




First edition 2020

Kingdom of Bahrain

**National Audit Office**



# The National Audit Office Your Partner

in Safeguarding Public Funds and Verifying their Proper Management \_\_\_\_\_







Preserving public money and verifying the integrity and legitimacy of its spending, while ensuring that the highest levels of integrity, professionalism, and transparency are applied.

His Majesty King Hamad bin Isa Al Khalifa  
King of the Kingdom of Bahrain





His Royal Highness

**Prince Khalifa bin Salman Al Khalifa**

The Prime Minister



His Majesty

**King Hamad bin Isa Al Khalifa**

King of the Kingdom of Bahrain



His Royal Highness

**Prince Salman bin Hamad Al Khalifa**

The Crown Prince and Deputy Supreme  
Commander  
First Deputy Prime Minister



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Ahmed bin Mohammed Al Khalifa  
*Auditor General*  
*National Audit Office*

## Together for a Promising Future

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“Public funds are inviolable, and their protection is the duty of every citizen.” (Article 9, Constitution of the Kingdom of Bahrain).

With the amendment of the constitution in 2002, His Majesty King Hamad bin Isa Al Khalifa provided the legal framework for the protection of public money and combatting financial and administrative corruption through various mechanisms including the establishment of the National Audit Office (NAO).

Our role at the NAO is to verify the soundness and legality of using public funds and their proper management while at the same time supporting audited entities in raising their performance efficiency and quality of service to ensure better use of public funds for the benefit of our country and its citizens. We conduct our audit work according to international standards and best practices and keep up to date with the most recent developments in the audit field as part of our ongoing commitment to improve the quality of our work. Our methods are based on the principle of partnership and follow the highest levels of transparency, integrity and professionalism.

We are all in the same boat. Our top priority is to serve the national interest. Together we work towards sustainable development and a promising future.



National Audit Office ديوان الرقابة المالية والإدارية



# Constitutional and Legal Framework for the Establishment of the National Audit Office (NAO)



## 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.”

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## 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 toward transparency and rational governance by scrutinizing the financial and administrative conduct of public institutions.

## Law establishing the NAO

The NAO was established by Decree-Law No. (16) issued on the 3rd of July 2002, and as amended by Decree-Law No. (49) issued on the 14th of November 2010.

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

## The NAO's Goals

Article 1 of the NAO's Law states that "[t]he National Audit Office shall undertake the financial audit of the public funds and funds of the entities stipulated in Article (4) of this Law, and shall verify, in particular, the soundness and legality of using such funds and their proper management including the administrative aspects thereof through verifying the implementation of the administrative laws, resolutions and auditing the performance of the entities subject to the Audit office audit in accordance with the provisions of this Law in the manner stipulated therein."



### Our Mission

To verify the soundness and legality of the use of public funds and their proper management.



### Our Vision

A highly professional and independent audit institution assisting the entities subject to its audit in improving performance, ensuring accountability, and enhancing transparency.



### Our Values

Independence, Integrity, Credibility, Professionalism, Quality, Transparency, and Positive Approach.



## The NAO's Independence

The NAO's independence and that of its employees is guaranteed by its law. The most important provisions of the law are as follows:

- **The NAO is an independent body with a public legal personality and is subject to His Majesty the King**

The NAO is only answerable to His Majesty the King which provides it with the power and complete independence required to carry out its audit mandate.

Article 1: "There shall be established in accordance with the provisions of this Law an independent body, having a public legal personality, to be known as the Financial and Administrative National Audit Office "National Audit Office". and shall be subject to the King."

### **The NAO's Financial and Administrative Independence**

Article 41: "The National Audit Office shall have an independent budget which shall be recorded in a special section of the general budget of the State as one figure. The President of the Audit Office shall prepare a proposed detailed budget to be

approved by the King, and shall forward it within the legal time limit to the Minister of Finance who shall thereafter include the same in the State budget as received by him”

Article 26: "The President with respect to the National Audit Office's employees shall have the authority vested on him by the Laws and regulations on a minister concerning the employees of his ministry. He shall also have the authority vested on the Minister of Finance regarding the estimation of the Audit Office's expenditure in the budget, and the use of the budgets approved for the Audit Office as well, without being subject, in this respect, to the supervision of the Council of Ministers, Ministry of Finance or the Civil Service Bureau.”

