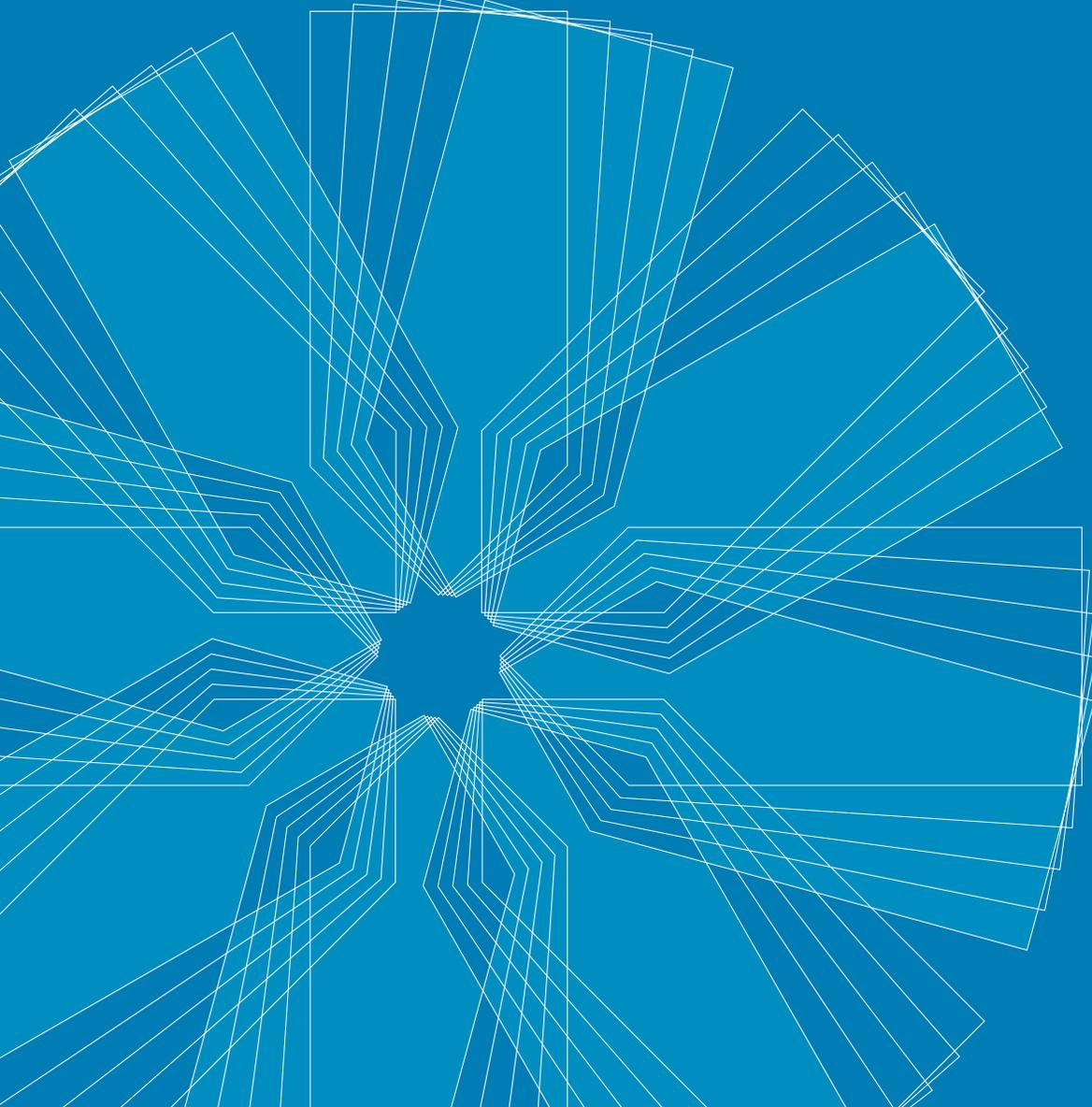


جهاز أبوظبي للمحاسبة  
Abu Dhabi Accountability Authority



# ACCOUNTABILITY REPORT

# 2011





جهاز أبوظبي للمحاسبة  
Abu Dhabi Accountability Authority



# ACCOUNTABILITY REPORT

# 2011

**His Highness Sheikh Khalifa bin Zayed Al Nahyan**  
President of the United Arab Emirates





**His Highness General Sheikh Mohamed bin Zayed Al Nahyan**

Crown Prince of Abu Dhabi, Deputy Supreme Commander of  
the UAE Armed Forces

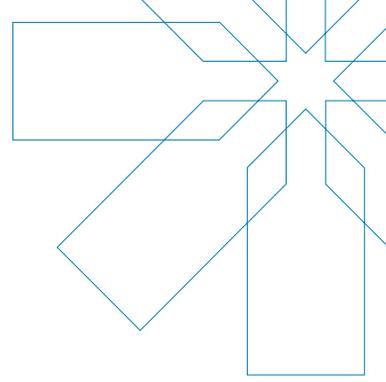




Accountability  
Report

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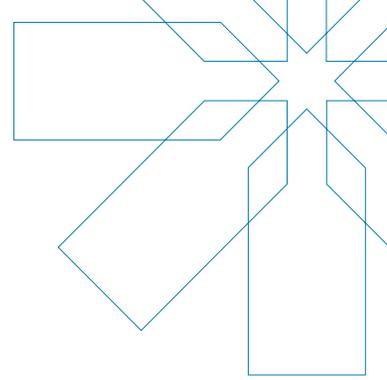
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**H.E. Riyadh Al Mubarak**  
Chairman

# Foreword



With great pleasure, we present to you the Accountability Report 2011 and before proceeding further about its content, we would like to start by mentioning that all the accomplishments that we see today in Abu Dhabi, wouldn't have been possible without the clear vision of His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the UAE and Ruler of Abu Dhabi and the direction of 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.

This report features 2010 highlights and accomplishments, proving our dedication to achieving our mission and a testament of our commitment towards the vision that we share in Abu Dhabi and that is beyond the boundaries of ADAA.

The publication of this report, is a reminder at Abu Dhabi Accountability Authority (ADAA) that once again lies ahead another year of challenges to face and overcome, opportunities that bring us closer to realizing our mandate, more chances to develop and more room for success.

You will notice the changes we've done to the design and content of our report to better represent our output groups and you will catch a glimpse of the path we sketched for the year ahead revealing our unvarying enthusiasm towards progression.

We would like to share with you some of 2010 highlights, intriguing you to read further our full Report:

- 213 reports across all of its output groups.
- Hosted the International Forum for Independent Audit Regulators (IFIAR) meeting in Abu Dhabi, marking the UAE as the first Arab country to host this event.

