets of the Office amounted to ISK 76.8 million, liabilities amounted to ISK 6.9 million, and equity amounted to ISK 69.9 million at year-end 2008.

The Auditor General and the Financial Manager certify the Financial Statements of the National Audit Office for the year 2010 with their signatures.

The Icelandic National Audit Office, 15 March 2011



Sveinn Arason, CPA  
Auditor General



Eythor Borgthorsson  
Financial Manager



# AUDITOR'S REPORT

To the Presidential Committee of the Icelandic Parliament

I have audited the Financial Statements of the Icelandic National Audit Office for the year 2010. The Financial Statements contain the management's statement, a Profit and Loss Account, a Balance Sheet, a Statement of Cash Flows, Accounting Policy and Notes.

## **Management responsibility for the annual accounts**

The management is responsible for the preparation and presentation of the annual accounts in accordance with the legislation on annual accounts and government financial reporting. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of financial statements that are free from all material misstatements. Management responsibility also includes applying appropriate accounting principles and estimates that are reasonable under the circumstances.

## **Auditor's responsibility**

My responsibility is to express an opinion on this annual financial statement based on my audit. The audit was conducted according to accepted auditing practices and the provisions of the National Audit Act. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

The audit involves performing procedures to obtain audit evidence about the amounts and other information in the financial statements. The selection of audit procedures is based on the professional opinion of the auditor, including whether there is a risk that there may be material misstatements in the financial statement. The audit also includes evaluating the accounting principles and valuation rules applicable to Group A entities and used by management to prepare the financial statements, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Audit Opinion**

In my opinion, the Financial Statements give a true and fair view of the operation of the National Audit Office in the year 2010, its Balance Sheet as of 31 December 2010 and change in cash during the year 2010, in accordance with laws and regulations and generally accepted accounting principles for Group A entities.

Reykjavik, 15 March 2011



Gunnar Sigurdsson  
Chartered Accountant

# PROFIT AND LOSS ACCOUNT 2010

	2010	2009
<b>Operating revenues</b>		
Sale of services .....	67.206.437	366.362.951
Other income .....	3.881	344.488
	<u>67.210.318</u>	<u>366.707.439</u>
<b>Operating expenses</b>		
Salaries and related expenses .....	349.014.391	366.930.215
Administrative expenses .....	10.935.183	11.250.420
Meeting and travel cost .....	8.891.913	11.838.131
Expert services .....	69.590.882	385.140.342
Operations of equipments .....	1.913.986	1.985.934
Other operating expenses .....	5.379.711	4.886.217
Housing .....	25.654.008	35.437.295
Operation of vehicles .....	637.766	408.597
Grants .....	11.225	625.000
	<u>472.029.065</u>	<u>818.502.151</u>
Purchased assets .....	3.187.132	2.874.232
	<u>475.216.197</u>	<u>821.376.383</u>
<b>Operating profit (-loss) before Treasury contribution</b>	( 408.005.879 )	( 454.668.944 )
Treasury Contribution .....	<u>424.800.000</u>	<u>459.300.000</u>
<b>Profit for the year</b>	<u>16.794.121</u>	<u>4.631.056</u>

# BALANCE SHEET, 31 DECEMBER 2010 (ISK)

	2010	2009
<b>Assets</b>		
<b>Current assets</b>		
Treasury .....	67.414.835	48.023.997
Accounts receivable .....	9.104.779	48.137.272
Cash and cash equivalents .....	268.174	90.764
	<u>76.787.788</u>	<u>96.252.033</u>
<b>Total assets</b>	<u>76.787.788</u>	<u>96.252.033</u>
<b>Equity and Liabilities</b>		
<b>Equity</b>		
<i>Equity:</i>		
Equity at the beginning of the year .....	53.131.056	75.447.492
Cancelled appropriations .....	0	( 26.947.492 )
Profit for the year .....	16.794.121	4.631.056
<b>Equity</b>	<u>69.925.177</u>	<u>53.131.056</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable .....	6.862.611	43.120.977
<b>Liabilities</b>	<u>6.862.611</u>	<u>43.120.977</u>
<b>Total equity and liabilities</b>	<u>76.787.788</u>	<u>96.252.033</u>

