



ACCOUNTABILITY REPORT

2010



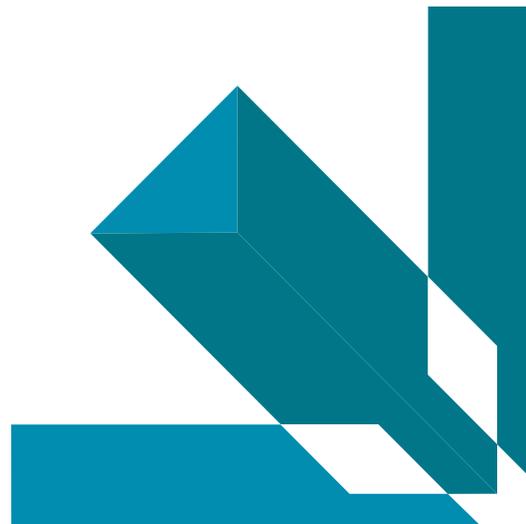
جهاز أبوظبي للمحاسبة
Abu Dhabi Accountability Authority





His Highness Sheikh Khalifa bin Zayed Al Nahyan

President of the United Arab Emirates and Ruler of Abu Dhabi





His Highness General Sheikh Mohamed bin Zayed Al Nahyan

Crown Prince of Abu Dhabi, Deputy Supreme Commander of the UAE Armed Forces
and Chairman of the Abu Dhabi Executive Council

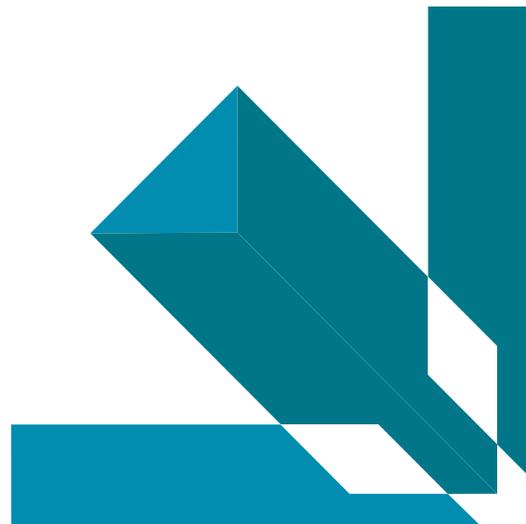


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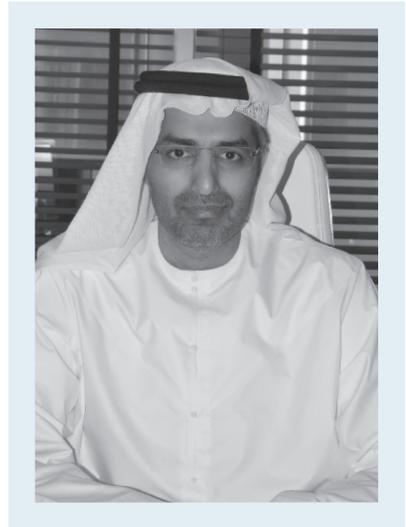
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H. E. Riyad Al Mubarak
Chairman



Foreword

Reflecting back on 2009, it feels like only yesterday the establishment of the Abu Dhabi Accountability Authority (ADAA) was announced. However, we look at where ADAA has reached today and we realize that the stroll we took unfolded trials and accomplishments endeavored in journeys that surpass a period of 12 months.

ADAA has proven with the issuance of its 2nd Accountability Report that it is on the right path towards achieving the essence of its existence and its mandate. We admit that there were plenty of challenges and difficulties testing our newly structured organization, yet we were supported and driven to success by many elements and I take this opportunity to acknowledge four primary ones:

- The clarity and precision of the Abu Dhabi Policy as envisaged by our leader; His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE and Ruler of Abu Dhabi and that is the Transparency we seek to sustain.
- The leadership and direction of His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Chairman of the Executive Council and that is the Accountability that we ask each one of you to claim.
- The dedication and sincerity of ADAA's people towards achieving its vision and objectives and that is the Professionalism that we promise.
- The cooperation of ADAA's Subject Entities and their commitment towards achieving the Abu Dhabi 2030 vision and that is the Respect and Integrity that we take pride in.

We have taken an oath before God, our leadership and the country that we intend on keeping no matter what challenges or impediments we face. We may refer to it most of the time as our mandate but we consider it a legacy that we were entrusted with by our father and founder of the UAE, the late Sheikh Zayed Bin Sultan Al Nahyan and our forefathers.

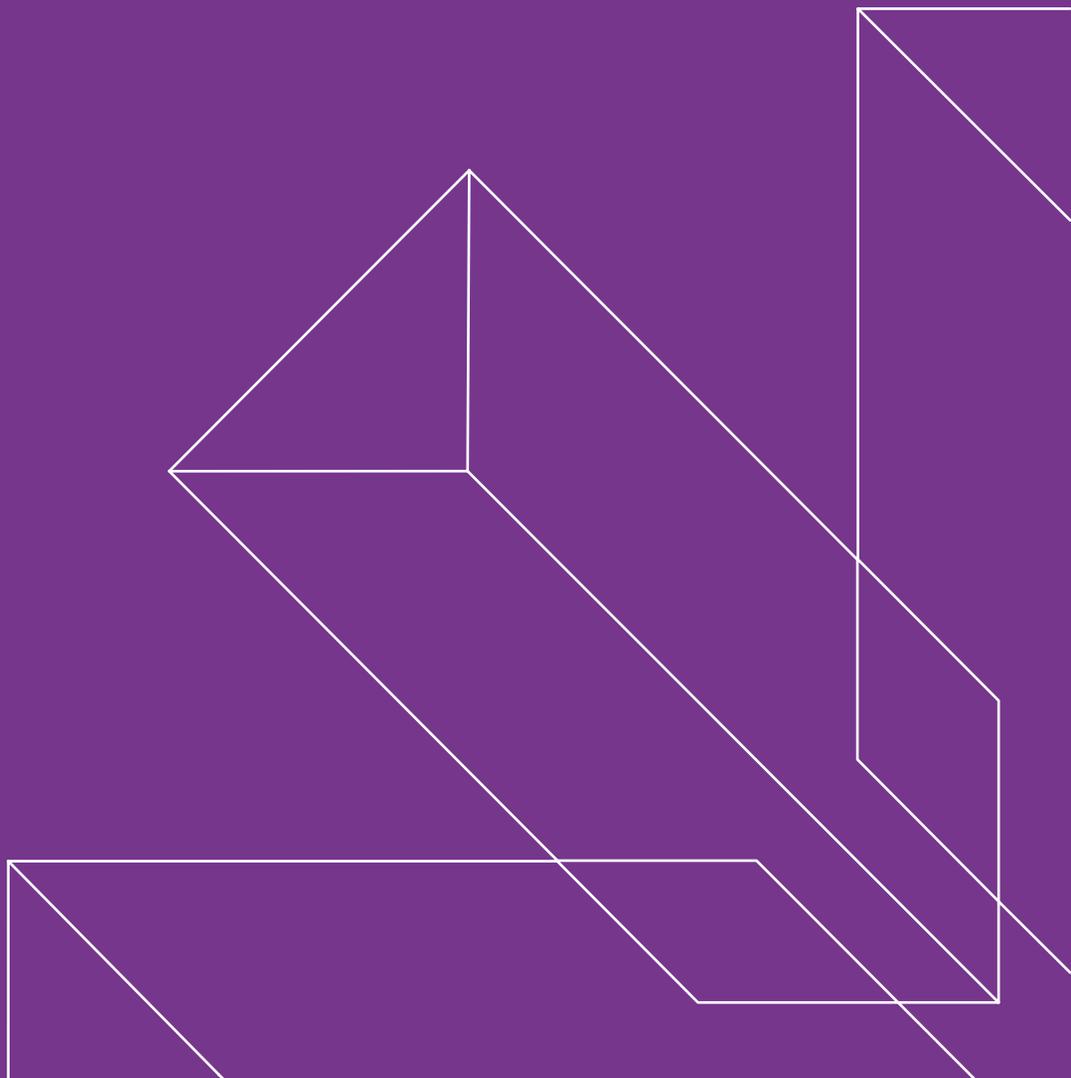
This report will tell you in plain and transparent language how far we have come and where we intend to go. We invite you without any conservation to our universe, telling you our story and introducing the directions of its proceedings.

I would like to share with you some of our key highlights that give every member of the ADAA family a reason to be proud:

- ADAA issued more than 167 reports.
- ADAA developed and released a classification of all Public Entities.
- ADAA was the 1st organization in the Middle East to become a member in the International Forum for Independent Audit Regulators (IFIAR), a leading non-profit organization for the independent regulation of the audit profession in the world.
- ADAA performed an inspection of Statutory Auditor reports for the 1st time in the UAE to enhance the credibility of financial statements and reinforce public trust.
- The establishment of the "ADAA Training Center", our training and development arm with 38 enrolled UAE nationals from ADAA and different Subject Entities.
- ADAA developed the Statutory Auditors Appointment Rules (SAAR), governing and strengthening the process of the appointment of a Statutory Auditor by any Subject Entity.

This short preview does not conclude what we want you to know but it is a mere invitation to read and explore further our Accountability Report 2010.

Riyad Al Mubarak
Chairman



01 | ADAA Overview and Strategy



ADAA Overview and Strategy



PART 01

ADAA OVERVIEW AND STRATEGY

1.1 OUR MANDATE AND STRATEGIC PILLARS

The Abu Dhabi Accountability Authority (“ADAA”) was established on 18th December 2008 as an independent body reporting to the Crown Prince, Chairman of the Executive Council with the primary objectives to:

- Ensure that public resources and funds are managed, collected and expended efficiently, effectively and economically.
- Ensure accuracy of the financial reports and compliance of the Subject Entities with relevant laws, rules and regulations and governance guidelines.
- Promote accountability and transparency.

Our Vision

“To be one of the top 5 accountability bodies in the world”

Our Mission

“To help improve the performance and promote accountability and transparency across Abu Dhabi Government and Public Entities through providing independent and objective assurance and advisory services”

Our Values



Our Strategic Goals

The strategic goals of ADAA are summarized as follows:



Our Overall Strategy

To assist Subject Entities enhance performance and to promote accountability and transparency by:

- Becoming a trusted and welcomed advisor to the Government and Subject Entities.
- Leading by example and supporting adoption of better practices.
- Enhancing communication and collaboration between Subject Entities and support sharing of knowledge.

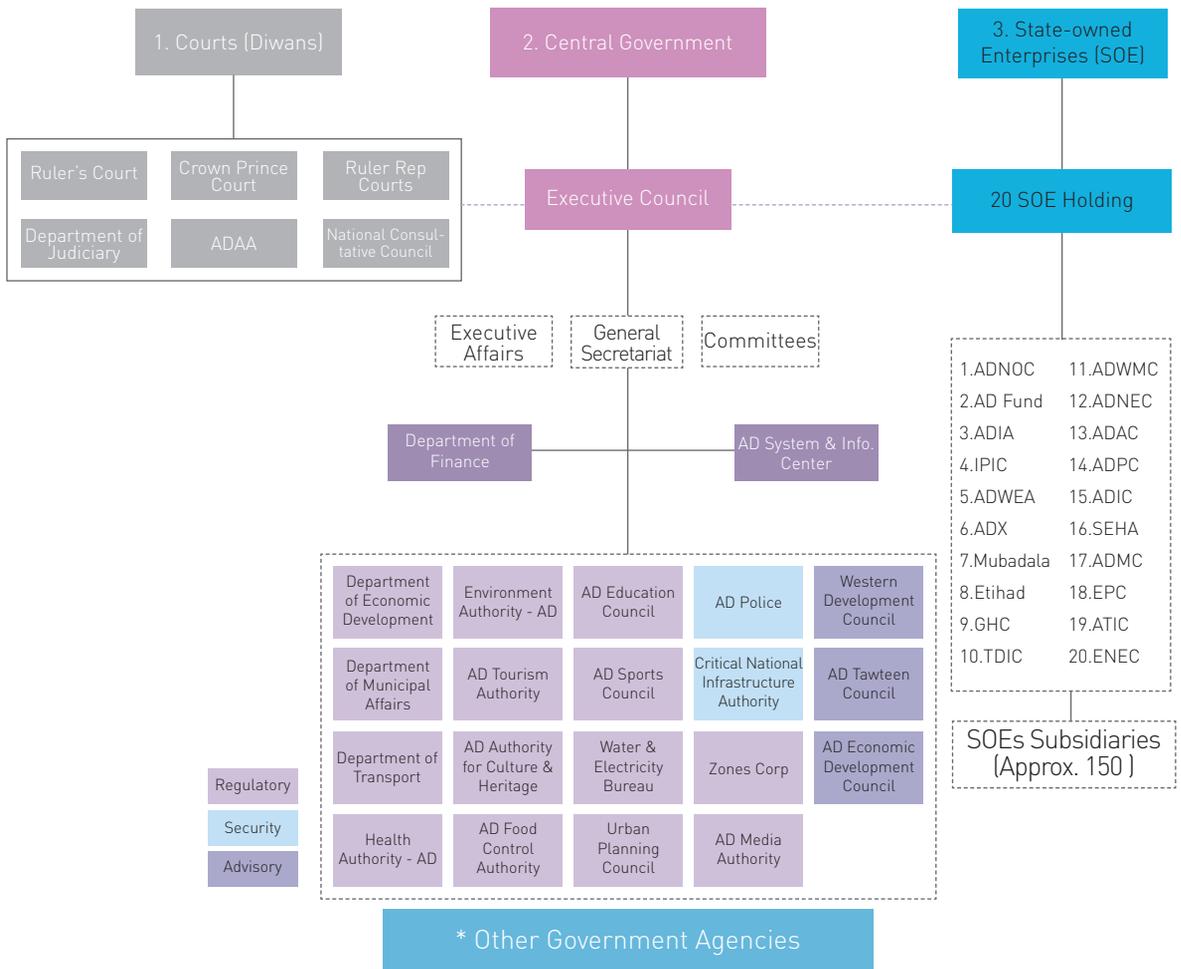
1.2 OUR SUBJECT ENTITIES AND OUR FUNCTIONS

ADAA Subject Entities comprise of local departments, councils, authorities and other similar entities. In addition to institutions, companies and projects in which the Abu Dhabi Government's interest is equal to or greater than 50% inclusive of their subsidiaries, companies and projects.