### ● **Independence of the NAO's employees**

Article 31: "... [A]ny Audit Office's employee shall not assume any other public job during his employment with the Audit Office or not engage himself, directly or indirectly, in any professional or commercial business, or buy any of the State properties, even in a public auction, or rent or sell to the Government any of his properties or exchange the same therewith. He shall not be party to any commitments made by the State, public organizations or public corporations, or combine his job with membership in the board of directors of any public organization, public corporation or company".

### ● **Independence of the NAO's Audit Functions**

Article 7: "The National Audit Office shall carry out its duties stipulated in this law through auditing, inspecting, examining and reviewing. It shall carry out such duties on its own initiative or upon request of the entities subject to its audit. The inspection may be effected without notice. The audit carried out by the National Audit Office may be comprehensive or selective..."

### ● **Confidentiality of the NAO's work**

Article 44: "The president of the National Audit Office shall prepare the Audit Office's plan of action, which shall specify the ways and means to be adopted by the Audit Office in carrying out its functions. The plan shall be kept in strict confidentiality, to the extent that none of the entities subject to the audit of the Audit Office shall become aware of its contents."





## Entities subject to the NAO's Audit

- 1 Ministries, directorates and public organizations which constitute the administrative set-up of the State and entities attached thereto, provided that the Ministry of the Interior, the National Guard, the National Security Agency, and other entities whose budgets include secret expenses relating to the national security shall be exempted from audit with respect to such expenses. Any entity whose secret affairs must be observed in accordance with the Constitution or the Law shall be exempted from audit by the National Audit Office as well.
- 2 The Consultative Council, parliament and the Municipal Councils.
- 3 Governorates, municipal administrative organizations, and all local organizations having public legal personality.
- 4 Companies in which the State or an entity having public legal personality holds more than 50% of their capital, or for which the state guarantees a minimum profit or provides financial assistance.
- 5 The entities that by law shall be subject to audit by the National Audit Office.
- 6 Public organizations, public institutions and establishments affiliated to the State or to the governorates, municipalities, or other local organizations having public legal personality, unless auditing them conflicts with the laws regulating their work.
- 7 Any other entity, which His Majesty the King authorizes the National Audit Office to audit, including the entities exempted from audit, provided that the reports concerning such entities shall be submitted directly to His Majesty the King.



## The NAO's Audit Types

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 covered by its audit mandate and issues an independent audit opinion on the validity of those accounts and the financial statements related thereto.



## Performance Audit

The NAO audits the performance of the entities subject to its audit according to the following principles: Effectiveness: Have the predetermined objectives been achieved and how does the actual result compare with the intended objective? Efficiency: Are the best quantitative and qualitative results obtained from available resources / public funds? Economy: Are the resources used in the appropriate quality and quantity at the right time and place at the lowest possible cost to achieve the desired result?



## 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.

### ● Areas covered by the NAO's Information Systems Audit

Information Technology Department

Acquisition, development and application of information systems

Protection of data sources

Business continuity and disaster recovery

Provision, operation and maintenance of information systems services



## Information and Follow-Up

The NAO's Information and Follow-up section supports the NAO's decision-making process by providing insights and recommendations to technical departments regarding the priority of audit tasks. It organizes information and ensures its accuracy and speedy retrieval which is vital for the NAO's audit work. In order to fulfill its support function, the Information and Follow-up section uses different mechanisms, most notably a main risk register.

It is working on an electronic archiving system for indexing and managing documents, information and statistics and is preparing an effective methodology for obtaining data. In addition, the section contributes to coordinating the annual work plan of the technical departments.



## The NAO's Reports and Recommendations



### The NAO's 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, the results of the performance audit and compliance audit. The report is presented to His Majesty the King, the Cabinet and parliament.



### 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.



### Report on each audit 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 which he considers to be of great importance, and which need to be promptly brought to the attention of the concerned authorities.





## Human Resources



**%45**

Female employees



**%96**

Bahrainisation rate



**%51**

Of technical staff with  
professional qualifications



**%70**

Technical Staff



## Training and Qualifications

The NAO is dedicated to developing the professional and technical capacity of its employees through ongoing training and professional courses following the most recent International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI) to keep pace with the latest developments in the audit field.

