

## IFIAR 2021 Member Profile – ADAA

<b>1. Jurisdiction</b>	<b>1.1 Insert the name of the jurisdiction in English:</b>  Abu Dhabi, United Arab Emirates.
<b>2. Member<sup>1</sup></b>	<b>2.1 Insert the name of the Member, both in the local language and in English:</b>  Abu Dhabi Accountability Authority (ADAA) جهاز أبوظبي للمحاسبة
	<b>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</b>  United Square Building P.O. Box: 435, Abu Dhabi, UAE  Tel.: +971 2 6392200 Fax: +971 2 6334122 Hours: Sunday – Thursday: 8:00 AM – 4:00 PM Website: <a href="http://www.adaa.gov.ae">http://www.adaa.gov.ae</a>
	<b>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:</b> <ul style="list-style-type: none"> <li>• ADAA was established in accordance with Law No (14) of 2008.</li> <li>• In 2020 Law no. 19 was issued “Reorganization of ADAA”.</li> </ul> The new Law stipulates the following: <ul style="list-style-type: none"> <li>- <b>Article 3 Objectives of the Authority:</b> <i>One of ADAA objectives is to improve quality of audit services provided to subject entities in the Emirate</i></li> <li>- <b>Article 14 Mandates of the Authority:</b> <i>Examine the independent and consolidated annual financial statements of subject entities that have laws requiring their financial statements be reviewed by an auditor, and examine the worksheets and reports of their auditors to ensure the financial statements provide a fair depiction of the financial position and performance of the entity, and the quality of</i></li> </ul>

<sup>1</sup> 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.

	<p><i>the audits they performed, in accordance with the applicable audit standards and other rules set forth by the Authority as it deems fit, and present reports thereof.</i></p> <ul style="list-style-type: none"> <li>- <b>Article 15 Authority Powers:</b> <i>Examine the working papers of external auditors regarding the financial audits of subject entities and peruse or take copies thereof.</i></li> <li>- <b>Article 19 Financial Oversight Activities:</b> <i>Examine the independent and consolidated annual financial statements of subject entities that have laws requiring their financial statements be reviewed by a statutory auditor, and examine the working papers and reports of their auditors to ensure the financial statements provide a fair depiction of the financial position and performance of the entity, and the quality of the audits they performed, in accordance with the applicable audit standards and other rules set forth by the Authority as it deems fit, and present reports thereof.</i></li> </ul> <p><b>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?</b></p> <p><input checked="" type="checkbox"/> <b>Yes</b>                      <input type="checkbox"/> <b>No</b></p> <p><b>If yes, please describe these changes with an appropriate level of detail:</b></p> <p>Law no 19 for 2020 pertaining to reorganization of ADAA. Please refer to above.</p>
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<p><b>3. Governing Body Composition and members</b></p>	<p><b>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 not<sup>2</sup>. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p>Abu Dhabi Accountability Authority is a public body and is the supreme entity in charge of oversight over financial, accountability, integrity and transparency matters in the Emirate.</p> <p>The Authority is a legal person endowed with the legal competence required to perform its activities and achieve its objectives. The Authority is financially and administratively independent, and subject directly to the Crown Prince and reporting directly to His Highness Sheikh Mohammed Bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi.</p> <p>The independence of ADAA’s Chairman and employees is governed and ensured by the Law:</p> <ul style="list-style-type: none"> <li>• The Authority Chairman, Deputy, General Managers and Employees must act independently and objectively in discharging the Authority’s mandate, in accordance with the provisions of this article, and Article (10) of this law, as best possible.</li> <li>• The Chairman must not hold any other public or private employment without the approval of the Crown Prince, and may not engage in any financial, commercial or professional business, or hold membership in any managerial board or any other committees subject to the Government or to subject entities, except in accordance with the provisions listed in the Chairman affairs regulations.</li> <li>• The Deputy and the General Managers of the Authority must not hold any other public or private employment and may not engage in any financial or commercial or professional business, or hold membership in any managerial board or any other committees subject to the Government or to subject entities, except in accordance with the provisions listed in the Authority’s internal regulations.</li> <li>• Except for the Authority’s subjectivity as set forth in Article (2) of this law, the Authority, its Chairman, the Deputy, and General Managers are not subject in discharging their mandates and authorities, as stipulated in the provisions of this law, to the organization, or supervision or control of any subject or other entity.</li> </ul> <p><b>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</b></p> <p>ADAA does not have a conventional board; instead it is being governed by a Chairman appointed by an Emiri Decree issued by His Highness the Ruler of</p>
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<sup>2</sup> 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>Abu Dhabi upon the recommendation of His Highness the Crown Prince of Abu Dhabi.</p> <p><b>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.</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</b></p> <p><input type="checkbox"/> Yes                      <input type="checkbox"/> No N/A</p> <p><b>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?</b></p> <p>N/A</p> <p><b>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?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Does this include a “cooling-off” period for former auditors?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>If yes to either of the above, please describe:</b> Article 10 stipulate the following: <i>No employee of the Authority may work for any of the subject entities where he discharged any of the duties of the Authority during his employment, except after a period of no less than two years since the termination of his service at the Authority, or with the approval of the Chairman, and in accordance with the relevant legislations.</i></p>
	<p><b>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)?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>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:</b></p>
<b>4. Funding Arrangements</b>	<p><b>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</b></p> <p>Article 5 stipulate: <i>The Authority shall have an independent budget approved by the Crown Prince and constitutes part of the general budget of the Emirate. The Chairman shall have the authority and jurisdiction required to administer and implement the Authority budget and transfer funds between its accounts in accordance with the financial and administrative rules and</i></p>