ADAA may exercise its functions and duties on other entities subject to other criteria as per its mandate.

Subject Entities Classification

ADAA has categorized all public entities into three classifications illustrating its Subject Entities:



*Other Government Agencies include:

EDUCATION	1.	Paris-Sorbonne University–Abu Dhabi
	2.	Abu Dhabi Vocational Education and Training Institute
	3.	Institute of Applied Technology
	4.	Emirates College for Educational Development
	5.	Abu Dhabi Educational Zone
	6.	Al Ain Educational Zone
	7.	Western Region Educational Zone
	8.	Khalifa University for Science, Technology and Researches
	9.	Al Ain Vocational Education and Training Institute
	10.	Western Region Vocational Education and Training Institute
SOCIAL & CULTURE	11.	Zayed Higher Organization
	12.	Social Care & Minors Affairs Foundation
	13.	Family Development Foundation
	14.	The National Rehabilitation Center
	15.	Abu Dhabi Center for Housing and Services Facilities Development
	16.	Private Housing Loans Authority.
	17.	Abu Dhabi Farmer Financial Support Fund
	18.	Abu Dhabi Retirement Pensions & Benefits Fund
	19.	Dar Zayed for Islamic Culture
	20.	The Emirates Heritage Club
ECONOMIC	21.	Khalifa Fund for Projects Development
	22.	Statistics Centre - Abu Dhabi
	23.	Abu Dhabi Quality and Conformity Council
ENVIRONMENT & AGRICULTURE	24.	International Fund for Habara Conservation
	25.	Abu Dhabi Farmers Services Centre
	26.	Organic Agriculture Center
	27.	Zoo and Water Life Establishment in Al Ain
	28.	Mohamed bin Zayed Species Conservation Fund
INFRASTRUCTURE	29.	Abu Dhabi Municipality
	30.	Al Ain Municipality
	31.	Western Region Municipality
	32.	The Center of Waste Management
	33.	The Center for Regulation of Transport by Hire Cars (Trans Ad)
	34.	Compensations Fund for Owners of Taxi Licenses
CHARITY	35.	Zayed bin Sultan Al Nahayan Charitable & Humanitarian Foundation
	36.	Khalifa Bin Zayed Al Nahayan Charity Foundation
	37.	Emirates Foundation
SUPPORT	38.	Presidential Flight
	39.	Abu Dhabi General Services Company - Musanada
	40.	Office of the Brand Abu Dhabi

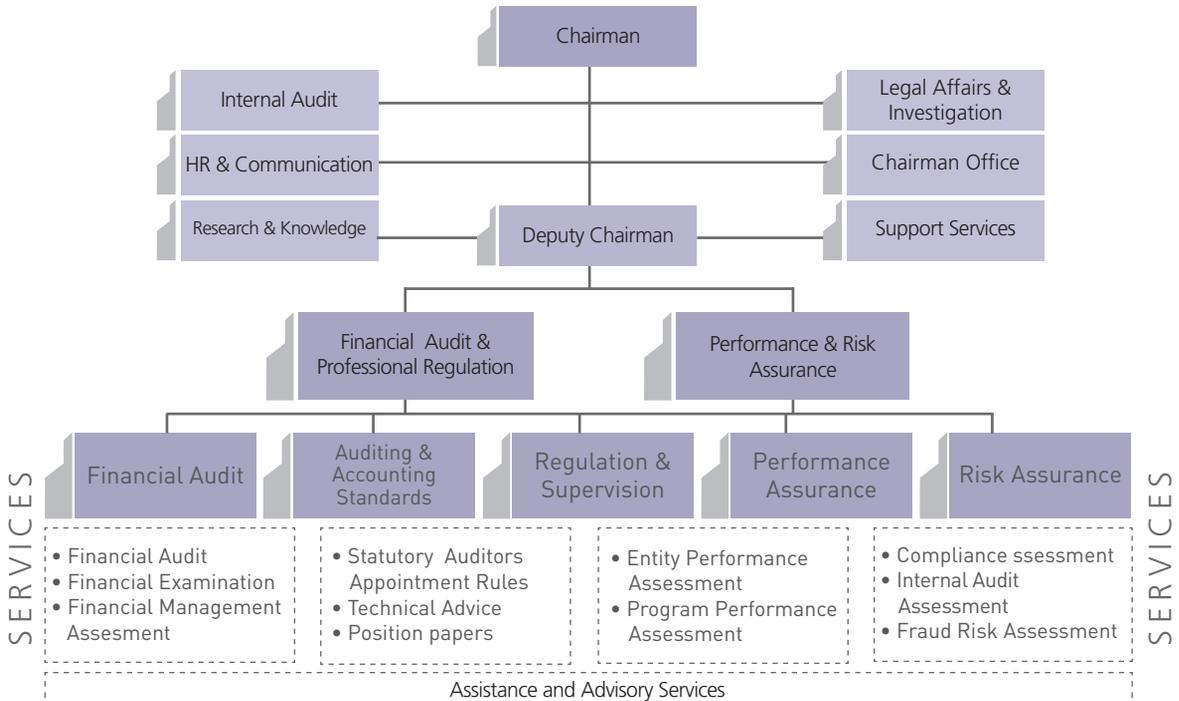
Our Functions

Law number 14 for 2008 has defined ADAA's responsibilities as follows:

- Audit the Government's consolidated financial statements and Subject Entities' financial statements.
- Review performance and risk; to fulfill this responsibility, ADAA may from time to time:
 - Examine the efficiency, effectiveness and economy of the financial and operational activities of Subject Entities.
 - Ensure compliance of Subject Entities' with laws, regulations, and rules and governance guidelines.
 - Examine violations, which are investigated by Subject Entities.
- Provide advice and recommendations and perform other procedures and services to Subject Entities.
- Train and qualify UAE National university graduates and establish training centers accordingly.
- Conduct investigations into complaints referred to ADAA along with any other violations that come to its attention.

1.3 OUR STRUCTURE

ADAA was structured based on its operating model that is most suitable to fulfill its strategic goals while maintaining clear responsibilities within different departments. ADAA comprises of two main business groups, the Financial Audit and Professional Regulations group (FAPR) and the Performance and Risk Assurance group (PRA) as shown in the figure below:

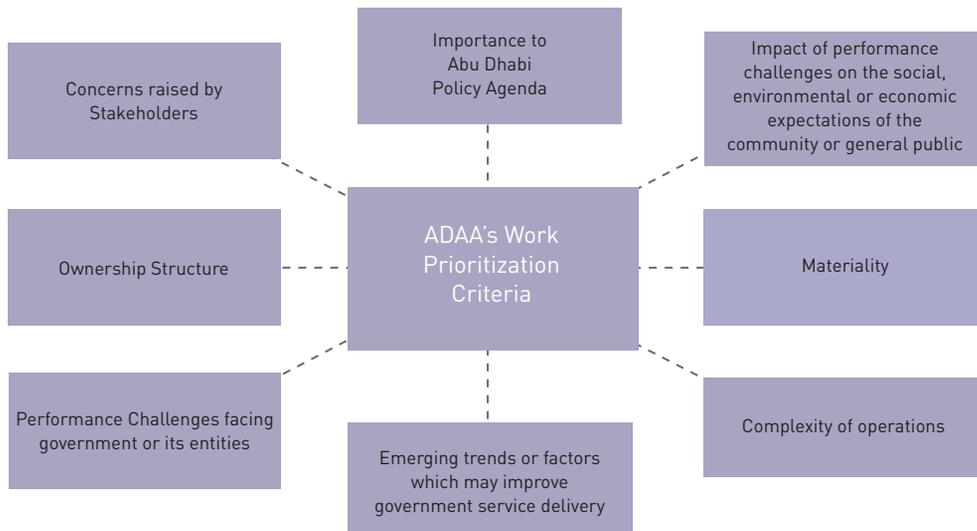


1.4 PRIORITIZING OUR WORK

Identifying and selecting high priority Subject Entities is based on the following criteria:

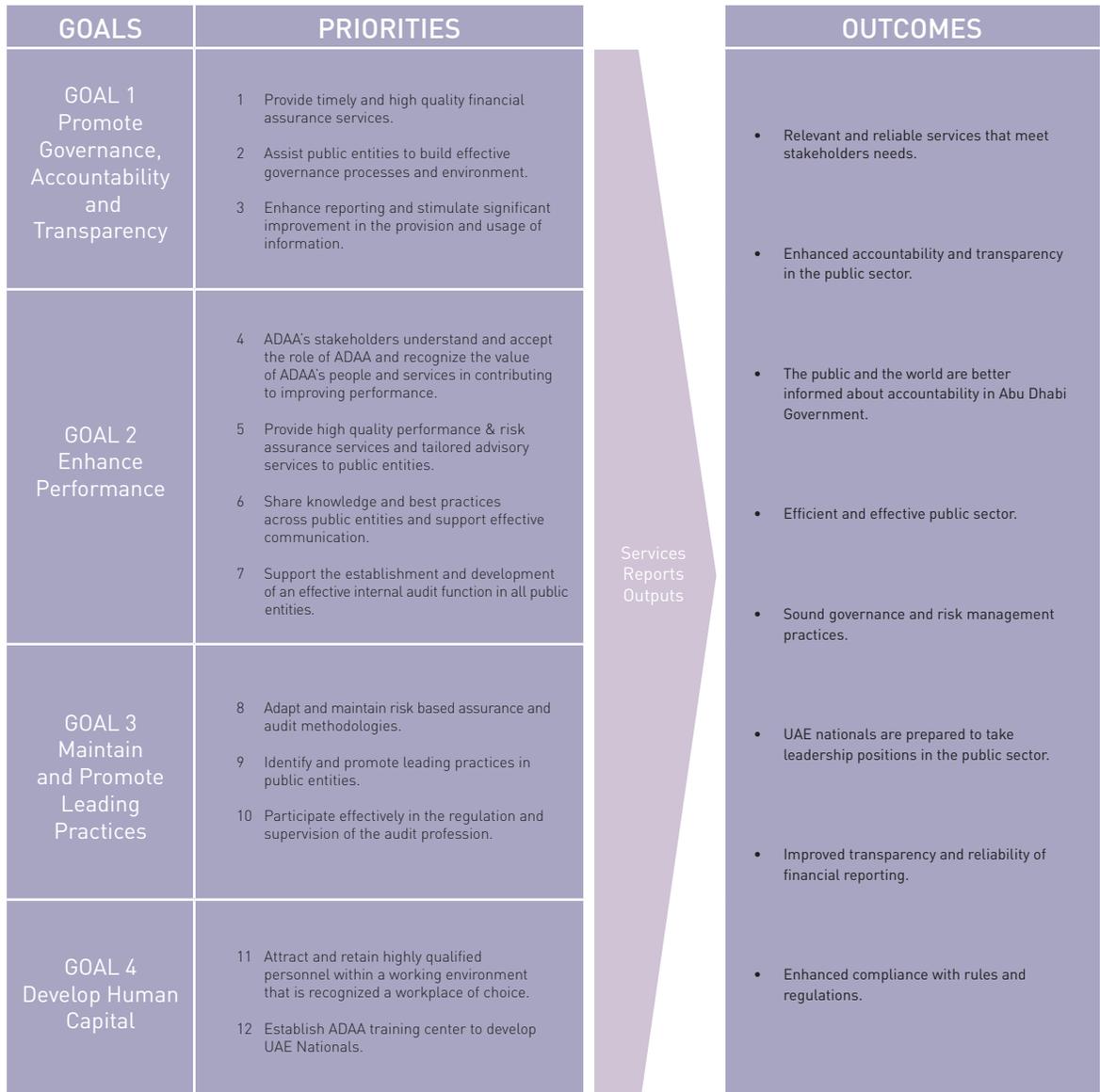
- Concerns raised by the Subject Entities’ stakeholders.
- The criticality of the Subject Entities’ role in achieving the Abu Dhabi policy and vision.
- The impact of the Subject Entities’ performance on the social, environmental or economical expectations of the community or general public due to its mandate to service them in various sectors.
- The materiality and relative importance of an amount, transaction, investment, project or public fund or resource allocated to or disbursed by the Government or a Subject Entity.
- The complexity of the Subject Entities’ operations, whereby it becomes vulnerable and is prone to a higher degree of risk in different areas whether it to business, operations or financial reporting requiring ADAA’s support to ensure effective risk management and corporate governance.
- Any emerging trends or factors that may improve government service delivery, including but not limited to implementation of key policy initiatives in the government and environment and initiatives enhancing transparency of the regulatory framework.
- The severity of performance challenges facing Subject Entities and hindering the achievement of their strategies and objectives.
- The ownership structure of Subject Entities whereby government agencies are given top priority, followed by commercially oriented companies owned by the Government depending on the percentage of ownership and their significance to Abu Dhabi.

