

The National Audit Act no. 86, 27 May 1997

Article 1

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 Article 43 of the Constitution No. 33/1944. Moreover, 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 governmental fiscal affairs.

Article 2

The Presidential Committee of Parliament shall appoint the head of the Office named the Auditor General for a term of six consecutive years. The Auditor General shall be a qualified chartered accountant. His remuneration and such other terms and conditions shall be fixed by the State Salaries Arbitration Court. The Auditor General recruits the staff of the Office. He is an officer of Parliament and be responsible to it. The Presidential Committee of Parliament may, with the consent of the Joint Session of Parliament, remove the Auditor General from office.

Article 3

The National Audit Office is independent in carrying out its duties. Nevertheless, the Presidential Committee of Parliament, Althingi, may either of their own initiative or in conformity with requests made by Members of Parliament, call for reports on any specific examinations which fall under the mandate of the National Audit Office.

The staff of National Audit Office shall be completely independent of those Ministries and organisations where the audit is being carried out.

Article 4

The National Audit Office is entitled to appoint independent chartered accountants or other experts in a specific field to carry out specific assignments entrusted to the Office in this present Act or other specific laws.

Article 5

The accounts of the National Audit Office shall be audited by an independent chartered accountant appointed by the Presidential Committee of Parliament.

The accounts of the National Audit Office shall be published in the Annual Accounts of the Government.

Article 6

The National Audit Office shall be in charge of the auditing of the Annual Accounts of the Government and the accounts of the institutions, funds and other bodies whose expenses and deficits are defrayed out of moneys provided by the Treasury pursuant to provisions of the Budget, or out of other revenues pursuant to specific laws.

Moreover, the National Audit Office shall carry out auditing of the accounts of corporations and organisations whose operation the Treasury is responsible for, or the Treasury owns one half or more. If the Treasury owns one half or, more in a corporation, co-operatives, commercial bank or fund, where the auditor is elected during the annual meeting of shareholders, a proposal shall be made that the National Audit Office audits the annual accounts. Further, the National Audit Office shall carry out audits of accounts concerning those contracts which the Government may make with municipalities or private bodies and include services which the Government is required by law to pay for.

The National Audit Office may charge a fee for financial audits of the annual accounts at those entities, which are stated in Paragraph 2 of this Article, equal to the actual cost of the audit.

Article 7

The National Audit Office may call for financial statements from any departments, associations, funds or such other bodies which receive money or guaranties from the Government and the body is then obliged to submit requested documents. Furthermore, the National Audit Office is permitted access to and to review the underlying documents of records which are concurrently made in accordance with invoices issued to the Government or Government Institutions for labour or services, payable wholly or to a great extent by the Treasury, based on law, job contracts or price-list contracts with individuals, firms or institutions, in order to verify the content of the issued invoices and the obligation of the Treasury to pay.

The National Audit Office may also examine the accounting of municipalities in relation to joint operations of the Government and municipalities. Moreover, it may examine the accounting of any department or corporation in which Government holds a share.

If there is a disagreement about the permission to review which the National Audit Office is granted in this article, the Auditor General can get a decree from the Criminal Court.

Article 8

Financial audit shall at any given time be in particular aimed at the following:

1. That the financial statements presents fairly the operations and financial position in accordance with generally accepted accounting principles.
2. To examine internal control and whether it assures adequate results.
3. 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.
4. To examine and verify the indicators which show the activity and performance of governmental entities and are reported in the financial statements.

Article 9

The National Audit Office may carry out performance audit at those institutions, funds, corporations and organisations which are referred to in Article 6. Moreover, the National Audit Office may carry out

performance audit at those institutions, funds, corporations and organisations which the central government owns by one half or more, even though it may be required by law that other auditing organisations shall carry out the financial audit. Moreover, the National Audit Office may carry out performance audit at activities or services which are to be purchased by the central government but are performed by municipalities or by private bodies in accordance with a contract with the government. Performance audit covers the handling and utilisation of public funds, whether economy and efficiency is being taken care of in the operations of institutions and state owned enterprises and whether applicable lawful instructions are being complied with in this context.

The National Audit Office may call for reports regarding the use of financial support and other governmental financial transfers and assess the actual results in relation to what was intended. Moreover, the National Audit Office may examine to what extent government implements plans, legal instructions and obligations within the scope of environmental affairs.

The National Audit Office shall report the findings of the examinations which have been carried out in accordance with this Article to the relevant authorities. The National Audit Office shall draw attention to any faulty procedures and point out those matters which should be considered with respect to improvement.

Article 10

In the discharge of its functions pursuant to Articles 6 and 9, the National Audit Office shall have a right of access to all relevant data, including vouchers, reports, books and letters. Furthermore, the National Audit Office may request information or any such data that are relevant for the discharge of its functions pursuant to Article 7.

The National Audit Office shall decide where and when auditing shall be carried out. In the event that it has decided that auditing shall be carried out in the offices of an institution or a governmental corporation such organisation shall be obliged to provide such office accommodation as is required for auditing to be carried out there.

The National Audit Office may fix a moratorium for a party obliged to hand over data for auditing purposes, as well as a moratorium for a reply to be given to comments regarding bookkeeping, cash management and operation.

The National Audit Office may provide the Budgetary Committee of Althingi access to data it collects according to the first paragraph of this Article or submit a report. The members of the Budgetary Committee shall remain silent about any knowledge thus gained if the Auditor General so requires.

Article 11

In the event that the National Audit Office decides to apply provisions according to Article 7 and 9, it shall report the audit findings to the Budget Committee and the Parliamentary committee under which the particular affair falls. Parliamentary committees may in accordance with further rules, which the Presidential Committee activates, initiate examinations in conformity with these legal instructions.

Article 12

An overall report on the exercise of the functions of the National Audit Office shall be prepared annually. It shall be submitted to Parliament.

Article 13

This Act shall come into force on 9. June 1997. At the same time the previous National Audit Act of 1986 is repealed.