- Established the Abu Dhabi Technical Forum (ADTF) unifying accounting interpretations between ADAA, audit firms and accounting and auditing professionals in the UAE.
- Launched the e-maarifa portal, creating a knowledge platform across the Government and Subject Entities.

We do not recognize our accomplishments and highlights that we worked over the past year to attain as an end; on the contrary we recognize them as a beginning for setting ADAA standards and foundations and a step forward to becoming an authority that is recognized internationally as one of the top five accountability authorities in the world.

We have tried since the establishment of ADAA in 2008 to research and follow international best practices and to benchmark with top authorities with one objective in mind, and that is how to adopt these practices effectively while sustaining their level of excellence? And having defined our services based on best practices has made improvements to such services a great challenge, and nevertheless it will not daunt our will to innovate.

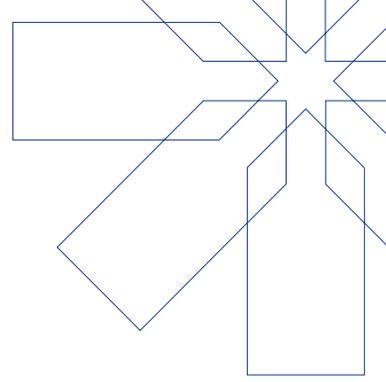
Finally, we remain indebted with gratitude to our leadership for their vision and guidance, to our Subject Entities for their cooperation and assistance, to the public for their trust and confidence and to our people for their passion and commitment.

We thank you all and promise that we will always try to exceed your expectations.

**Riyad Al Mubarak**  
*Chairman*

**PART ONE**

**OVERVIEW**



- 1.1 Mandate and Strategic Pillars
- 1.2 Subject Entities and Functions
- 1.3 Organization Structure
- 1.4 Prioritizing Work
- 1.5 Outcomes
- 1.6 Accountability and Governance
- 1.7 People

# OVERVIEW

## 1.1 MANDATE AND STRATEGIC PILLARS

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

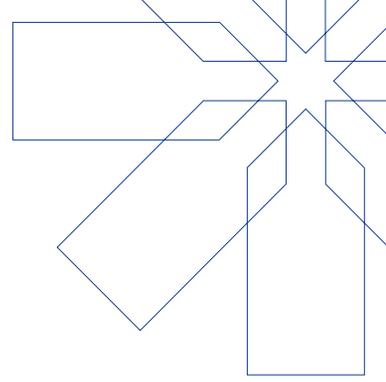
- Ensure that Public Entities’ resources and funds are managed, collected and expended efficiently, effectively, economically and ethically.
- Ensure accuracy of the financial reports and compliance of the Public Entities with relevant laws, rules and regulations and governance guidelines.
- Promote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