	<p><i>regulations of the Authority, to ensure the independence of the Authority from subject entities.</i></p> <p><b>4.2 Is the funding free from undue influence by the profession?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</b></p> <p>Please refer to the article mentioned above</p>
<p><b>5. Inspection System</b></p>	<p><b>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p>The ADAA has an examination team, their job is to examine and inspect audit firms' files and working paper, and its own inspection methodology which is based on the international standards as well as the laws and regulations of Abu Dhabi.</p> <p><b>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:</b></p> <p style="text-align: center;">N/A</p> <p><b>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</b></p> <p>Inspections are carried out according to an annual plan prepared based on ADAA internal risk assessment processes, which considers the financial value of subject entities, its impact as well as findings noted in prior years.</p>
<p><b>6. Audit and Financial Market</b></p>	<p><b>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.</b></p> <p>There are around 100 statutory auditors registered in Abu Dhabi. According to ADAA mandate, ADAA has more than 300 Subject Entities.</p> <p><b>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</b></p> <p>Big 6 firms dominate the audit market with more than 95% share of our Subject Entities.</p>



**7.4 If the Member has the responsibility for Permanent Education of Auditors, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?**

Directly  Through Oversight

**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.**

N/A

**7.5 If the Member has the responsibility for Enforcement, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?**

Directly  Through Referral

**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.**

Regulating the Statutory Auditor appointments

In January 2021, ADAA issued the revised, Statutory Auditors Appointment Rules (SAAR) to govern Statutory Auditor appointment in subject entities SAAR includes mandatory auditor rotation every 4 years. According to the SAAR, Statutory auditors may be reappointed, subject to an annual evaluation by the Subject Entity on the quality of audit services provided and the competence of the audit team while taking into consideration inspection comments raised by ADAA.

Also, the SAAR added more restrictions over the confidentiality of any information obtained by the statutory auditor during their audit. In addition, ADAA is responsible to monitor subject entities' compliance with the SAAR.

Furthermore, the SAAR included a section on monitoring of Statutory Auditors which requires ADAA to maintain a list of approved auditors and additional reporting requirement from them. In addition it stipulates certain accountability actions on these auditors in case of non-compliance with ADAA requirements:

1. Issue a notification letter to the audit firm or the engagement partner or both.
2. Direct the Subject Entity to terminate the appointment of the Statutory Auditor and appoint another Statutory Auditor in accordance with the standards and procedures set forth in these Rules.
3. Suspend the Statutory Auditor's listing on the List of Auditors for a period not exceeding three years.
4. Remove the Statutory Auditor from the List of Auditors.

	<p>5. Refer the Statutory Auditor to The Ministry of Economy to be held accountable in accordance with the Law Regulating the Profession within The State.</p> <p>6. Hold the Statutory Auditor accountable in accordance with the provisions of The Authority's Law.</p> <p>7. Any other administrative measures The Authority deems appropriate.</p> <p><b>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:</b></p> <p style="text-align: center;">N/A</p>
<p><b>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</b></p>	<p><b>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:</b></p> <p>Special purpose Audit, Review and Examination – the ADAA has a team responsible for carrying out audits of Abu Dhabi government consolidated financial statements which are then presented to the Crown Prince. We also have a team responsible to carry out fraud investigation activities.</p> <p>Please refer to ADAA Establishment Law on <a href="http://www.adaa.gov.ae">http://www.adaa.gov.ae</a>.</p>
<p><b>9. Major Events and Activities</b></p>	<p><b>9.1 Describe any recent major events and activities:</b></p> <p>ADAA Hosted Abu Dhabi IFIAR Board meeting in February 2020</p>