Criteria used to select and prioritize our work



1.5 OUR OUTCOMES

ADAA’s priorities are derived from its strategic goals and contribute towards achieving the desired outcome:



1.6 OUR ACCOUNTABILITY, OUR GOVERNANCE

ADAA is committed to the highest standards of governance, corporate transparency, accountability and performance and aims through this commitment at protecting and enhancing its stakeholders' values.

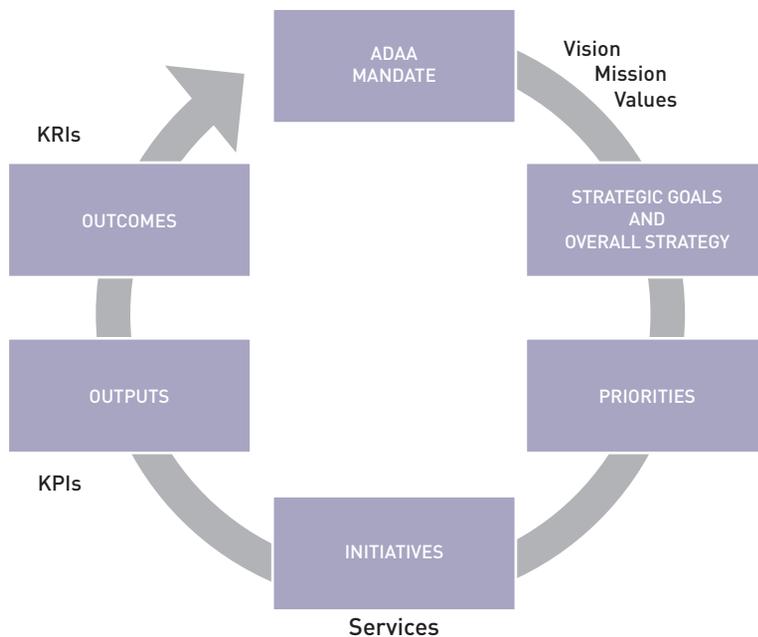
To fulfill this commitment, ADAA has developed numerous policies and procedures that govern its practices and activities as well as performance measures and corporate governance that ensure its independence and accountability.

ADAA developed its accountability and governance framework that comprises of the aspects mentioned below:

- Strategic Planning Framework
- Performance Indicators
- Audit
- Ethical Standards
- Employee Retention and Remuneration
- Communication

1.6.1 STRATEGIC PLANNING FRAMEWORK

ADAA developed a Strategic Planning Framework based on its strategic priorities to guide its actions and the provision of its services. This framework is constantly revisited and reviewed to ensure its validity and relevance to the current needs of Abu Dhabi.



1.6.2 PERFORMANCE INDICATORS

ADAA's performance is measured based on a set of performance metrics to ensure the objectivity of these measurements.

Benchmarking with renowned international supreme audit and accountability organizations, the below metrics were developed:

Quantity of Output	Cost
<ul style="list-style-type: none"> • Number of audit reports issued vs. planned. • Practice aids and guidelines issued. 	<ul style="list-style-type: none"> • Recording, monitoring and reporting of full assignment costs. • Adherence to budget and annual plan. • Ad hoc vs. planned work. • Cost and resource usage: full costs are recorded, reported and analyzed.
Quality of Output	Timeliness of Output
<ul style="list-style-type: none"> • Percentage of audit recommendations accepted for implementation. • Quality assurance that reviewed audits met auditing methodology and standards. • Results of client survey. 	<ul style="list-style-type: none"> • Assignments completed within agreed timeframe. • Responsiveness to special requests and examinations.

Subject Entities Feedback

ADAA seeks feedback from its Subject Entities on the review process executed after the issuance of each audit and assurance report. Subject Entities feedback is usually availed by an independent non-member of the appointed audit team and is carried through a questionnaire and an interview process with the relevant individual.

The feedback received constitutes an important guide to the effectiveness of existing practices and further developments that may be required.

1.6.3 AUDIT

ADAA's financial statements are audited by an external Statutory Auditor on an annual basis. Ernst and Young were reappointed for the year 2009 financial statements Audit of a charge of AED 92,000.

In addition, ADAA will review its internal controls, including financial, operational and compliance controls to ensure that its processes are in line with best practice, laws, rules and regulations.

1.6.4 ETHICAL STANDARDS

ADAA has issued a rigorous Code of Conduct safeguarding business and professional ethics and ensuring that all ADAA employees understand and abide by this code of conduct, additionally a Compliance Officer was appointed to ensure adherence to the code of conduct as well as taking the responsibility of establishing and implementing an effective compliance program to prevent illegal, unethical, or improper conduct.

All ADAA employees took the below mentioned oath before the ADAA Chairman as per Article (9) of Law (14) on the establishment of ADAA

"I swear by almighty God to be loyal to the Ruler of the Country; to honor the constitution and law; to work to safeguard public funds; to perform my duties honestly and sincerely and to maintain the confidentiality of all businesses"

1.6.5 EMPLOYEE RETENTION AND REMUNERATION

ADAA developed a remuneration policy and procedure for its employees as well as a performance management system that will ensure fair evaluations of the employees' performance and identify a clear career path and progression plan for its employees.

ADAA employees are exposed to training programs and workshops that aim primarily at enhancing their capabilities, skills, knowledge and competence to grow within their careers.

1.6.6 COMMUNICATION

ADAA considers communication a crucial and indispensable approach to achieve transparency with its stakeholders; be it Subject Entities, general public or its own employees.

ADAA underwent a thorough branding exercise and re-launched its identity with its direct association to Abu Dhabi Government through the usage of the Abu Dhabi Government Official crest adjacent to ADAA's identity logo and was the first organization that followed this association model in its logo.

Many communication mediums were identified and launched by ADAA, primarily online communication through ADAA's website that was launched mid 2009, allowing its stakeholders timely and sufficient access to information, as well mailers that contain industry related information such as the IFRS Digest monthly e-newsletter.

ADAA also conducts seminars, workshops and trainings that are beneficial to its Subject Entities and employees whereby networking, awareness and knowledge sharing opportunities arise.

ADAA employees are constantly updated with the latest industry-related news, policies, procedures and research through its intranet portal "ADAAcom" and mailers that include e-newsletters such as the "Global Accountability and Transparency" monthly newsletter.

1.7 OUR PEOPLE

The ADAA team is ADAA's most valuable asset as it comprises of dedicated top-tier professionals from multi-cultural backgrounds sharing one vision, unified by the values that ADAA represent and aspire to the same objectives.

Most ADAA employees have extensive experience and high qualifications in their respective fields where professional qualifications such as the CPA, CIA and CMA are quite common.

To further enhance knowledge and qualifications, ADAA obliges its employees to obtain Continuing Professional Education (CPE) in their profession and therefore facilitates them when possible.

1.7.1 LEARNING AND PROFESSIONAL DEVELOPMENT

In April 2009, ADAA announced the establishment of its training and development arm "ADAA Training Center" partnering with international leading institutions and training providers to offer customized professional programs to its employees.

The objective of these programs is to enhance profession-based knowledge, help employees acquire the required skills-set to excel in their careers and to create a new generation of knowledgeable and accountable Emirati professionals, allowing them to participate in the growth and success of ADAA and the Emirate of Abu Dhabi.

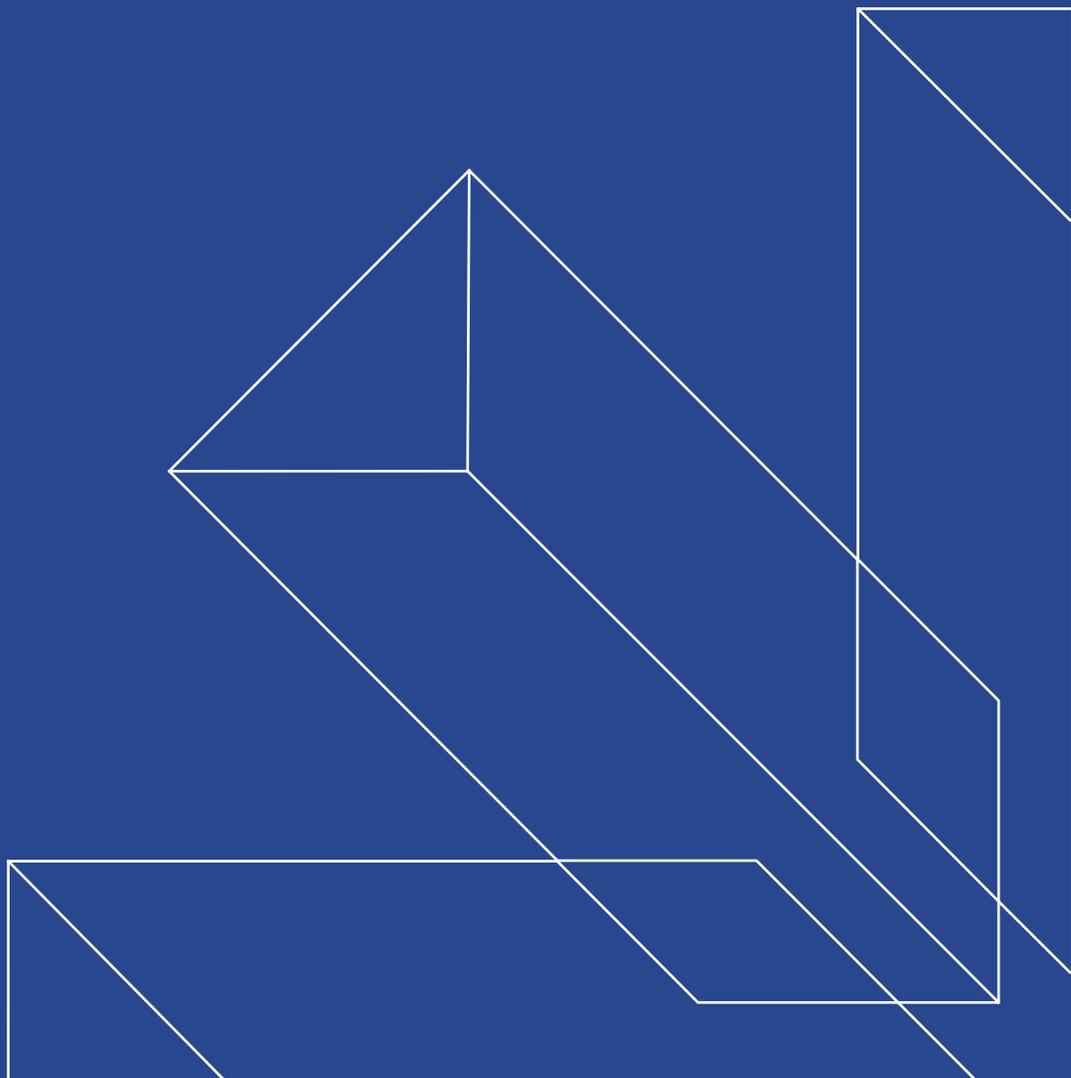
1.7.2 SECONDMENTS

Secondments expose employees to different operating models and structures teaching them how to adapt to different environments, increasing their knowledge, expanding their experience and diversifying their skills as employees are usually seconded to Subject Entities, Statutory Auditors, peer organizations and others on project basis or a pre-identified timeframe.

Secondments are part of ADAA's Talent Management project.

1.7.3 NATIONAL DEVELOPMENT PROGRAM

ADAA realizes that there is a lack of professional Emiratis in this field and to address the vitality of having qualified Emiratis in these positions, a program has been created to attract Emirati fresh graduates to join ADAA and it includes trainings and workshops to equip them with the required skills, ability and knowledge to succeed.



02 | ADAA'S Output Groups



ADAA'S Output Groups



PART 02

ADAA'S OUTPUT GROUPS

2.1 FINANCIAL AUDIT AND EXAMINATION

ADAA's statutory responsibilities include the audit of the Government's consolidated financial statements and financial reports issued by Subject Entities to ensure that Subject Entities' financial statements are free from material misstatements and that management establishes robust processes and controls to ensure reasonable accuracy of these statements.

It is ADAA's policy to participate in the regulation and supervision of the audit profession and assist in developing best practices that parallel internationally acceptable practices.