**Our Vision** "To be one of the top 5 accountability authorities in the world"

**Our Mission** "To help improve performance and promote accountability and transparency across Abu Dhabi Government and Public Entities by providing independent and objective assurance and advisory services"

### Our Values





## Strategic Goals

The strategic goals of ADAA are summarized as follows:

- Promote Governance, Accountability and Transparency** > Promote high standards of governance, accountability and transparency to ensure that funds dispensed by public entities, achieve desired goals efficiently, effectively, economically, and ethically.
- Enhance Performance** > Support public entities in enhancing their performance and improve the quality of data used by decision makers.
- Maintain and Promote Leading Practices** > Maintain and promote leading practices through continuous research and development and sharing of knowledge.
- Develop Human Capital** > Train and develop UAE National graduates. Retain high caliber and experienced individuals.

### 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.

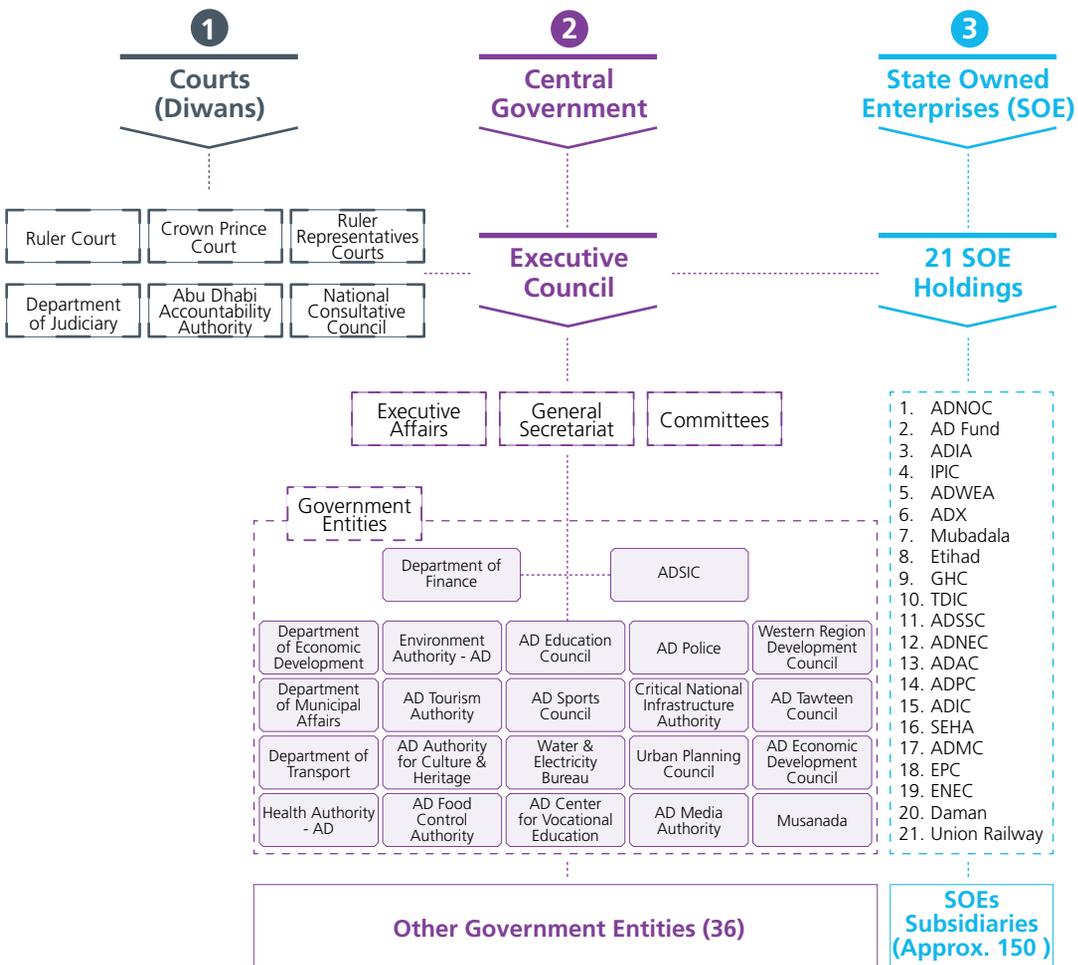
## 1.2 SUBJECT ENTITIES AND FUNCTIONS

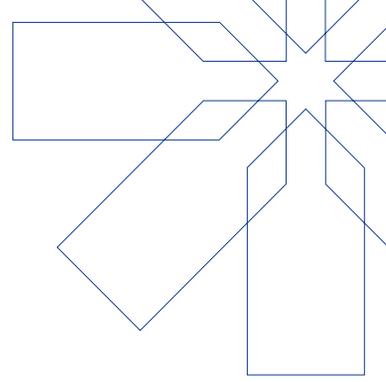
ADAA Subject Entities comprise local departments, councils, authorities and similar entities and institutions, companies and projects in which the Abu Dhabi Government's interest is equal to or greater than 50% inclusive of their subsidiaries, companies and projects.

ADAA may exercise its functions and duties on other entities subject to the criteria set in its mandate.

### Public Entities Classification

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





