

*IX EUROSAI Congress – The Hague 2014*

*Seminar – Auditing the Financial Crisis*

***Response of the Icelandic National  
Audit Office to the Financial and  
Economic Crisis***

*Mr Sveinn Arason, Auditor General of Iceland*



## *The Financial Crisis in Iceland*

- The Icelandic banks had borrowed heavily on the international capital markets
- 2007 and 2008: Problems with refinancing their debts
- October 2008: Insolvency
- Total liabilities of the system more than 100 billion US \$ (ten times the GDP of Iceland)



## *Effect on Public Finances*

- Enormous costs of rebuilding the financial system (int. al. the Central Bank)
- Great increase in debts and other liabilities
- Increased costs in the welfare system
- Sharp decline in state revenue
- State dept now around 80% of GDP



## *Effect on Public Finances*

- Spending cuts and austerity measures
- Collective consumption (cost of core operations of the state) diminished by 15% between 2007 and 2012 in real terms



## *Response of the INAO - 1*

- The crisis created some unique challenges for the INAO
- 2009: Special effort in monitoring financial management of ministries and agencies
- Task Force: Both FA and PA staff
- Results published in two reports
- Numerous recommendations for improvements



## *Response of the INAO - 2*

- Financial auditing:
  - Emphasis on audit of balance sheet items and off-balance-sheet liabilities
  - Strengthened monitoring and audit of revenue items
  - Tightened monitoring of compliance with budget appropriations
  - Measures to detect and prevent fraud



## *Response of the INAO - 3*

- Performance auditing:
  - Focus on issues and problems that ministries and agencies are facing as a result of the crisis
  - Effect of cutbacks on operation and services
  - Clearly delimited and concise audits
  - Continuous monitoring and audit
  - Issue areas: Procurement, mergers and organisational reform, HR management etc.



## *Response of the INAO - 4*

- Cutbacks at the INAO:
  - Budget appropriations decreased by around 31% in real terms 2008–2012
  - Number of employees went from 49 to 42 in the same period





***Thank you!***