# CASH FLOW STATEMENT 2010 (ISK)

	2010	2009
<b>Cash flow from operations</b>		
<i>Cash flow from operating activities:</i>		
Profit.....	16.794.121	4.631.056
<b><i>Cash flow from operating activities</i></b>	<u>16.794.121</u>	<u>4.631.056</u>
<i>Changes in current assets and liabilities:</i>		
Accounts receivable, decrease / (increase).....	39.032.493	( 45.260.716 )
Accounts payable, (decrease) / increase.....	( 36.258.366 )	35.307.120
	<u>2.774.127</u>	<u>( 9.953.596 )</u>
<b>Net cash provided by operating activities</b>	19.568.248	( 5.322.540 )
<b>Cash flow from financial activities</b>		
<i>Changes in balance with the Treasury:</i>		
Treasury contribution.....	( 424.800.000 )	( 459.300.000 )
Received from the Treasury.....	405.409.162	464.633.381
<b>Net cash from financing activity</b>	<u>( 19.390.838 )</u>	<u>5.333.381</u>
<b>Net increase in cash and cash equivalents.....</b>	177.410	10.841
<b>Cash and cash equivalents at the beginning of the year.....</b>	<u>90.764</u>	<u>79.923</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>268.174</u>	<u>90.764</u>

# NOTES

## Accounting Policy

### Basis for the Financial Statements

The Financial Statements of the National Audit Office have been prepared in accordance with the Government Financial Reporting Act No. 88/1997, the Annual Accounts Act No. 3/2006, and the Government Regulation on the Presentation and Contents of Annual Accounts and Consolidated Financial Statements No. 696/1996.

According to the Government Financial Reporting Act, Group A entities shall not capitalise fixed assets, but charge them as expenses at the year of purchase. They shall generally not engage in long-term borrowing and may not undertake long-term obligations unless authorised by the Government Budget.

### Tax

Central government bodies and enterprises generally do not pay income tax.

### Recording of Revenue

The Office's revenue is recorded in the month in which invoices are issued.

### Recording of Expenses

Expenses are generally entered when invoices are received by the Office.

### Operating Divisions

The Office's operations are divided into areas of responsibility appropriate to its organisation.

### Accounts receivable

Accounts receivable are entered at nominal value in addition to incurred interests where relevant.

### Cash and Cash Equivalents

The Office keeps no funds but has a bank account.

### Pension Liabilities

The Office has accrued pension liabilities for its present and past employees. In accordance with the accounting principles of Group A of the Treasury, pension liabilities are not recorded in the annual accounts of individual Group A entities, but are recorded as one whole at the Treasury.

### Accounts Payable

Accounts Payable are entered at nominal value in addition to incurred interests where relevant.

## Accounting and Payment Functions

The State Accounting Office handles payroll matters, accounting and payment services for the Office.

# NOTES

## Budget and Operations

The Office's budget for 2010 anticipated similar activities as in the previous year. Initially, the Office's budget was ISK 424.8 million.

Operating expenses less sale of services totalled ISK 408.3 million and were ISK 16.5 million less than budget. Operating expenses are specified as follows:

In ISK thousand	Initial	Total budget	Financial Statements	Differences
Sales of services .....	( 33.300)	( 33.300)	( 67.210)	33.910
Salary and salary-related expenses .....	392.400	392.400	350.889	41.511
Other operating expenses .....	64.800	64.800	121.129	( 56.329)
Transfers .....	0	0	11	( 11)
	423.900	423.900	404.819	19.081
Purchased assets .....	900	900	3.187	( 2.287)
	424.800	424.800	408.006	16.794

## Break-down in ISK thousand by type:

	2010	2009
Sales of services .....	( 67.210)	( 366.707)
101 Icelandic National Audit Office .....	472.029	818.502
601 Equipment .....	3.187	2.874
	408.006	454.669