## Other Government Entities

<b>EDUCATION</b>	<ol style="list-style-type: none"><li>1. Paris-Sorbonne University–Abu Dhabi</li><li>2. Abu Dhabi Vocational Education and Training Institute</li><li>3. Institute of Applied Technology</li><li>4. Emirates College for Educational Development</li><li>5. Khalifa University for Science, Technology and Researches</li><li>6. Al Ain Vocational Education and Training Institute</li><li>7. Western Region Vocational Education and Training Institute</li></ol>
<b>ECONOMIC</b>	<ol style="list-style-type: none"><li>8. Khalifa Fund for Projects Development</li><li>9. Statistics Center - Abu Dhabi</li><li>10. Abu Dhabi Quality and Conformity Council</li><li>11. Zones Corporation</li></ol>
<b>ENVIRONMENT &amp; AGRICULTURE</b>	<ol style="list-style-type: none"><li>12. International Fund for Habara Conservation</li><li>13. The Center of Waste Management</li><li>14. Zoo and Water Life Establishment in Al Ain</li><li>15. Abu Dhabi Farmers Services Center</li><li>16. Organic Agriculture Center</li><li>17. Mohamed bin Zayed Species Conservation Fund</li></ol>
<b>SOCIAL &amp; CULTURE</b>	<ol style="list-style-type: none"><li>18. Zayed Higher Organization</li><li>19. Humanitarian Care &amp; Minors Affairs Authority</li><li>20. Family Development Foundation</li><li>21. The National Rehabilitation Center</li><li>22. Private Housing Loans Authority</li><li>23. Abu Dhabi Farmer Financial Support Fund</li><li>24. Abu Dhabi Retirement Pensions &amp; Benefits Fund</li><li>25. Dar Zayed for Islamic Culture</li><li>26. The Emirates Heritage Club</li><li>27. Zayed bin Sultan Al Nahayan Charitable &amp; Humanitarian Foundation</li><li>28. Khalifa Bin Zayed Al Nahayan Charity Foundation</li><li>29. Emirates Foundation</li></ol>
<b>INFRA-STRUCTURE</b>	<ol style="list-style-type: none"><li>30. Abu Dhabi Municipality</li><li>31. Al Ain Municipality</li><li>32. Western Region Municipality</li><li>33. The Center for Regulation of Transport by Hire Cars (Trans Ad)</li><li>34. Compensations Fund for Owners of Taxi Licenses</li></ol>
<b>SUPPORT</b>	<ol style="list-style-type: none"><li>35. Presidential Flight</li><li>36. Office of the Brand Abu Dhabi</li></ol>