ADAA provides 3 types of services under Financial Audit and Examination, as mentioned below:

- Financial Audit
- Financial Examination
- Financial Management Assessments

2.1.1 FINANCIAL AUDIT

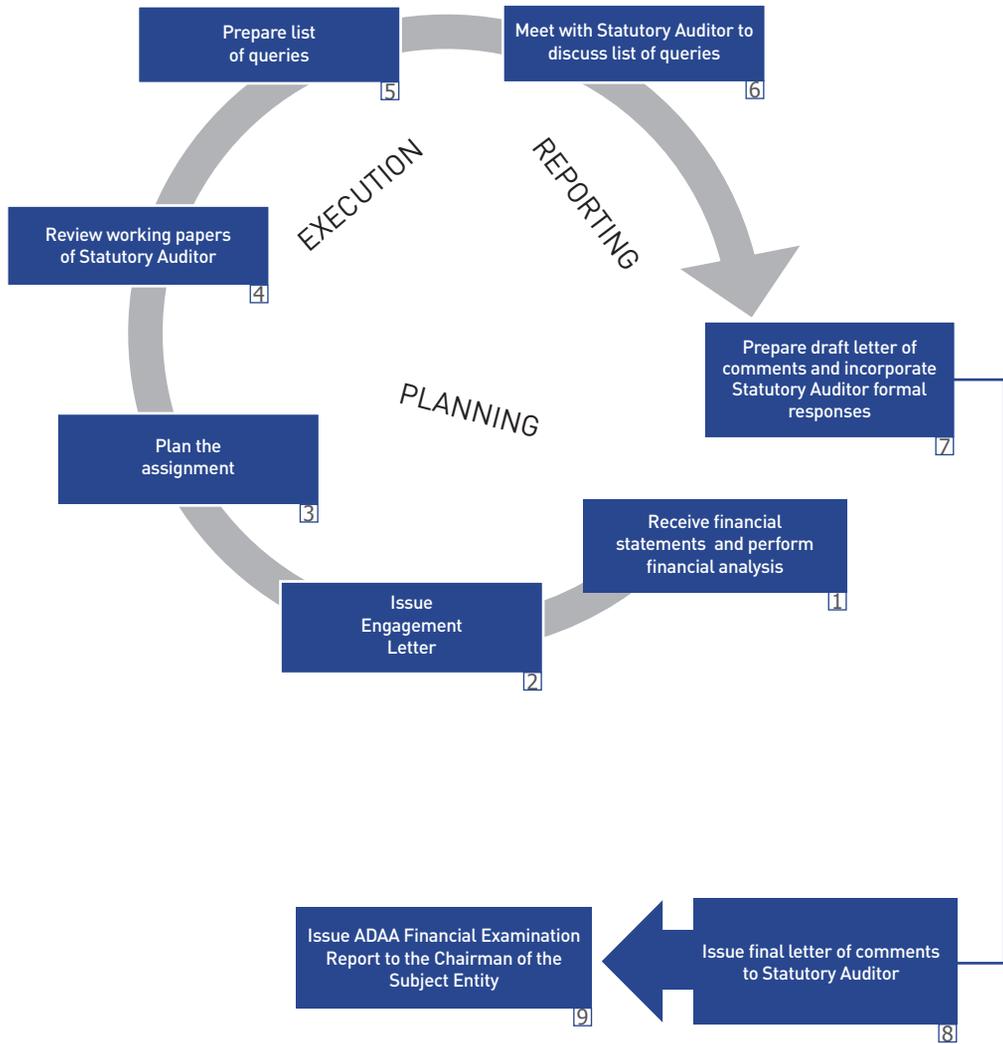
ADAA audits the consolidated financial statements of the Government and expresses an opinion on these statements, ADAA also reviews the financial statements of the Government Departments. In addition, ADAA conducts Special Purpose Audit Services on specific components of the Subject Entities' financial statements.

ADAA's financial audit procedures are based on the International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC).

2.1.2 FINANCIAL EXAMINATION

ADAA conducts Financial Examination of Subject Entities who, in accordance with their legal framework, appointed external / Statutory Auditors to audit their financial statements. Financial Examination involves, among other things, a thorough analysis of audited financial statements and assessment of the quality of work performed by the Statutory Auditors of Subject Entities in accordance with internationally recognized auditing and accounting standards. The Financial Examination Methodology was derived and confirmed with the pronouncements and methodologies of the IFAC and the American Institute of Certified Public Accountants (AICPA). The procedures set out in the Financial Examination Methodology aim to evaluate whether the audit of the financial statements was performed and reported in conformity with ISA. This process enables ADAA to decide whether it can rely on the work of these Statutory Auditors or perform additional examination work, if deemed necessary, to discharge its statutory responsibilities.

The following diagram illustrates our Financial Examination Methodology:



2.1.3 FINANCIAL MANAGEMENT ASSESSMENT

ADAA recently introduced the Financial Management Assessment (FMA) process which provides an independent review and comprehensive understanding of the Financial Management capabilities within Subject Entities.

For FMAs, ADAA will place emphasis on strengthening the role of the Financial Management function within Subject Entities and continuously support the establishment and improvement of Financial Management functions in all Subject Entities.

These efforts should result, after due and vigorous assessments, in the foundation of a strong Financial Management function capable of delivering its services in a manner aligned with the objectives of the Subject Entity.

2.2 PERFORMANCE AND RISK ASSURANCE

ADAA is mandated to provide assurance that Subject Entities' activities and resources are managed and utilized efficiently, effectively, ethically and economically as well as in compliance with the relevant laws, rules, regulations and governance guidelines.

ADAA's Performance and Risk Assurance group will also assist in sharing knowledge and best practices across functions and entities in the Government, assessing their risk profile, assisting in building effective Internal Audit and Governance processes and implementing an effective Anti-Fraud Program.

ADAA provides 4 types of services under Performance and Risk Assurance as mentioned below:

- Performance Assessment
- Internal Audit Assessment
- Compliance Assessment
- Fraud Risk Assessment

2.2.1 PERFORMANCE ASSESSMENT

ADAA assesses the performance of entities or programs and initiatives delivered by one or more entities, and report on Government-wide issues or topics of interest.

Performance Assessments follow best practices for diagnosing issues and developing recommendations using frameworks developed by ADAA. Each assessment consists of five discrete steps as shown below.



ADAA conducts two types of Performance Assessments:

Entity Performance Assessments (EPAs): assess whether an entity is making progress towards meeting its mandate in an effective, efficient, ethical and economical manner. Specifically, an EPA reviews the entity's mandate to understand what an entity is required to achieve.

Program Performance Assessments (PPAs): provide a substantive review of high profile initiatives and projects involving one or more Abu Dhabi Government entities. The focus of a PPA is on evaluating if program or initiative objectives are being met in an effective, efficient, ethical and economical manner.

2.2.2 INTERNAL AUDIT ASSESSMENT

ADAA emphasizes on strengthening the role of Internal Audit within Subject Entities. The approach aims to provide reasonable assurance that Audit Committees and Internal Audit units at Subject Entities perform their work in accordance with their Charter and Code of Ethics and leading practices.

An Internal Audit Assessment provides an independent review and comprehensive understanding of the Internal Audit capabilities within Subject Entities.

The Internal Audit Assessment will follow the Institute of Internal Auditors (IIA) best practices for assessing and developing Internal Audit functions. ADAA uses a detailed assessment framework developed Internally.

Our assessment methodology is based on measuring the internal audit function on a series of 6 elements including the Audit Committee, Organization, Methodology, Operation, Technology and Value.

2.2.3 COMPLIANCE ASSESSMENT

Compliance Assessments confirm that specific laws and regulations have been adhered to by Subject Entities.

ADAA will assess compliance with laws and regulations that have a direct impact on the level of services being provided by the Government to the general public. Compliance Assessments aim to achieve the following:

- Determine the degree of consistency in applying laws and regulations by Subject Entities.
- Evaluate instances of non-compliance to take the appropriate action.

2.2.4 FRAUD RISK ASSESSMENT

Conduct Fraud Risk Assessments, independent reviews, provide detailed analysis together with recommendations necessary to improve fraud risk management within all Subject Entities.

ADAA assesses Subject Entities' vulnerabilities to fraud, corruption and misconduct ('Fraud') and their ability to mitigate fraud risks across different organizational elements. The purpose of a Fraud Risk Assessment is to identify, assess and address potential fraud risk exposures. During the assessment, ADAA will assess the impact of fraud risk and will provide the management of the Subject Entity with information to ensure that all necessary preventative measures are taken to mitigate the occurrence of fraud. The Fraud Risk Assessment process raises awareness and educates Subject Entities' employees in potential fraud risks that may impact their roles and responsibilities and how to respond.

Anti-Fraud Program

ADAA will assist the Government to establish and implement a world-class antifraud program. The following diagram illustrates the overall Anti-Fraud Program:



ADAA will support entities to develop and implement the following:

- Assist to develop a fraud control policy for each entity.
- Conduct Fraud Risk Assessments.
- Train employees on the fraud control policy and code of conduct.
- Assist in the development and implementation of the confidential disclosure systems.

2.3 ASSISTANCE AND ADVISORY

ADAA provides advice and assistance to the Executive Council, Members of the Executive Council, Subject Entities and other stakeholders to assist them in their work to improve the performance and accountability and to ensure that Subject Entities meet preset objectives. This can be achieved through providing any of our existing services or through tailored advisory services or through secondments of our employees.

Amongst the Assistance and Advisory Services, ADAA contributes through its Accounting and Auditing Standards Services to the confidence in financial reporting and corporate governance in the Emirate of Abu Dhabi and the U.A.E. by enhancing the application and understanding of financial reporting and auditing standards among stakeholders. Furthermore, ADAA enhances coordination and cooperation with regulatory bodies in the UAE/ Federal Government to establish a set of regulations to improve the governance of the audit profession through its Regulation and Supervision Services.

2.4 SPECIAL EXAMINATIONS

ADAA investigates violations discovered or referred to it. ADAA also tracks fraud, corruption and misconduct in Subject Entities to ensure public money is safe guarded.

Special Examinations are conducted in accordance with ADAA approved internal procedures and may involve liaisons with Local Government, external consultants, legal counsel and law enforcement agencies.

2.5 ADAA CENTER OF EXCELLENCE

ADAA established a Center of Excellence to provide in-depth knowledge and awareness of leading practices within the Government and internationally whether it is industry-specific or by departmental functions.

ADAA Center of Excellence has designed and initiated programs, activities and events that have facilitated knowledge sharing and development throughout its Subject Entities.

ADAA Center of Excellence initiatives and activities include:

- Practice Guides in seeking to improve public administration, ADAA services identify better practices, which may then be incorporated into practice guides for use throughout the public sector.
- Assist audit committees and internal audit units at Subject Entities in establishing their internal audit and governance functions through the transfer of knowledge and methodologies.
- Technical advice and issuing position papers to all Subject Entities relating to accounting and financial reporting standards as required and requested.
- IFRS Digest, ADAA issues a monthly e-newsletter titled "IFRS Digest" to promote stakeholders' awareness of the International Financial Reporting Standards (IFRS) in a way to support consistent application of accounting standards across Subject Entities.
- Secondments of ADAA employees to improve their skills-set, knowledge and help them gain experience in different industries.
- Recruitment support of Internal Audit professionals for Subject Entities.
- Installation and upgrades of the e-Hawkama Portal that serves as a tool to support the complete internal audit process.
- Fraud Scenario Assessment (FSA) installation in the e-Hawkama Portal in Subject Entities and provide user-trainings.
- Internal Audit Seminar where Heads of Internal Audit in Subject Entities meet to discuss process, internal controls, policies, issues and challenges as well as knowledge sharing of best practices and developments.

In 2009, ADAA Center of Excellence introduced two new initiatives as mentioned below:

2.5.1 RESEARCH AND KNOWLEDGE

The Research and Knowledge function is a new capability being established at ADAA. In line with Abu Dhabi policy agenda of developing a sustainable knowledge based economy, the objective of the function is to create, acquire and transmit knowledge more effectively across all areas of ADAA's operations as well as contribute towards supporting the research and knowledge needs and capabilities of Subject Entities.

2.5.2 TRAINING AND DEVELOPMENT

In 2009, ADAA established its training and development arm the "ADAA Training Center" to address an important aspect of its overall mandate and that is to train and develop UAE National Graduates.

The "ADAA Training Center" has initiated partnerships with leading institutions and training providers to offer customized professional programs such as the Certified Public Accountant (CPA) examination preparation course and Certified Internal Auditor (CIA) examination preparation course to UAE Nationals, to help them acquire the necessary skills and knowledge to advance and excel in their careers and presume leadership roles and become key components in the growth and success of the Emirate of Abu Dhabi.

Certified Public Accountant (CPA) Program

The CPA Program is a world-class professional education program for leadership careers in auditing, accounting and business. Providing a study of the professional attributes of ethics and integrity, the CPA Program inducts the UAE National Graduates into the rewarding world of practicing professionals. While ensuring that CPAs are highly educated technically and professionally, the program also continuously seeks professional accounting education within the contemporary and interconnected contexts of business strategy, decision-making and leadership, and corporate governance.

Certified Internal Auditors (CIA) Program

Certified Internal Auditor (CIA) is a designation sponsored by the Institute of Internal Auditors (IIA). The CIA Program at the ADAA Training Center is for the UAE National Graduates to have the professional ability to efficiently control and identify risks, and examine remedies with respect to the current practice of internal auditing as well as helping them understand the 21st century management principles. Moreover, worldwide recognition of the CIA designation gives members the opportunity to practice globally in the field of internal auditing and will play a vital role in the progression of the profession.

ADAA Training Center also provides related competency-based trainings, related workshops, seminars and conferences.

03 | ADAA 2009 Report and 2010 Work Plan



ADAA 2009 Report and 2010 Work Plan



PART 03

2009 REPORT AND 2010 WORK PLAN

3.1 OUR 2009 HIGHLIGHTS

- Issued 88 Financial Audit and Examination reports:
 - 12 Financial Statements Audits and Reviews.
 - 76 Financial Examinations.
- Issued 79 Performance & Risk Assurance reports:
 - 14 Performance Assessment.
 - 34 Internal Audit Assessment.
 - 24 Compliance Assessment.
 - 7 Fraud Risk Assessments.
- Issued a number of Assistance and Advisory and Special Examination reports.
- Established ADAA's training and development arm "ADAA Training Center" to develop and train UAE Nationals in ADAA and Subject Entities.
- ADAA was the 1st organization in the Middle East to become a member in the International Forum for Independent Audit Regulators (IFIAR).
- Performed an inspection of Statutory Auditor working papers for the 1st time in the UAE to enhance the credibility of financial statements and reinforce public trust.
- Developed the Statutory Auditors Appointment Rules (SAAR), governing and strengthening the process of the appointment of a Statutory Auditor by any Subject Entity.
- Assisted 10 Subject Entities in recruiting their heads of internal audit.
- Successfully developed ADAA's working methodologies for its services.
- Launched the new identity and logo of ADAA and its Training Center and established its visual presence in Abu Dhabi specifically and the UAE generally. ADAA was the first entity to use the Abu Dhabi Government crest alongside its logo to resemble its official authority and link to the Government of Abu Dhabi.
- Organized the 1st Anti-Fraud Seminar with the participation of Global representatives from the Big-Four.
- Initiated contact with Subject Entities and held its first Internal Audit Seminar opening yet another communication channel with Subject Entities, sharing knowledge and experience.
- Started issuing the 2nd volume of the IFRS digest, a monthly IFRS newsletter to communicate developments, interpretations and advices to the Subject Entities.
- ADAA established the Center of Excellence and the Research & Knowledge function to create, acquire and transmit knowledge more effectively across all areas of ADAA's operations.

