

IFIAR 2020 Member Profile – DFSA

<p>1. Jurisdiction</p>	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>Dubai International Financial Centre (DIFC)</p>
<p>2. Member¹</p>	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Dubai Financial Services Authority (DFSA) سلطة دبي للخدمات المالية</p> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p><u>Physical Address</u> Level 13, West Wing, The Gate, DIFC , Dubai</p> <p><u>Postal Address</u> PO Box 75850, Dubai, UAE <u>Tel.:</u> +971 (0) 4 362 1500 <u>Fax:</u> +971 (0) 4 362 0801 <u>Website:</u> www.dfsa.ae</p> <p>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</p> <p>The DFSA was established in 2004, in accordance with Article 7 of the Dubai Law No 9 of 2004, as the independent regulator of financial and designated non-financial business and professional services conducted in or from the DIFC, a purpose-built financial free-zone in Dubai.</p> <p>The DFSA regulates a broad range of firms based in the DIFC, including banks, insurers, fund managers, advisory firms and brokers, exchanges and clearing houses, together with credit rating agencies, Auditors and designated non-financial business and professionals (DNFBPs). These firms provide a wide range of services to their clients, including Islamic finance.</p>

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

In addition to regulating financial and DNFBP services, the DFSA is responsible for supervising and enforcing AML and Combating the Financing of Terrorism (CFT) requirements applicable in the DIFC. The DFSA has also accepted a delegation of powers from the DIFC Registrar of Companies (Registrar) to investigate the affairs of DIFC companies and partnerships where a material breach of DIFC Companies Law is suspected and to pursue enforcement remedies that are available to the Registrar.

With respect to Auditors, the DFSA is responsible for the registration, oversight and suspension / removal of Auditors and Audit Principals in the DIFC in respect of Public Listed Companies (PLCs), Authorised Firms (AFs), Authorised Market Institutions (AMIs) and Domestic Funds (DFs).

Vision

- To be an internationally respected regulator, leading the development of financial services through strong and fair regulation.

Mission

- To develop, administer and enforce world-class regulation of financial services within the DIFC.

Regulatory Approach

- To be risk-based and to avoid unnecessary regulatory burden.

Values

- To expect high standards of ethical conduct and integrity from the DFSA and its people.
- To demonstrate professionalism, independence, efficiency, leadership and resolve in the discharge of our responsibilities.
- To ensure administrative fairness, consultative process, accessibility, impartiality and accountability in the performance of our functions.

2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?

Yes No

If yes, please describe these changes with an appropriate level of detail:

N/A

3. Governing Body Composition and members	<p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The Board currently consists of 10 Directors and all but the Chief Executive are independent non-Executive Directors. The Members of the Board are leading industry, legal and regulatory experts drawn from major international financial jurisdictions. There are currently no former auditors / practitioners on the Board. The Directors are as follows:</p> <ul style="list-style-type: none"> • Saeb Eigner (Chairman) • Bryan Stirewalt (Chief Executive) • Fadel Abdulbaqi Al Ali • Abdul Wahid Al Ulama • The Hon Apurv Bagri • Charles Flint QC • Robert Owen • Dr J Andrew Spindler • Julie Dickson • Teo Swee Lian
	<p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The DFSA Board oversees the DFSA Chief Executive and staff and are appointed by His Highness Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum, President of the DIFC, for a three year term. The structure has been designed to ensure a transparent separation of day-to-day regulatory activities from the oversight of the DFSA’s regulatory performance.</p> <p>Directors are governed by a Code of Values and Ethics that sets out procedures for reporting and managing any potential, perceived or actual conflicts of interest.</p>
	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner? N/A</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p>N/A. There are currently no former auditors / practitioners on the Board.</p> <hr/> <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes to either of the above, please describe: N/A</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p> <p>The DFSA has an agreement with the Institute of Chartered Accountants in England and Wales (ICAEW) and the UK Association of Certified Chartered Accountants (ACCA) to provide technical assistance to the DFSA. ICAEW and ACCA are contracted directly to the DFSA to provide technical assistance on certain inspections*. Where such bodies (ICAEW or ACCA) provide the technical assistance to the DFSA, the DFSA is responsible for the inspection and retains the carriage and control of the inspection.</p> <p><small>* ICAEW and/or ACCA are used on high risk and inspections of the ‘Big4’ auditing firms.</small></p>
4. Funding Arrangements	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>Article 7(4) of the Dubai Decree ensures that the Government of Dubai will provide the DFSA with the necessary funds to discharge its powers and perform its functions. This is reinforced by an obligation under Article 16(2)</p>