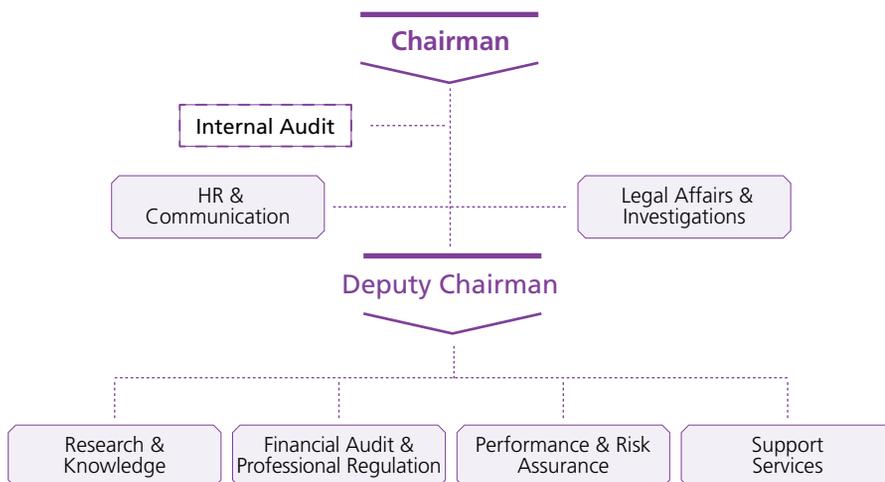
## Functions

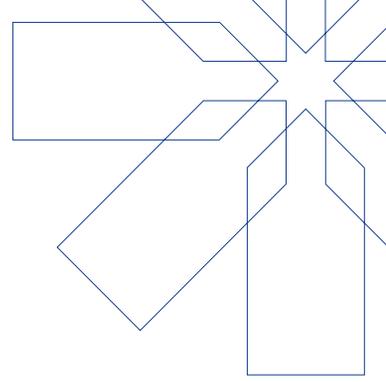
Law number 14 for 2008 defines ADAA's responsibilities as follows:

- Audit the Government 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 ORGANIZATION STRUCTURE

ADAA is structured based on an operating model that is most suited to fulfilling strategic goals while maintaining clear responsibilities within different departments as shown in the figure below:





## 1.4 PRIORITIZING WORK

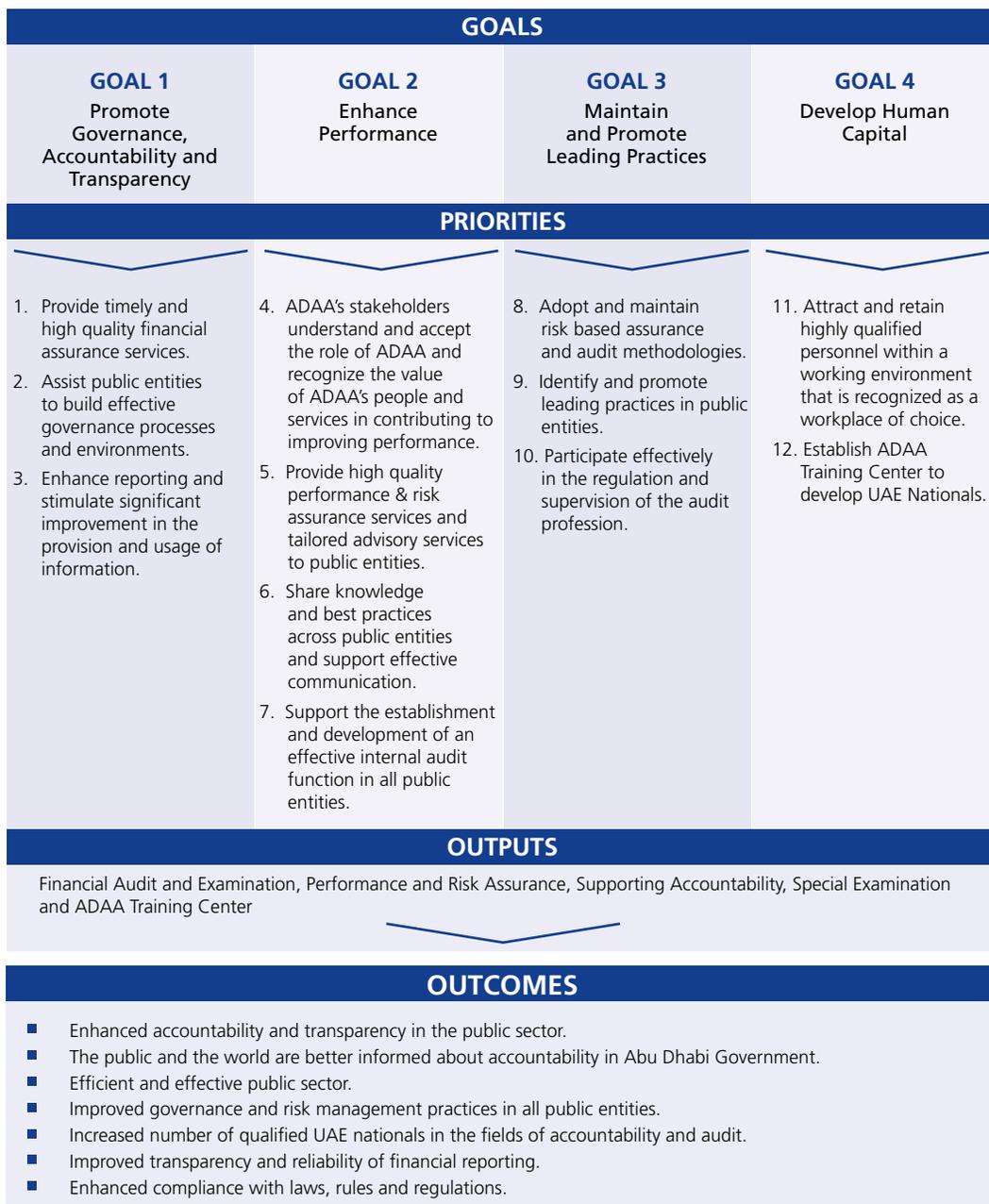
Identifying and selecting high priority Subject Entities is based on the following criteria:

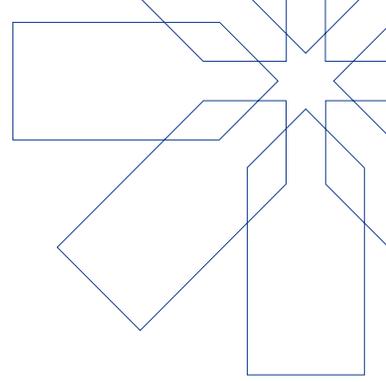
- Concerns raised by the Subject Entities' stakeholders.
- The criticality of the Subject Entities' role in achieving the Abu Dhabi policy and vision.
- The impact of the Subject Entities' performance on the social, environmental or economical expectations of the community or general public due to its mandate to service them in various sectors.
- The materiality and relative importance of an amount, transaction, investment, project or public funds or resources allocated to or disbursed by the Government or a public entity.
- The complexity of the Subject Entities' operations whereby it becomes vulnerable and is prone to a higher degree of risk in different areas, requiring more effort from ADAA to ensure effective risk management and corporate governance procedures and processes are in place.
- 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 that may hinder the achievement of their strategies and objectives.
- The ownership structure of Subject Entities whereby government departments and agencies are given top priority, followed by commercially oriented entities owned by the Government depending on the percentage of ownership and their significance to Abu Dhabi.



## 1.5 OUTCOMES

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





## 1.6 ACCOUNTABILITY AND GOVERNANCE

In order to enhance, protect and maintain 'stakeholders' values, ADAA continuously seeks and implements the highest standards of governance, corporate transparency, accountability and performance.

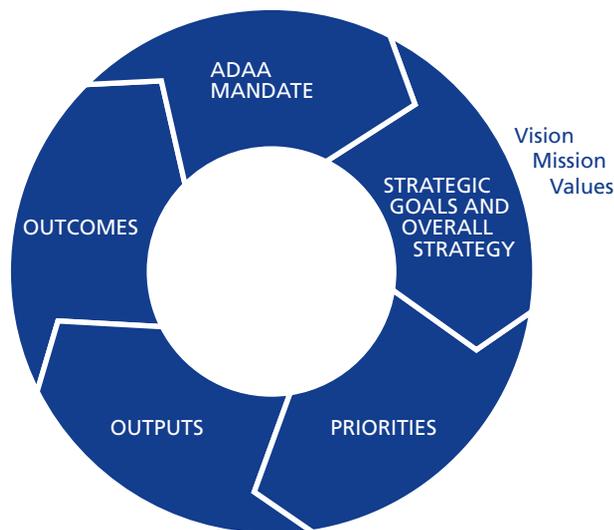
ADAA develops new policies and procedures where appropriate and reviews existing ones governing its practices and activities and its performance measures and corporate governance to ensure its independence and accountability.

ADAA's Accountability and Governance Framework comprises the following aspects:

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

### 1.6.1 Strategic Planning Framework

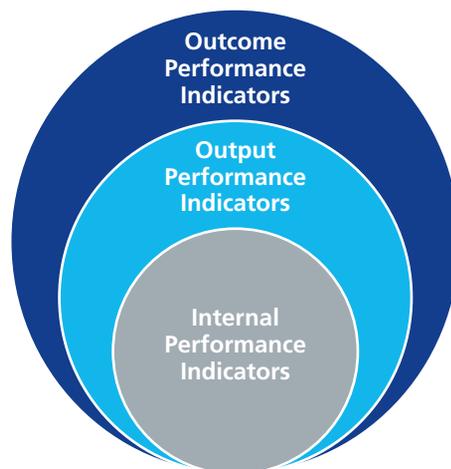
ADAA developed its Strategic Planning Framework based on its' strategic priorities. This framework is constantly reviewed to ensure its validity and relevance to the current needs of Abu Dhabi and is considered a guideline for ADAA's actions and the provision of its services.