3.2 OUR FOCUS IN 2010

- Execute 2010 annual plan and deliver a range of timely and relevant services on issues that add value to our stakeholders.
- Assist the Government in establishing our recommended integrated governance framework.
- Continue assisting Public Entities to build their capabilities in internal audit, business and fraud risk management and governance.
- Issue the audit report on the consolidated financial statements of the Government within the time- frame specified in the Financial Management Law.
- Issue SAAR and monitor compliance.
- Strengthen the role of the financial management function within Subject Entities through Introducing ADAA new service, the Financial Management Assessment (FMA), which provides an independent review and comprehensive understanding of the Financial Management capabilities within Subject Entities.
- Leverage our services to promote the work of ADAA and improve stakeholders' understanding of what we do.
- Monitor our outputs and outcomes and related performance indicators to ensure they continue to support our directions.
- Promote further initiatives to improve strategies for the retention and attraction of staff, including a more structured training and professional development.
- Continue our engagement with national and international auditing bodies through seeking memberships of appropriate organizations.
- Enhance efficiency by providing our employees with easy access to high quality research outputs, tools and expertise that they can leverage for their work.
- Develop mechanisms to allow the effective capture and organisation of knowledge.

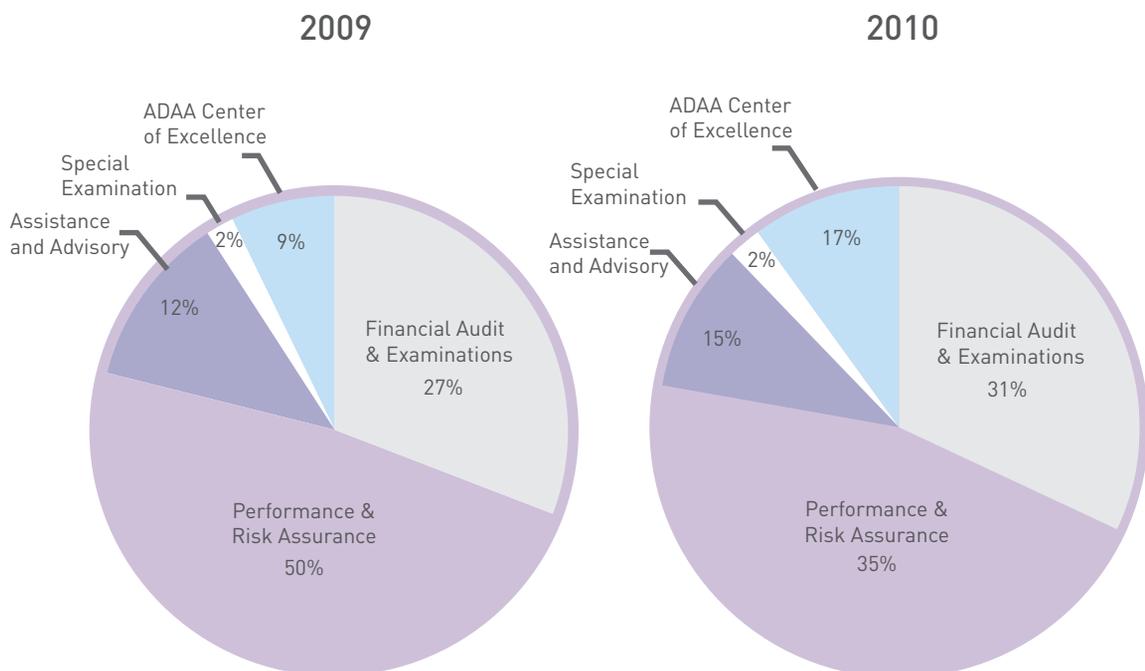
3.3 SUMMARY OF ADAA OUTPUTS - 2009 ACTUAL VS. 2010 TARGETS

The following table provides a summary of ADAA's 2009 actual vs. 2010 targets:

Output Group	Assessment Type	Actual 2009		Target 2010	
		Number of Reports	*Cost AED '000	Number of Reports	*Cost AED '000
1	Financial Audit & Examination	88	19,900	107	31,800
2	Performance & Risk Assurance	79	37,200	95	36,100
3	Assistance & Advisory	NA	9,200	NA	15,300
4	Special Examinations	NA	1,800	NA	2,500
5	ADAA Center of Excellence	NA	6,300	NA	17,500
Total		167	74,400	202	103,200

* Costs mentioned above are based on pre-determined rates for ADAA employees inclusive of payroll and overhead costs.

The following diagram illustrates ADAA services by 2009 actual cost vs. 2010 target cost:

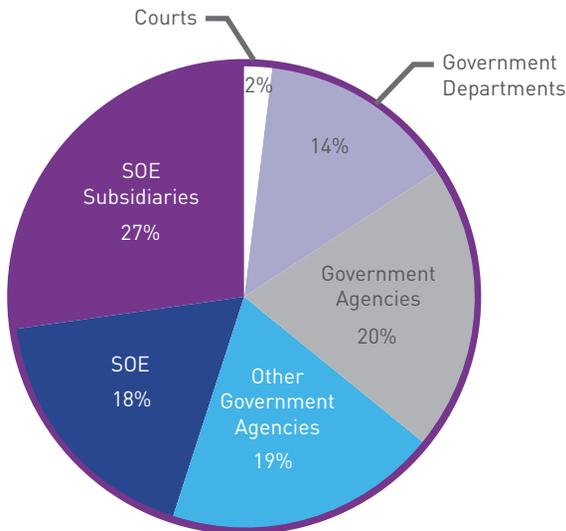


Analysis of ADAA's Output Groups 1 and 2 By Type of Subject Entity

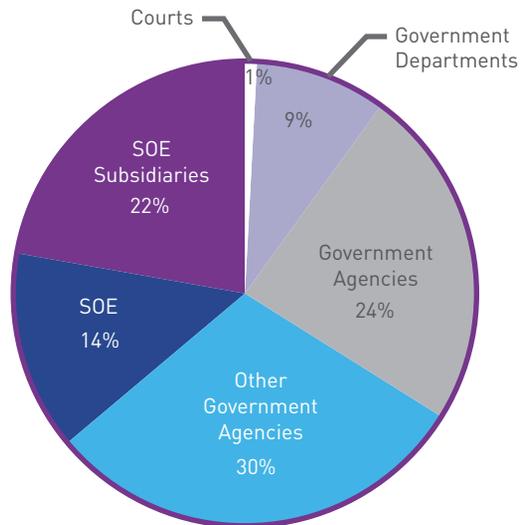
The following table illustrates the number of reports by type of Subject Entity:

	Entity Type	# of Entities	Financial Audit & Examination		Performance & Risk Assurance		TOTAL	
			2009 Actual	2010 Target	2009 Actual	2010 Target	2009 Actual	2010 Target
1	Government Departments	4	9	9	14	8	23	17
2	Government Agencies	19	9	18	24	31	33	49
3	Other Government Agencies	40	8	14	24	47	32	61
4	SOE	20	16	22	15	7	31	29
5	SOE Subsidiaries	150	43	42	2	2	45	44
6	Courts	7	3	2	-	-	3	2
TOTAL		240	88	107	79	95	167	202

2009 Actual



2010 Target



3.4 OUTPUT GROUP 1: FINANCIAL AUDIT AND EXAMINATION

This output group focused on the financial audit of the Government of Abu Dhabi accounts and financial reports examinations of the Subject Entities based on its own uniquely developed methodology, these outputs are the result of one of the following services:

- Financial Audit.
- Financial Examination.

3.4.1 FINANCIAL AUDIT

ADAA completed its audit of the consolidated financial statements of the Abu Dhabi Government for the year ended 31 December 2008 and issued a clean opinion within the deadline specified in the Financial Management Law.

These Financial Statements were prepared by the Department of Finance on a cash basis in accordance with International Public Sector Accounting Standards (IPSAS). ADAA conducts its financial statements audits in accordance with International Standards on Auditing (ISA).

In addition, ADAA performed review engagements on the financial statements of Government Departments in accordance with the International Standards on Review Engagements (ISREs) issued by IFAC.

3.4.2 FINANCIAL EXAMINATION

During 2009, ADAA examined 76 independent audit reports and work done by the Statutory Auditors, appointed by Subject Entities to audit the financial statements of these entities for the year ended 31 December 2008

The financial statements and audits covered by our examination during 2009 were selected in accordance with the prioritization criteria developed by ADAA.

The objectives of financial examination are to ensure, in all material respects, the quality of audit services performed by the Statutory Auditor over the financial statements of Subject Entities and, accordingly, enhance users' confidence in the accuracy and transparency of financial statements and financial reporting at Subject Entities.

The opinions a Statutory Auditor can express on a set of general purpose financial statements are:

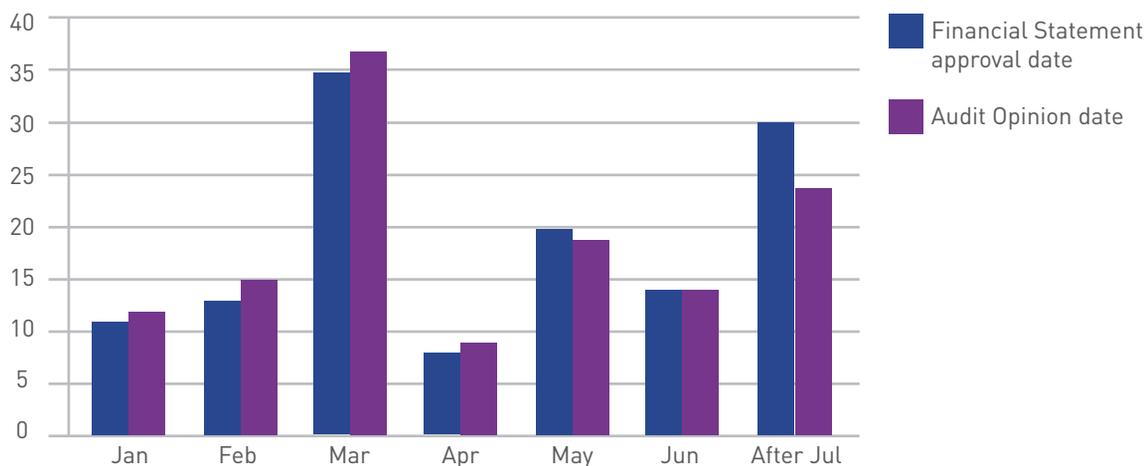
- unqualified opinion (Clean Opinion)
- unqualified opinion (Emphasis of Matter)
- qualified opinion
- adverse opinion
- disclaimer

The following is a summary of financial statements audit reports issued and outstanding in 2009:

Audit Opinion	Number
Unqualified (Clean Opinion)	142
Unqualified (Emphasis of Matter)	4
Other	36
Total Reports Issued	182
Financial Statements not issued at the date of this report	58
Total	240

There are no deadlines for Subject Entities to have the financial statements signed. However, there is a deadline of 30 June for issuing the Consolidated Financial Statements of Abu Dhabi Government that are audited by ADAA.

The following is an Analysis of the dates on which most Subject Entities' Financial Statements were approved and Audit Opinion dated:



ADAA's Financial Examination Comments Summary

Comments arising from our financial examination were communicated to those charged with governance at Subject Entities and separately to Statutory Auditors for future improvements, implementation and follow up.

Our examination highlighted a number of identified areas for improvements in the audit process and financial statements of Subject Entities, including;

- Documentation of the audit procedures in the Statutory Auditors audit files.
- Reliance on management's written representations – insufficient professional scepticism.
- The role of group auditors.

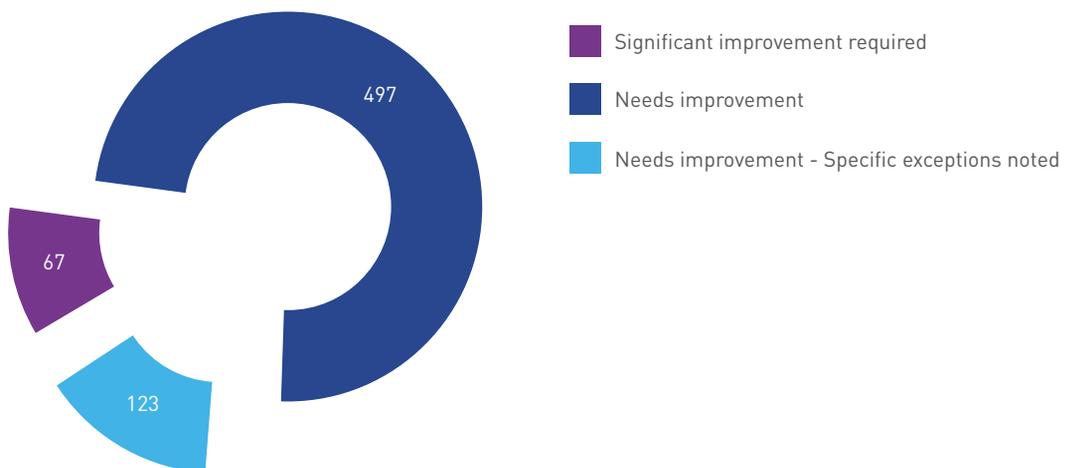
- Materiality computation.
- Disclosures required by International Financial Reporting Standards to enhance users understanding of the financial statements.
- The valuation of assets and impairment reviews.
- Audit of accounting estimates.
- Basis for sample selection for audit testing.
- Independent third party confirmations and follow up process.
- Communication with those charged with governance.
- Quality of audit evidence.
- Using the work of experts and service organizations.
- Timeline for issuing audited financial statements.
- Management’s reliance on the Statutory Auditors for financial reporting and accounting matters.