	<p>of the Regulatory Law for the President to provide adequate financial resources to the DFSA.</p> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>Article 7(4) of the Dubai Decree ensures that the Government of Dubai will provide the DFSA with the necessary funds to discharge its powers and perform its functions. This is reinforced by an obligation under Article 16(2) of the Regulatory Law for the President to provide adequate financial resources to the DFSA.</p>						
<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>The DFSA is directly responsible for the inspection of the Auditors and has the responsibility of writing both the preliminary and final review reports. The inspections are run by at least one professionally qualified member of DFSA staff having carriage and control of the inspection. The DFSA employees conducting inspections have sufficient audit monitoring training.</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <hr/> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>Auditors are subject to the following inspection cycles:</p> <table border="1" data-bbox="544 1744 1394 1859"> <thead> <tr> <th>Type of Auditor</th> <th>Inspection cycle</th> </tr> </thead> <tbody> <tr> <td>Auditors of PLCs & Big4 Auditors</td> <td>Once in 2 years</td> </tr> <tr> <td>All others</td> <td>Once in 5 years</td> </tr> </tbody> </table> <p>The inspection results in the Auditors being given a risk rating. The frequency of visits may be increased if the Auditor is determined to be of a higher risk.</p>	Type of Auditor	Inspection cycle	Auditors of PLCs & Big4 Auditors	Once in 2 years	All others	Once in 5 years
Type of Auditor	Inspection cycle						
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All others	Once in 5 years						

6. Audit and Financial Market	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member's oversight or mandate.</p> <p>As at 31 December 2019, the following number of Auditors were subject to an inspection:</p> <table border="1"> <thead> <tr> <th>Type of Auditor</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Auditor of PLCs</td> <td>04*</td> </tr> <tr> <td>Auditors of AFs, AMIs and DFs</td> <td>16</td> </tr> </tbody> </table> <p>* Auditors of PLCs are also registered to audit AFs, DFs and AMIs.</p> <p>As at 31 December 2019, the following entities were subject to an independent audit by a DFSA Registered Auditor:</p> <table border="1"> <thead> <tr> <th>Type of Entity</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>PLCs</td> <td>05</td> </tr> <tr> <td>AFs</td> <td>335</td> </tr> <tr> <td>AMIs</td> <td>02</td> </tr> <tr> <td>DFs</td> <td>89</td> </tr> <tr> <td>Total</td> <td>431</td> </tr> </tbody> </table>	Type of Auditor	Number	Auditor of PLCs	04*	Auditors of AFs, AMIs and DFs	16	Type of Entity	Number	PLCs	05	AFs	335	AMIs	02	DFs	89	Total	431
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Total	431																		
7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p> <input checked="" type="checkbox"/> Registration/Licensing <input type="checkbox"/> Audit and/or Ethics Standard Setting <input type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____ </p> <p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p> <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight </p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other</p>																		

	<p>organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>The DFSA is directly responsible for the approval and suspension/removal of Auditors and Audit Principals and for their ongoing oversight in the DIFC in respect of PLCs, AFs, AMIs and DFs.</p> <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p style="text-align: center;">N/A</p> <p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p style="text-align: center;">N/A</p> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p>
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	<p>The DFSA has the power to withdraw the registration of Auditors and Audit Principals as well as the power to suspend registration. To date the DFSA has taken various supervisory actions against Auditors who have not met their obligations under the rules.</p> <p>If an investigation were necessary, the DFSA’s Chief Executive would approve a formal investigation.</p> <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>For PLCs and AF’s, the DFSA audit inspection team also reviews the annual audited financial statements to ensure compliance with applicable financial reporting standards. The DFSA has adopted the following international standards related to accounting and audit:</p> <ul style="list-style-type: none"> • International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board. • International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board • International Standard on Quality Control (ISQC1) as issued by International Auditing and Assurance Standards Board • Code of Ethics for Professional Accountants as issued by International Ethics Standards Board of Accountants.
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>In addition to Auditors, the DFSA regulates a broad range of firms based in the DIFC, including banks, insurers, fund managers, advisory firms and brokers, exchanges and clearing houses, together with credit rating agencies and DNFbps. The DFSA is also responsible for supervising and enforcing AML and CFT requirements applicable in the DIFC. The DFSA has also accepted a delegation of powers from the Registrar to investigate the affairs of DIFC companies and partnerships where a material breach of DIFC Companies Law is suspected and to pursue enforcement remedies that are available to the Registrar.</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>During 2019, Sixteen (16) Auditors were registered with the DFSA from which the DFSA conducted five (5) audit inspections, four (4) ISQC1 inspections, assessed nine (9) Audit Principals and reviewed eleven (11) audit engagement files focusing on the substance of an Auditors’ work and assessing whether sufficient and appropriate evidence was obtained and</p>

	<p>documented to support the conclusions reached in relation to key audit judgements.</p> <ul style="list-style-type: none">• In February 2019, the DFSA hosted its 10th Annual Audit Outreach for its Auditors. Over 100 Audit Principals, Money Laundering Reporting Officers and key audit staff participated. The DFSA presented key findings of audit inspections conducted by the DFSA in 2018.• In March 2019, the DFSA conducted a roundtable discussion with the Auditors of the Banks in the DIFC. This Roundtable was also attended by the Banking Supervision colleagues of the DFSA where we discussed the key challenges and expectations for the audits of the Banks for the year 2019.• In March 2019, the DFSA and ICAEW jointly hosted a Breakfast Briefing session which included screening of the ICAEW learning firm – false assurance.• In November 2019, the DFSA hosted a Client Assets Audit Outreach focusing on the review of the Client Assets Auditor’s Reports issued by the Auditors.
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