## 1.6.2 Performance Measures

ADAA's performance is measured based on a set of internationally recognized performance metrics to ensure the objectivity of these measurements. ADAA has three types of performance measures:

1. **Outcome Performance Indicators:** to measure the impact of ADAA's work on the state or condition of the society, the economy, or the environment and any change in that state or condition.
2. **Output Performance Indicators:** to measure the cost, quantity, quality and timeliness of ADAA services (outputs).
3. **Internal Performance Indicators:** to measure the performance of ADAA internal departments and units.



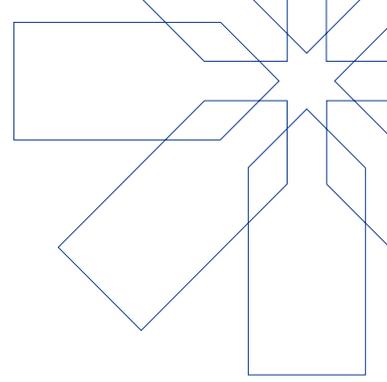
### ■ Subject Entities Feedback

ADAA seeks feedback from its Subject Entities on the review process executed after the issuance of each of its reports. 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 each year by an external auditor. For the year 2010, Ernst and Young was reappointed as auditor in accordance with the Statutory Auditor Appointment Rules issued by ADAA for a fee of AED 83,000.

In addition, ADAA reviews 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 implements a rigorous Code of Conduct concerning business and professional ethics and to ensure that all ADAA employees apply strong ethical standards. ADAA's Compliance officer ensures adherence to the code of conduct.

All ADAA employees take an oath before the ADAA Chairman upon joining the Authority as per Article (9) of Law (14) on the establishment of ADAA. The oath is as follows: *"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 business"*.

## 1.6.5 Employee Retention and Remuneration

ADAA implements a remuneration policy and procedure for all employees as well as a performance management system to ensure fair evaluations of employee performance and identifies clear career paths and progression plans.

ADAA utilizes employees training programs and workshops to enhance employees' 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, the general public or ADAA employees.

In early 2009, ADAA launched its new identity and by mid 2009 the official ADAA website was launched on [www.adaa.abudhabi.ae](http://www.adaa.abudhabi.ae) along with other communication initiatives such as the monthly e-newsletter "ADAA Digest", networking seminars and workshops in different areas to highlight and explain ADAA's role.

In 2010, ADAA expanded external communication and launched new government- wide initiatives opening further networking opportunities and sharing knowledge and best practices with its Subject Entities and key stakeholders such as the e-maarifa portal, the Abu Dhabi Audit Management portal in addition to workshops and panel discussions on new services and policies.

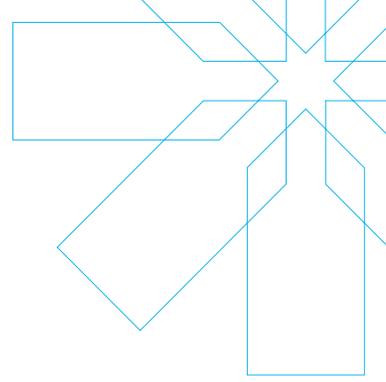
## 1.7 PEOPLE

ADAA views its people as its primary assets. All are top-tier professionals from multi-cultural backgrounds, and are unified by ADAA's values, vision and mission.

ADAA is committed to develop and attract Emiratis to the Accounting and Audit profession. The Authority has defined career paths and growth plans for all employees and promotes the success of ADAA as one team.

**PART TWO**

**OUTPUT GROUPS**



- 2.1 Financial Audit and Examination
- 2.2 Performance and Risk Assurance
- 2.3 Supporting Accountability
- 2.4 Special Examination
- 2.5 ADAA Training Center

# OUTPUT GROUPS

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## 2.1 FINANCIAL AUDIT AND EXAMINATION

ADAA's statutory responsibility underlies in granting stakeholders reassurance that the Government's consolidated financial statements and the financial reports issued by Subject Entities are free from material misstatements through the audit conducted by ADAA. This process also includes an audit on the role of the relative management in establishing robust processes and controls to ensure reasonable accuracy of these statements.

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

- Financial Audits
- Financial Examinations
- Financial Management Assessments

### 2.1.1 Financial Audits

ADAA established its financial audit procedures based on the International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC). ADAA carries out the audits of the consolidated financial statements of the Government and expresses an opinion on those statements, it also reviews the financial statements of Government Departments.

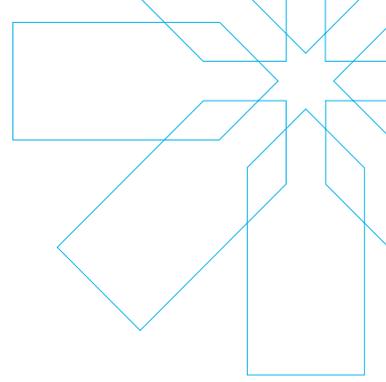
In addition, ADAA conducts special purpose audit services on specific components of Subject Entities' financial statements.