All examination comments were set out in detail in our examination reports sent to Subject Entities to ensure implementation and improvement in the future. Our examination comments reports on each examination engagement included the responses and explanations provided by the Statutory Auditors and our final conclusions and views on each examination comment.

Analysis of Examination Comments

Our comments are classified into “Significant improvement required”, “Needs improvement” and “Needs improvement- Specific exceptions noted” based on their nature and significance to the financial statements of Subject Entities and Statutory Auditor audit process.

Our Financial examination reports included 687 comments classified as follows:



Significant Improvement Required

67 comments were classified into this category. These comments should be the immediate focus of the Subject Entities' management and their Statutory Auditors since they are significant to the financial statements of the Subject Entities.

Needs Improvement

A predominant number of our 497 comments in this category focused on audit quality resulting from incomplete documentation of audit procedures performed, such as consideration of fraud risks and calculation of sample sizes. These comments highlight scope for improvement relating to audit procedures applied by the Statutory Auditors. If such procedures were performed, as entailed in the International Standards on Auditing or other applicable standards, a potential adjustment to the Subject Entities' financial statements might have been noted.

Needs Improvement – Specific Exception Noted

123 comments were raised highlighting specific exceptions to the financial statements audit process and/or the management's financial statements closing process. Had these exceptions been noted during the audit process, they might have resulted in an adjustment or a proposal of an adjustment to the audit process and/or the financial statements of the Subject Entities.

Generally, these comments related to areas including, but not limited to, specific accounting treatments, financial statements presentation and disclosures, and insufficient audit procedures in areas such as related parties, subsequent events, contingent liabilities, estimates, fair values and laws and regulations.

An analysis of the number of audit reports by Statutory Auditor and comments raised by ADAA is presented below:

Statutory Auditor	Number of Reports Examined	Significant improvement required	Needs improvement	Needs improvement-Specific exceptions noted	Total Comments
Firm 1	28	20	187	58	265
Firm 2	25	29	186	40	255
Firm 3	15	14	92	14	120
Firm 4	7	4	25	9	38
Firm 5	1	-	7	2	9
Grand Total	76	67	497	123	687

3.5 OUTPUT GROUP 2: PERFORMANCE AND RISK ASSURANCE

This output group provides assurance on the efficient, effective, economic and ethical utilization of resources by Subject Entities and its compliance with the laws, rules, regulations and governance guidelines.

In 2009, we issued 79 Performance and Risk Assurance reports relating to Government-wide issues, functional areas and single subjects of significance for Subject Entities. This group includes the following services:

- Performance Assessment
- Internal Audit Assessment
- Compliance Assessment
- Fraud Risk Assessment

3.5.1 PERFORMANCE ASSESSMENT

During 2009, ADAA issued 14 Performance Assessments reports that varied between a partial assessment for a function within the Subject Entity or the Subject Entity in full.

It is worth mentioning that all Subject Entities and their employees have been of great assistance to ADAA during performance assessments, giving recommendations and solutions that serve public interest.

Below are summaries of key Performance Assessments that were conducted in 2009 with a brief description of the scope of assessment conducted and recommendations by ADAA:

Government Entities Governance

This assessment reviewed the existing governance framework related to Public Entities.

Recommendations

ADAA cooperated with the Ministry of Presidential Affairs, the General Secretariat of the Executive Council, Department of Finance and other related entities to create a unified regulation framework for Subject Entities and a classification of Public Entities based on the roles and responsibilities of each entity to ensure the creation of a comprehensive governance framework to standardize governance components within each classification.

In addition, general principles relating to the Government, financial system and civil service were agreed to guarantee standardizing general principles and necessary entity delegation to perform its duties, roles and responsibilities.

Abu Dhabi Tourism Authority (ADTA) Performance Assessment

This assessment evaluated whether ADTA is making progress towards its mandate and strategic vision in an effective, efficient, and economical manner.

Recommendations

ADAA recommended the following:

1. Improve internal business intelligence capabilities to support research needs.
2. Enhance understanding of tourist preferences and development of products and events to address them.
3. Develop more structured and frequent interaction channels with other related Government entities
4. Internal use of knowledge management systems to address loss of knowledge due to employee turnover.
5. Increased departmental visibility on budgets and improved financial monitoring.

Department of Municipal Affairs (DMA) Performance Assessment

This assessment evaluated whether DMA is making progress towards its mandate and strategic vision in an effective, efficient, and economical manner.

Recommendations

ADAA recommended the following:

1. Address demarcation of the roles and responsibilities of all government entities related to the Municipal Services System.
2. Focus on the legally mandated role of “Regulator and Enabler”, allowing municipalities full control over operational issues.
3. Enable municipalities by providing support in critical areas such as development of building codes.

In addition, ADAA recommended the following to address organizational development:

1. Strengthen the internal performance management system to provide visibility and encourage accountability.
2. Develop systems for encouraging and rewarding employee performance.
3. Provide appropriate staffing for critical functions.

Etihad Airways Performance Assessment

This assessment evaluated Etihad’s performance by looking at the effectiveness of its strategy and the efficiency and economy of its operations, and provide improvement recommendations.

Recommendations

ADAA recommended the following:

1. Board of Directors discussions to clarify prioritization between growth, quality, and profitability mandates due to current financial changes.
2. Sustain efforts to define and protect Etihad's competitive positioning.
3. Focus on actively addressing operational risks such as availability of required airport infrastructure.

In addition, ADAA recommended the following to address organizational development:

1. Implementation of an effective manpower planning system.
2. Creation of linkages between organizational and employee performance and incentive programs.
3. Frequent progress and effectiveness review of business processes under development.

Abu Dhabi Government Human Resources

This review base lined the Human Resources within 23 Government Agencies. The review focused on the following: Profiling Government employees (gender, nationality); Gathering HR Staff experience and qualifications; Identifying HR systems used; and Outlining the different policies, procedures and salary scales that exist within Government Agencies.

Recommendations

To ensure HR is set up to effectively support Government needs, ADAA recommended:

1. Setting unified civil service system that will outline general principles for Human Resources in Government Agencies.
2. The system should set unified rules and guidelines for the Human Resource function of all Government Agencies (e.g. Job evaluation methodology, application of minimum requirements, standard reporting lines and common systems) and further analysis includes organization capability.

Abu Dhabi International Airport Expansion

This assessment evaluated whether the program of works necessary to expand the capacity of Abu Dhabi International Airport is conducted appropriately to ensure the effective, efficient, and economic use of public resources.

Recommendations

ADAA recommended the following:

1. Establish a Stakeholder Advisory Committee, comprising of the key operational stakeholders, to manage infrastructure requirements and high level variation requests.
2. Merge the infrastructure development body, the Supervision Committee for the Expansion of the International Airport, into the airport operator, the Abu Dhabi Airports Company, as its development division to promote internal accountability for airport requirements and schedule adherence.

Governance and Oversight of State Owned Enterprises (SOEs)

This assessment evaluated the current governance arrangements and financial reporting of Abu Dhabi SOEs.

Recommendations

ADAA recommended the following:

1. Develop a SOE legal framework, standardizing reporting and governance requirements.
2. Establish an SOE Oversight Body to act as the shareholder representative on behalf of the Abu Dhabi Government.
3. Standardizing roles and responsibilities of the boards of directors and establishing a mechanism to standardize rewards and benefits system.

Abu Dhabi City New Bus Project

This assessment evaluated the effectiveness, efficiency, and economy of the New Bus Project to verify if achievements are in line with the overall strategy for public transport for Abu Dhabi.

Recommendations

ADAA recommended the following:

1. Expediting the process of establishing the Bus Office as a standalone commercial entity to provide it with both required operational flexibility and status to coordinate with other stakeholders in delivering the bus service.
2. Review and upgrade of project plans for the bus transport to include the various milestones and phases of the project, interdependencies between tasks, and properly developed lead times for each activity using techniques such as the critical path method.
3. Reviewing the gaps observed compared to recognized benchmarks and developing initiatives to implement service improvement recommendations.
4. Planning procurement activities ahead of time.

Business Continuity Management (BCM)

This initiative assessed a cross section of 14 Subject Entities to ascertain the indicative level of maturity of BCM and Incident/Crisis Management across the Abu Dhabi Government.

Recommendations

To address the shortcomings identified in the BCM Current State Assessment, we recommended the following:

1. Establishment of a mandated program to implement business continuity into all Public Entities.
2. Development of the Abu Dhabi BCM Policy and standard (the "BCM Standard") to ensure management of risk, implementation of resilience measures, establishment of a safety culture.
3. Creation of a common severity assessment and escalation framework to deal with and manage Incidents from Entity up to Federal level.
4. Development of supporting infrastructure including a Center of Excellence and IT and staff recovery capabilities.

Abu Dhabi Municipality (ADM) Performance Assessment

This assessment evaluated whether ADM is making progress towards its mandate and strategic vision in an effective, efficient, and economical manner.

Recommendations

ADAA recommended the following:

1. Expediting efforts to complete ADM organizational restructure process.
2. Initiation of a corporate turn-around to address organizational misalignments and capabilities.
3. Allowing field Municipal Offices to provide services as a "one-stop shop".
4. Developing long-term planning capabilities to match provision of municipal services with Abu Dhabi's growth needs.

3.5.2 INTERNAL AUDIT ASSESSMENT

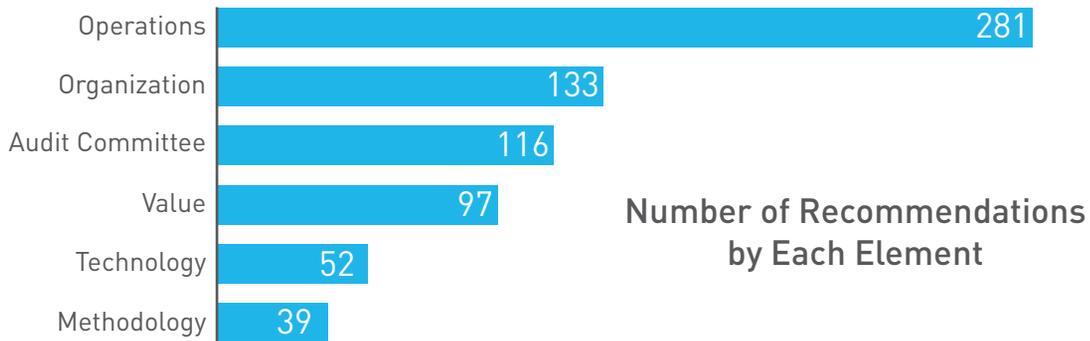
During 2009, ADAA issued 34 Internal Audit Assessment reports; this was the first time internal audit functions of Subject Entities get audited. The purpose was to identify gaps in performance and areas for improvement to bring the internal audit role to meet benchmark practices.

Internal Audit functions were assessed on a series of 6 elements: Audit Committee, Methodology, Organization, Operations, Technology and Value.

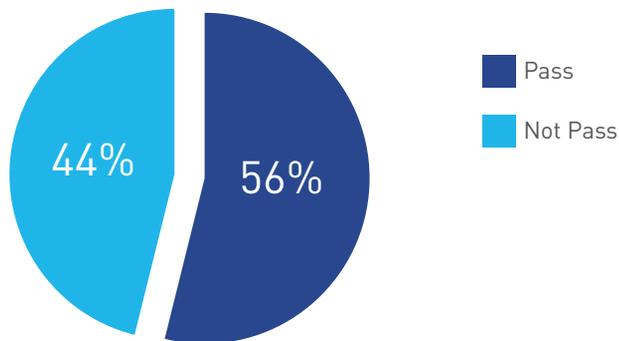
Internal Audit Assessment Reports Summary

ADAA issued 718 recommendations to enable Subject Entities on the provision of reasonable assurance on the control environment and the enhancement of the governance structure.

In line with ADAA methodology, the final results of the assessment of internal audit functions at Subject Entities are presented by element along with the final score and key observations noted during the assessment.



The graph below recaps the distribution of recommendations by each of the elements: Out of the 34 Subject Entities assessed, 19 Subject Entities met passing requirement based on the criteria established by ADAA. The following figure shows the result of the internal audit assessment conducted in 2009:



3.5.3 COMPLIANCE ASSESSMENT

During 2009, ADAA issued 24 Compliance Assessment reports looking into the adherence of Subject Entities to specific laws and regulations.

Below are summaries of the Compliance Assessments that were conducted:

- **Non Capital Procurement:** This compliance assessment covered 17 Subject Entities and analyzed the governance, practices, and performance of procurement functions within the selected entities and the adherence to the laws and regulations governing procurement.
- **Land Allocation:** This assessment covered the 3 municipalities and analyzed the governance of land allocation and the adherence to the laws and regulations governing land allocation processes.
- **Building Permits:** This assessment covered the 3 municipalities and analyzed the governance of building permits and the adherence to the laws and regulations governing building permits processes.

