

Preparing the Annual Report

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Reporting Methodology

- Conduct audit work at the entities subject to audit and document observations.
- Prepare draft report.
- Discuss draft report with the concerned entity to ensure the correctness of the observations and amend based on further data and documents made available.
- Send final draft report to the concerned Minister or Head of the audited entity.
- Obtain audited entity's written response and include in the report; amend the report, if necessary, based on the entity's response and further data and documents made available.
- Issue final report on audited entity.
- Publishing Annual Report including the final audited reports of the entities subject to the NAO's audit.



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Annual Report

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The Establishment of the National Audit Office (NAO)

The National Audit Office (NAO) was established by Decree Law No. (16), issued in 2002, then its powers were expanded according to Decree Law No. (49) issued in 2010 to allow a wider mandate in auditing the administrative conduct of public institutions.

The first article of the NAO's law commended the establishment of "an independent body, having a public legal personality, to be known as the ... "National Audit Office" [...] and shall be attached to the King."

Constitutional and Legal Framework



The Constitution of the Kingdom of Bahrain

Article (116) of the constitution stipulates that “[a]n Audit Office shall be established by law, and the law shall guarantee its independence. It shall assist the Government and the Council of Representatives in controlling the collection of State revenues and the disbursement of its expenditure within the budget limits. The Audit Office shall submit an annual report on its missions, with its views, to both the Government and the Council of Representatives.”



The National Action Charter

In its Third Chapter, the National Action Charter affirmed the necessity of instituting an independent audit system aimed to strengthen the Kingdom's commitment towards transparency and rational governance by scrutinizing the financial and administrative conduct of public institutions.

Independence

According to its law, the NAO is a public legal body that is independent of government and the civil service and reports to His Majesty the King. The law guarantees the NAO's independence in carrying out its audit mandate, the independence and protection of its employees, as well as an independent budget.

The NAO's legal framework, which protects its financial and administrative independence, and its methodology are consistent with the standards and principles adopted by the International Organization of Supreme Audit Institutions (INTOSAI).

Entities Subject to the NAO's Audit

The NAO's audit mandate covers the following entities: ministries, directorates, governorates, municipalities and public organisations which constitute the State's administrative set-up, the Consultative Council, parliament, municipal councils and companies in which the State holds more than 50% of their capital and any other entity which His Majesty the King authorizes the NAO to audit. Entities whose budget include secret national security expenditures are excluded.

Types of Audit Conducted by the NAO

The NAO conducts the following audit types based on the constitutional and legal framework of its establishment and in accordance with the standards of the International Organization of Supreme Audit Institutions (INTOSAI):



Financial Audit

The NAO audits the final accounts of the State and other entities subject to its audit and issues an independent professional opinion on the soundness and legality of those accounts and the financial statements related thereto.



Performance Audit

The NAO assesses the performance of audited entities based on the principles of effectiveness, efficiency, and economy.



Compliance Audit

The NAO verifies that the entities subject to its audit comply with the applicable laws, regulations, decisions and procedures related to their functions and responsibilities. Compliance audit is carried out as an integral part of all audit types conducted by the NAO or as a separate audit.



Information Systems Audit

The NAO examines the administrative, auditing and internal control systems concerning computer programmes to verify the efficiency and adequacy of these systems, to identify areas of improvement and to ensure that these systems are protected from unauthorized access.

NAO Reports and Recommendations



Annual Report

The NAO prepares an annual report on the final account of the State and the final accounts of the entities subject to its audit as well as on the results of the performance and compliance audit. The Annual Report is submitted to His Majesty the King, Cabinet and parliament.



Report on each assignment

The NAO prepares the results of its audit in the form of observations that are transmitted to the concerned authority through the minister to whom the audited entity reports.



Other Reports

The Auditor-General may present other reports on matters that he considers to be of great importance, which need to be promptly brought to the attention of the concerned authorities.



Follow-up on the NAO's reports

The NAO follows up on its audit reports to determine to what extent the concerned authorities are committed to implement its recommendations by issuing reports on its follow-up results showing the recommendations that have been implemented or are in the process of being implemented as well as those that have not yet been carried out.