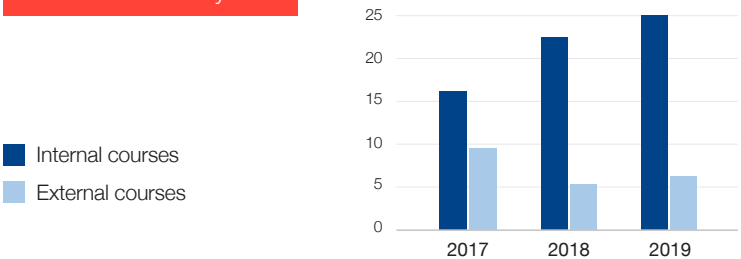
It runs a development programme for its staff to obtain one of the internationally accredited professional qualifications in auditing and accounting such as ACCA (Association of Chartered Certified Accountants), CPA (Certified Public Accountant), CIA (Certified Internal Auditor), CISA (Certified Information Systems Auditor), and CMA (Certified Management Accountant). As of June 2020, 42 employees benefited from the program.

In addition, a career counselling system is used to develop the performance of new employees, as well as on-the-job training to provide them with the required expertise and skills. New employees receive field training under the supervision of mentors who assist and train them according to a mutually agreed training plan.

Furthermore, the NAO is dedicated to providing its employees with various training courses to enhance their job performance and professionalism. During 2017, 2018 and 2019, around 301 NAO employees attended a total of 84 training courses which were held in and outside of Bahrain. The external training courses were organized by internationally respected organisations and institutions.

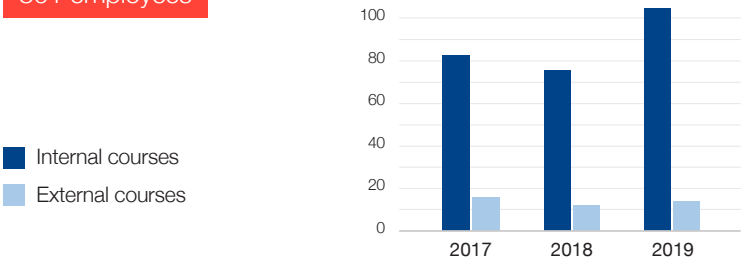
### ● Number of training courses attended by the NAO's staff

84 courses in 3 years



### ● Number of the NAO's employees who completed training

301 employees







## Code of Ethics and Professional Conduct

The NAO has issued a code of ethics and professional conduct providing staff with a set of values and principles on which to base ethical behavior when performing their duties and assignments.

The code aims to reinforce the fundamental ethical values of accountability and transparency. It furthermore sets out that the NAO's decisions and the work of its staff should adhere to the principles of integrity, independence and objectivity, competence, and professional behaviour.





## External and Internal Audit of the NAO and Quality Assurance

- **External Audit**

According to Article 43 of the NAO's Law: "An external auditor shall be appointed by a Decree to audit the accounts of the National Audit Office."

- **Internal Audit**

The NAO carries out internal audits according to international standards and best practices, to ensure compliance with financial and administrative regulations and to improve governance and risk management. The internal audit team reports directly to the Auditor-General.

- **Quality Assurance**

The NAO attaches great importance to ensure the quality of its audit work for which it is responsible according to its law. It makes sure that its quality control systems and practices operate effectively and that audit assignments comply with international standards and best practices.

It has established an effective internal quality assurance system to ensure that its audit work is of a consistently high standard and meets stakeholders' expectations. The NAO's quality assurance policies and mechanisms are constantly reviewed to make sure that the required controls are in place and properly implemented and to identify potential ways of strengthening these controls in view of the latest developments.

## The NAO's Standards

The NAO follows the International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI). In addition, its strategy is to enhance its professionalism and continuously improve overall performance through the adoption of rules and regulations that are reviewed periodically, including:

- **Regularly Updating Audit Manuals.**

- **Enhancing Capacity Development and Enforcing Code of Ethics:**

- Adoption of code of ethics and professional conduct
- Continuous training and development.

- **Quality Assurance:**

- Adoption of Quality Assurance Manual.
- Facilitating Peer Review.

- **Enhancing media outreach:**

- Developing policies and programmes for interaction with the media.
- Measuring media impact.



## The NAO's International and Regional Affiliations

- 1 International Organization of Supreme Audit Institutions (INTOSAI).
  - INTOSAI Professional Standards Committee (PSC).
  - Forum for INTOSAI Professional Pronouncements (FIPP).

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- 2 The Arab Organization for Supreme Audit Institutions (ARABOSAI).

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- 3 The Asian Organization of Supreme Audit Institutions (ASOSAI).

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- 4 Gulf Cooperation Council Accounting and Auditing Organization (GCCAAO).



Since 2005, the NAO Bahrain has been a member of INTOSAI's PSC Steering Committee as a representative of the Arab Organization for Supreme Audit Institutions (ARABOSAI).