Some of these compliance assessments led to discovery of violations that were further investigated by ADAA and resulted in disciplinary action against responsible individuals.

3.5.4 FRAUD RISK ASSESSMENTS

During 2009, ADAA conducted 7 Fraud Risk Assessments and independent reviews and provided detailed analysis together with recommendations necessary to improve systems policies, procedures and processes for the Subject Entities.

ADAA developed an Anti-Fraud Program that was piloted in several Government Departments and was introduced to all Subject Entities during an Anti-Fraud Seminar where global representatives from the Big-Four audit firms were invited to participate in a panel discussion. This event was commended by participants and attendees as it provided them with a wealth of knowledge and was considered a great opportunity to network and share experiences.

"It was a delight and honour to present at the Antifraud seminar. As I mentioned in my own brief talk, I was very impressed with the clear vision for the Government of the country and the resulting strategy which you are now implementing ... be brave!"

Adam Bates – KPMG Global Forensic Chairman

"I would like to thank you for your invitation to the wonderful seminar, it was so beneficial to me, and information discussed in the seminar were relevant to the objectives of our Center in supporting implementation of best practices in corporate governance within organizations in Abu Dhabi and UAE".

Khalid Deeb, Director General of the Abu Dhabi Center for Corporate Governance

3.6 OUTPUT GROUP 3: ASSISTANCE AND ADVISORY

This output group provides Subject Entities with Assistance and Advisory services in different areas and in various ways.

Below is a summary of significant Assistance and Advisory services provided to Subject Entities during 2009:

Secondments and Recruitment

During 2009, ADAA provided Subject Entities with expertise and professionals through seconding its own employees to support establishment of Internal Audit functions at 6 Subject Entities. ADAA also supported recruitment of 10 internal audit staff for Subject Entities.

Application of IFRS and Technical Advice

ADAA provided technical advice on issues relating to the application of the International Financial Reporting Standards covering subjects relating to measurement and disclosure of financial instruments, Business Combinations, impairment of Goodwill, Recognition of Government Contributions and transfers of resources, applicability of International Financial Reporting Standards, operating and financial leases and loans from parent to subsidiary with no repayment terms.

Statutory Auditors Appointment Rules (SAAR)

During 2009, ADAA finalised SAAR after a rigorous consultation process that included various Subject Entities, Statutory Auditors and the public. SAAR was circulated as an Exposure Draft prior to its finalization and ADAA considered and incorporated many of the verbal and written comments received when drafting the final SAAR.

In accordance with Law Number (14) of 2008, SAAR must be applied by Subject Entities whenever the Subject Entities recommend the appointment or reappointment of Statutory Auditors for their financial statements audit.

SAAR was developed to eliminate the judgmental factors influencing the selection of Statutory Auditors, make sure the audits of ADAA Subject Entities are being performed by the Statutory Auditors having the highest expertise and resources needed to complete the audit with best quality and at same time efficiently, and ensure that the Statutory Auditors are being fairly compensated for the audit services performed.

SAAR require Statutory Auditors to have at least one UAE national part of the audit team.

SAAR shall be enforced on all Subject Entities beginning of 2010 and has been published in the Official Gazette of the Emirate of Abu Dhabi.

State Owned Enterprises (SOEs) Combined Financial Statements

ADAA accumulated and combined the results of all SOEs financial position as at 31 December 2008, with comparatives. The results and financial positions of the SOEs are presented by allocating them into similar sectors, which results in indicating how each sector performed and its progression towards the shift from Oil revenues reliance.

Family Development Foundation (FDF)

ADAA evaluated FDF's progress towards its mandate and strategic vision in an effective, efficient, and economical manner and the feasibility of its progression plans; based on a request by FDF's Secretariat Board.

Building Maintenance

The General Secretariat of the Executive Council requested ADAA to review operational and financial Building Maintenance practices for Government buildings within Abu Dhabi. ADAA recommended the following:

1. Establish building categories for different types of Government buildings.
2. Decide on desired useful life and building conditions for the building categories and incorporate requirements into tenders for all new Government buildings.
3. Develop an active building maintenance program that includes proactive planned maintenance.
4. Gather data using the planned maintenance approach and develop a maintenance cost baseline.

3.7 OUTPUT GROUP 4: SPECIAL EXAMINATION

This output group focuses on conducting investigations on violations discovered by ADAA or referred to it. ADAA may involve other authorities and law enforcement agencies to ensure the accuracy and authenticity of its examinations.

In 2009, ADAA received several requests to conduct investigations on violations and complaints from Subject Entities, the public and law enforcement agencies, whereby special examinations were carried out and have resulted in legal and disciplinary actions against a number of public employees and violators.

Violations examined are related to:

- Conflict of interest.
- Misuse of power to serve personal interests.
- Procurement compliance.
- Inside information dealings.
- Compliance with laws and regulations.

3.8 OUTPUT GROUP 5: ADAA CENTER OF EXCELLENCE

This output group provide in-depth knowledge and awareness of leading practices within the Government. ADAA Center of Excellence has designed and initiated programs, activities and events that have facilitated knowledge sharing and development throughout its Subject Entities.

Below is a summary of some of this group's outputs:

Training and Development

The HR and Training Function at ADAA was transformed from an administrative role to a strategic business partner role, through changing its services towards competency-based and realigning the HR policies, procedures and systems to ADAA's new strategy and business plan. This encompassed the formulation of a new organization structure, new HR policy and procedures manual, job evaluation and documentation, delegation of authority matrix, graduate development, Emiratization Program Strategy, Competency Framework, Learning and Development Strategy, and Reward and Recognition schemes.

ADAA Training Center

In 2009, ADAA established its training and development arm "ADAA Training Center" to develop and train UAE National in ADAA and Subject Entities. The Center was established in partnership with international leading institutions and training providers offering customized professional programs to the trainees.

In early 2009 around 38 employees of ADAA and its Subject Entities were enrolled in the Certified Public Accountant (CPA) and the Certified Internal Auditor (CIA) programs offered by the ADAA Training Center. Emirati fresh graduates have recently enrolled in the National Development Program to acquire the necessary skills and knowledge to advance and excel in their careers, allowing them to become a key component in the growth and success of ADAA and the Emirate of Abu Dhabi.

Internal Audit and E-Governance Support

ADAA is currently the source of Internal Audit updates, applications and dissemination within the Subject Entities. Another aspect of this support is the e-Governance Portal. In a first of its kind initiative on a global scale, ADAA sponsored the launch of an Internal Audit platform across 34 Subject Entities. Prior to delivery, ADAA reviewed the best solutions in the market, benchmarked to leading practices, negotiated with vendors and rolled out the e-Governance solution. The portal is a straightforward effective tool to support all the phases of Internal Audit activity.

ADAA also drafted and issued a Government Wide Internal Audit Manual designed to assist the internal audit functions at Subject Entities to operate using a unified model and framework based on the latest approach and practice in risk based Internal Audit.

International Forum for Independent Audit Regulators (IFIAR)

ADAA was the 1st organization in the Middle East to become a member in the IFIAR. It became a member during the first quarter of 2009. ADAA's membership gave it access to more than 30 audit regulators operating in various parts of the world, and helped in performing its financial reports examinations. IFIAR meetings are held twice a year, and ADAA attended both meetings in 2009, held in Basel and Singapore, and will be hosting IFIAR's first meeting on the 21st of March 2010.

IFRS Digest

ADAA is responsible for contributing to the confidence in financial reporting in the Emirate of Abu Dhabi and the U.A.E. by enhancing the application and understanding of financial reporting among stakeholders. Towards this objective, ADAA identifies issues relating to International Financial Reporting Standards (IFRS) (e.g. new pronouncements, standards and/or publications by international standard-setting bodies, or misapplication of standards by Subject Entities) and communicates developments, interpretations and advice to ADAA's Subject Entities on a monthly basis. During 2009, ADAA issued 12 IFRS Digest issues.

Workshop and Seminars

ADAA organized its first annual event for hosting the Heads of Internal Audit functions at Subject Entities to get their feedback and insights, and understand their challenges, requirements and needs to better serve Subject Entities. Thus, the first such Internal Audit Seminar was held in February 2009, and the second is planned for February 2010.

Further, ADAA organized the 1st Anti-Fraud Seminar in October 2009 for Subject Entities Internal Audit functions and it included an introduction to the ADAA Anti-Fraud Program and a panel discussion by Global representatives from the Big-Four. The Seminar also awarded its attendees 7 CPE credits from the Association of Certified Fraud Examiners (ACFE).

ADAA Methodologies

During 2009, ADAA successfully developed its working methodologies for:

- External auditing, review and financial examination in accordance with the International Standards on Auditing (ISA) and other applicable standards issued by the International Federation of Accountants (IFAC) and based on the methodologies applied by peer national audit offices.
- Performance Assessments, Compliance Assessments, Internal Audit Assessments and Fraud Risk Assessments.

Research and Knowledge

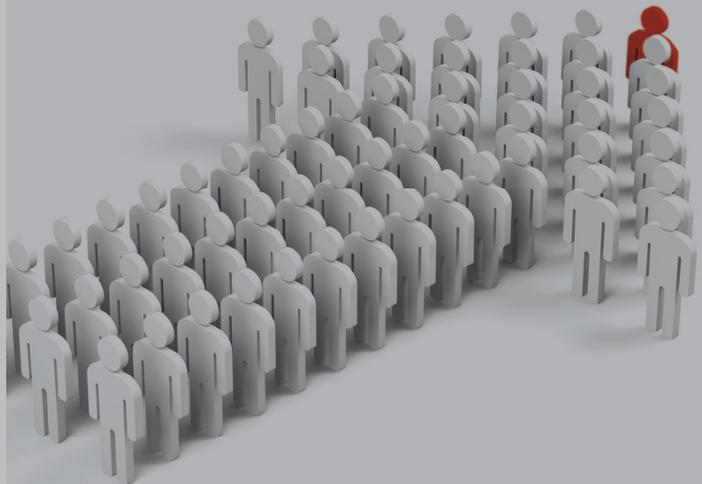
The Research and Knowledge function is a new capability being established at ADAA. The objective of the function is to create, acquire and transmit knowledge more effectively across all areas of ADAA's operations as well as contribute towards supporting the research and knowledge needs and capabilities of other government entities.

During 2009, ADAA started issuing a monthly newsletter under the title "Global Accountability & Transparency" whereby various topics and research papers are covered and discussed.

04 | ADAA Audited Financial Statements



ADAA Audited Financial Statements



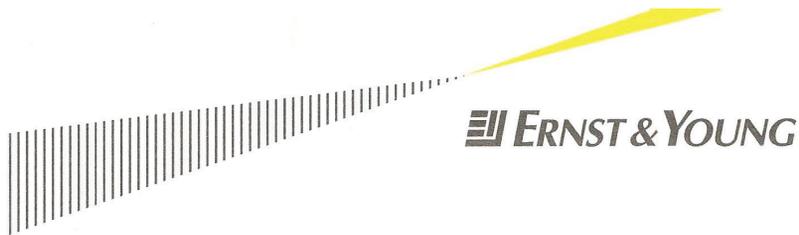
PART 04

Audited Financial Statements

Abu Dhabi Accountability Authority

**FINANCIAL STATEMENTS TOGETHER
WITH AUDITORS' REPORT**

31 DECEMBER 2009



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INDEPENDENT AUDITORS' REPORT TO THE CHAIRMAN

ABU DHABI ACCOUNTABILITY AUTHORITY

We have audited the accompanying financial statements of the Abu Dhabi Accountability Authority (“the Authority”), which comprise the statement of financial position as at 31 December 2009 and the statement of financial performance, statement of changes in Government of Abu Dhabi account and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as of 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

7 February 2010
 Abu Dhabi

Abu Dhabi Accountability Authority

FINANCIAL STATEMENTS

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Abu Dhabi Accountability Authority

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	<i>Notes</i>	<i>2009</i> <i>AED</i>	<i>2008</i> <i>AED</i>
ASSETS			
Current assets			
Bank balances and cash	4	43,853,426	44,244,996
Debtors and other debit balances	5	<u>7,858,146</u>	<u>9,142,513</u>
		<u>51,711,572</u>	<u>53,387,509</u>
Non-current assets			
Property and equipment, net	6	5,991,753	7,628,961
Intangible assets, net	7	<u>2,617,180</u>	<u>3,949,528</u>
		<u>8,608,933</u>	<u>11,578,489</u>
TOTAL ASSETS		<u>60,320,505</u>	<u>64,965,998</u>
LIABILITIES			
Current liabilities			
Payables and other credit balances	8	15,529,357	13,901,291
Government of Abu Dhabi account		<u>32,892,635</u>	<u>40,949,684</u>
		<u>48,421,992</u>	<u>54,850,975</u>
Non-current liabilities			
Employees' end of service benefits	9	<u>11,898,513</u>	<u>10,115,023</u>
TOTAL LIABILITIES		<u>60,320,505</u>	<u>64,965,998</u>

The financial statements were authorised for issue in accordance with a resolution of the Authority's Chairman on 7 February 2010.



Mohammad Saif Al Mehairi
Director of Finance



Riyadh Abdulrahman Al Mubarak
Chairman

The attached notes 1 to 14 form part of these financial statements.

Abu Dhabi Accountability Authority

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 December 2009

	<i>Notes</i>	<i>2009</i> <i>AED</i>	<i>2008</i> <i>AED</i>
Revenues			
Contribution from Government of Abu Dhabi	11	103,057,049	79,275,471
Other income		<u>16,420</u>	<u>191,682</u>
Total revenues		<u>103,073,469</u>	<u>79,467,153</u>
Expenditures			
Salaries, wages and other benefits		75,651,058	69,347,118
Employees' end of service benefits	9	3,357,972	2,190,699
Depreciation and amortization		4,004,178	1,205,789
General and administrative expenses	10	<u>20,060,261</u>	<u>6,723,547</u>
Total expenditures		<u>103,073,469</u>	<u>79,467,153</u>

The attached notes 1 to 14 form part of these financial statements.

Abu Dhabi Accountability Authority

STATEMENT OF CHANGES IN GOVERNMENT OF ABU DHABI ACCOUNT

For the year ended 31 December 2009

	<i>2009</i>	<i>2008</i>
	<i>AED</i>	<i>AED</i>
Balance at 1 January	40,949,684	10,225,155
Funds received during the year	95,000,000	110,000,000
Contribution recognized as revenues during the year	<u>(103,057,049)</u>	<u>(79,275,471)</u>
Balance at 31 December	<u>32,892,635</u>	<u>40,949,684</u>

The attached notes 1 to 14 form part of these financial statements.

Abu Dhabi Accountability Authority

CASH FLOW STATEMENT

For the year ended 31 December 2009

	<i>Notes</i>	2009 AED	2008 AED
CASH FLOWS FROM OPERATING ACTIVITIES			
Adjustments for non-cash items:			
Depreciation and amortization		4,004,178	1,205,789
Provision for employees' end of service benefits	9	3,357,972	2,190,699
Gain on sale of property and equipment		(16,420)	(160,776)
Decrease in debtors and other debit balances		1,284,367	1,416,616
Increase in payables and other credit balances		1,628,066	9,487,107
(Decrease) increase in Government of Abu Dhabi account		(8,057,049)	30,724,529
Employees' end of service benefits paid	9	<u>(1,574,482)</u>	<u>(2,364,132)</u>
Net cash flows from operating activities		<u>626,632</u>	<u>42,499,832</u>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property and equipment	6	(998,322)	(7,045,229)
Purchase of intangible assets		(36,300)	(3,209,546)
Proceeds from sale of property and equipment		<u>16,420</u>	<u>160,776</u>
Net cash used in investing activities		<u>(1,018,202)</u>	<u>(10,093,999)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(391,570)	32,405,833
Cash and cash equivalents at the beginning of the year		<u>44,244,996</u>	<u>11,839,163</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	<u>43,853,426</u>	<u>44,244,996</u>

The attached notes 1 to 14 form part of these financial statements.

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

1 GENERAL

Abu Dhabi Accountability Authority (the “Authority”) is an independent Governmental entity, established in accordance with the Law No. (14) for the year 2008, which was issued to replace Abu Dhabi Audit Authority.

The Authority’s principal activity is to:

- Ensure that public entities’ resources and funds are managed, collected and expended efficiently, effectively and economically.
- Ensure accuracy of the financial reports and compliance of the public entities with the relevant laws, rules and regulations and governance guidelines.
- Promote accountability and transparency principles across all public entities.

The Authority’s registered head office is at Falcon Tower-Hamdan Bin Mohamed Street, P.O Box 435, Abu Dhabi, United Arab Emirates.

At 31 December 2009, the Authority had 143 employees (2008:127 employees).

2 BASES OF PREPARATION OF FINANCIAL STATEMENTS

2.1 BASES OF PREPARATION

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). Where an International Public Sector Accounting Standard does not address a particular issue, the relevant International Financial Reporting Standard has been applied.

The financial statements are prepared under the historical cost convention.

The financial statements have been presented in United Arab Emirates Dirhams (“AED”) which is the functional currency of the Authority.

The accounting policies adopted are consistent with those of the previous financial year.

2.2 FUTURE CHANGES IN ACCOUNTING POLICIES - INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) ISSUED BUT NOT APPLIED

The Authority has not applied the following new or revised IPSAS issued but not effective for the year ended 31 December 2009:

- | | |
|------------|---|
| ▪ IPSAS 4 | The Effects of Changes In Foreign Exchange Rates (Revised); |
| ▪ IPSAS 25 | Employee Benefits; |
| ▪ IPSAS 26 | Impairment of Cash-Generating Assets. |

The adoption of the above new or revised IPSAS will have no impact on the financial position or performance of the Authority.

2.3 ESTIMATION UNCERTAINTY AND JUDGEMENT

The key assumptions concerning the future benefits and other key sources of estimation that are uncertain at the date of the financial statements, that have a significant risk of causing a material adjustment to the carrying amounts in the financial statements within the next financial year are presented below:

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

2.3 ESTIMATION UNCERTAINTY AND JUDGEMENT continued

Impairment of debtors and other debit balances

An estimate of the collectible amount of debtors and other debit balances is made when collection of the full amount is not probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, and are past due, are assessed collectively and a provision applied according to the length of time past due. At 31 December 2009 gross debtors and other debit balances were AED 7,858,146 (2008: AED 9,142,513) with no provision for doubtful debts (2008: nil).

Useful lives of property and equipment

The Authority's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates. The net carrying amount of property and equipment at 31 December 2009 was AED 5,991,753 (2008: AED 7,628,961).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue recognition

Contribution from Government of Abu Dhabi

Funds received from the government are credited to the Government of Abu Dhabi account. The amount of contribution recognized as revenues in the statement of financial performance is equivalent to the extent of the expense incurred for the year less other income.

Revenue from services

Revenue from rendering of services is recognized when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the date of the statement of financial position.

3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	<i>Years</i>
Motor vehicles	4
Furniture and fixtures	4
Computers	3
Leasehold improvements	4
Machinery and office equipment	3

The carrying amounts are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed their estimated recoverable amount, the assets are written down to their recoverable amount. The excess of carrying value over recoverable amount is recognized as an impairment loss.

3.3 Intangible assets

Intangible assets represent computer software, and are carried at cost less accumulated amortization. Intangible assets are amortized over their useful economic lives of 3 years.

3.4 Debtors and other debit balances

Debtors are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**3.5 Payables and other credit balances**

Liabilities are recognized for amounts to be paid in the future for goods received or services provided, whether billed by the supplier or not.

3.6 Provisions

Provisions are recognized when the Authority has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

3.7 Employees' end of service benefits

Employees' end of service benefits are calculated according to the human resources policies adopted by the Authority and are classified as non-current liabilities, which is based on the liability that could arise on termination of the services of all employees at the date of the financial statements, with the exception of UAE nationals, who are subject to the provisions of Law No. (2) for the year 2000 (as amended) relating to civil pensions and retirement benefits in the Emirate of Abu Dhabi.

3.8 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, and deposits with an original maturity of three months or less.

3.9 Foreign currencies

Transactions in foreign currencies are initially recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange prevailing at the date of the statement of financial position. All foreign exchange differences are taken to the statement of financial performance.

4 BANK BALANCES AND CASH

	<i>2009</i>	<i>2008</i>
	<i>AED</i>	<i>AED</i>
Bank balances and cash	43,846,407	44,236,996
Petty cash	7,019	8,000
	<u>43,853,426</u>	<u>44,244,996</u>

5 DEBTORS AND OTHER DEBIT BALANCES

	<i>2009</i>	<i>2008</i>
	<i>AED</i>	<i>AED</i>
Prepaid expenses	1,638,655	2,254,863
Advances and loans to employees	4,913,062	5,698,492
Other debtors	1,306,429	1,189,158
	<u>7,858,146</u>	<u>9,142,513</u>

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

6 PROPERTY AND EQUIPMENT

	<i>Motor vehicles AED</i>	<i>Furniture and fixtures AED</i>	<i>Computers AED</i>	<i>Leasehold improvements AED</i>	<i>Machinery and office equipment AED</i>	<i>Total AED</i>
2009						
Cost:						
As at 1 January 2009	680,000	1,897,082	3,411,802	4,843,738	790,996	11,623,618
Additions	-	60,260	512,901	17,875	407,286	998,322
Disposals	-	-	(536,237)	(1,112,084)	-	(1,648,321)
As at 31 December 2009	<u>680,000</u>	<u>1,957,342</u>	<u>3,388,466</u>	<u>3,749,529</u>	<u>1,198,282</u>	<u>10,973,619</u>
Accumulated depreciation:						
As at 1 January 2009	481,389	151,993	1,580,551	1,356,522	424,202	3,994,657
Depreciation for the year	124,953	464,231	881,479	917,215	247,652	2,635,530
Disposals	-	-	(536,237)	(1,112,084)	-	(1,648,321)
As at 31 December 2009	<u>606,342</u>	<u>616,224</u>	<u>1,925,793</u>	<u>1,161,653</u>	<u>671,854</u>	<u>4,981,866</u>
Net carrying amount:						
As at 31 December 2009	<u>73,658</u>	<u>1,341,118</u>	<u>1,462,673</u>	<u>2,587,876</u>	<u>526,428</u>	<u>5,991,753</u>
2008						
Cost:						
As at 1 January 2008	1,296,000	912,468	1,507,070	1,112,085	405,655	5,233,278
Additions	-	1,847,071	1,904,732	3,731,653	385,341	7,868,797
Disposals	(616,000)	(862,457)	-	-	-	(1,478,457)
As at 31 December 2008	<u>680,000</u>	<u>1,897,082</u>	<u>3,411,802</u>	<u>4,843,738</u>	<u>790,996</u>	<u>11,623,618</u>
Accumulated depreciation:						
As at 1 January 2008	933,329	912,468	1,049,926	1,112,085	400,406	4,408,214
Depreciation for the year	164,060	101,982	530,625	244,437	23,796	1,064,900
Disposals	(616,000)	(862,457)	-	-	-	(1,478,457)
As at 31 December 2008	<u>481,389</u>	<u>151,993</u>	<u>1,580,551</u>	<u>1,356,522</u>	<u>424,202</u>	<u>3,994,657</u>
Net carrying amount:						
As at 31 December 2008	<u>198,611</u>	<u>1,745,089</u>	<u>1,831,251</u>	<u>3,487,216</u>	<u>366,794</u>	<u>7,628,961</u>

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

7 INTANGIBLE ASSETS

	<i>Computer Software</i>	
	<i>2009</i>	<i>2008</i>
	<i>AED</i>	<i>AED</i>
<i>Cost:</i>		
As at 1 January	4,090,417	-
Additions	36,300	4,090,417
As at 31 December	4,126,717	4,090,417
<i>Accumulated amortization:</i>		
As at 1 January	140,889	-
Amortization for the year	1,368,648	140,889
As at 31 December	1,509,537	140,889
<i>Net book value:</i>		
As at 31 December	2,617,180	3,949,528

8 PAYABLES AND OTHER CREDIT BALANCES

	<i>2009</i>	<i>2008</i>
	<i>AED</i>	<i>AED</i>
Trade payables	13,297,740	3,280,870
Accrued expenses	2,231,617	10,620,421
	15,529,357	13,901,291

9 EMPLOYEES' END OF SERVICE BENEFITS

	<i>2009</i>	<i>2008</i>
	<i>AED</i>	<i>AED</i>
Balance as at 1 January	10,115,023	10,288,456
Charge for the year	3,357,972	2,190,699
End of service benefits paid during the year	(1,574,482)	(2,364,132)
Balance as at 31 December	11,898,513	10,115,023

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

10 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2009</i>	<i>2008</i>
	<i>AED</i>	<i>AED</i>
Business travel	726,661	518,838
Recruitment fees	1,073,091	481,883
Consultancy fees	12,295,551	427,192
Rent	1,915,686	1,627,148
Telephone and internet	904,269	761,361
Computer maintenance	1,607,855	1,757,470
Bank charges	2,820	7,297
Other expenses	<u>1,534,328</u>	<u>1,142,358</u>
	<u>20,060,261</u>	<u>6,723,547</u>

11 RELATED PARTY TRANSACTIONS

Related party transactions represent transactions with the Government of Abu Dhabi, senior management of the Authority and companies in which they are principal owners or over which they exercise significant influence.

Transactions with related parties included in the statement of financial performance are as follows:

Government of Abu Dhabi

	<i>2009</i>	<i>2008</i>
	<i>AED</i>	<i>AED</i>
Contribution from Government of Abu Dhabi	<u>103,057,049</u>	<u>79,275,471</u>

Compensation of key management personnel

Key management personnel comprise the Chairman, the Executive Directors and the Department Heads. The remuneration of key management and their number are as follows:

	<i>2009</i>	<i>2008</i>
Salaries and other benefits	AED 13,684,063	AED 7,012,280
Employees' end of service benefits	AED 333,546	AED 461,000
Number of key management personnel	9	7

12 COMMITMENTS AND CONTINGENCIES

As at 31 December 2009, the Authority had capital commitments, which are contracted but not provided for, amounting to AED 20,900 (2008: AED 769,460).

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

13.1 Currency risk

The foreign currency risk is the risk of fluctuation of the value of financial instruments due to changes in the foreign exchange rates.

The Authority manages its bank accounts in Dirhams, which is the official currency of the United Arab Emirates, and therefore management believes that the Authority has no exposure to currency risk.

13.2 Interest rate risk

Interest rate risk arises from possible impact of changes in the interest rates on the value of financial instruments. The Authority does not have assets and liabilities that are materially dependent on interest rate levels, therefore, management believes that the Authority has no exposure to interest rate risk.

13.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Authority is exposed to credit risk on its debtors account. The Authority seeks to reduce the credit risk by setting customer credit limits for customers and monitoring existing outstanding debtors balances.

14 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments include financial assets and financial liabilities, financial assets include cash and bank balances, debtors and other debit balances, and financial liabilities include payables and other credit balances.

The fair values of financial assets and liabilities are not materially different from their carrying values since financial assets and liabilities are of a short-term nature.