### 2.1.2 Financial Examinations

Where the establishment law of a Subject Entity requires that their financial statements be audited by a statutory auditor, ADAA fulfills its responsibility to provide assurance on the accuracy of the financial statements of the Subject Entity by the implementation of the Statutory Auditor Appointment Rules (SAAR) and an examination of the Subject Entity's financial statements and of the audit work undertaken by the statutory auditor.

#### ■ Statutory Auditor Appointment Rules (SAAR)

The Chairman of ADAA issued Resolution no (1) for 2010 pertaining to Statutory Auditor Appointment Rules (SAAR). All Subject Entities must comply with SAAR when they appoint their statutory auditor. The objective of SAAR is to strengthen the governance process of the appointment of the statutory auditor.



## Financial Examination Methodology

ADAA developed a comprehensive Financial Examination Methodology to ensure the quality of audit work undertaken by statutory auditors in providing their audit opinions on the financial statements of Subject Entities. Accordingly, it enhances users' confidence in the accuracy and transparency of financial statements and financial reporting.

The Methodology requires examination of the documents, records and working papers of the statutory auditor and any other information, data and reports, as ADAA considers necessary.

The Financial Examination Methodology conforms with the pronouncements and methodologies of the International Federation of Accountants (IFAC).



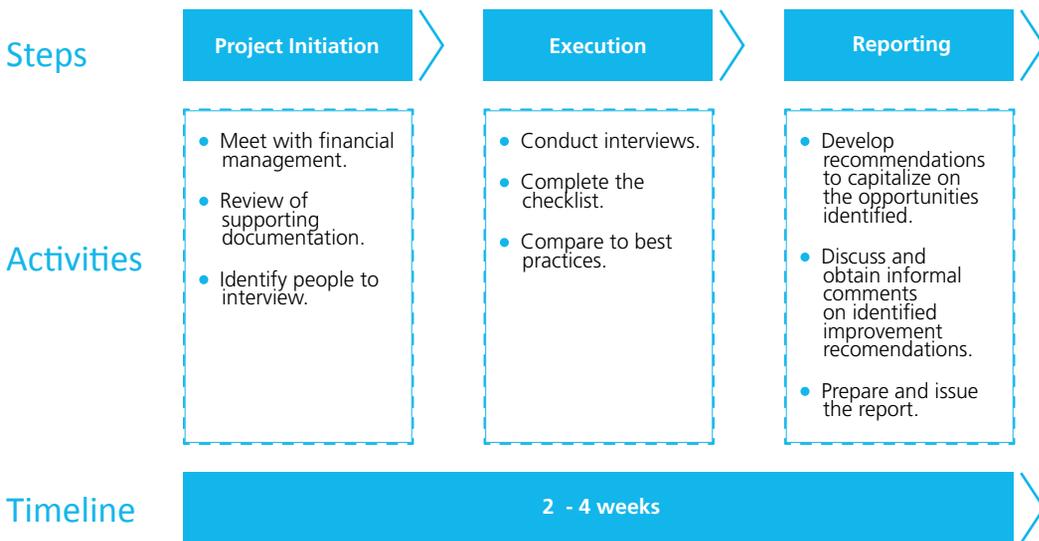
\*SA (Statutory Auditor)

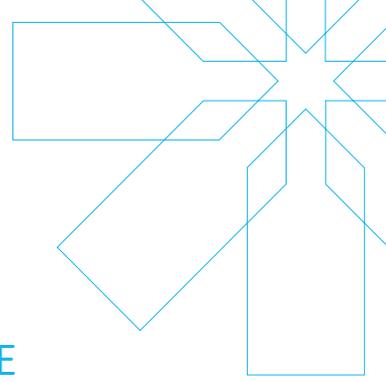
## 2.1.3 Financial Management Assessments

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

The FMA aims to strengthen the finance functions of Subject Entities and assist them to elevate the level of service they provide to internationally acknowledged best practices. ADAA utilizes a standard model designed as a resource for assessment of the Subject Entities' financial management Function.

As shown below, the model used is developed from good practice statements put by the Chartered Institute of Public Finance and Accountancy (CIPFA), a well known leading professional institute for accountants working in the public services in the United Kingdom and (CIPFA) is also a member of the International Federation of Accountants.





## 2.2 PERFORMANCE AND RISK ASSURANCE

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

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

ADAA provides 3 types of outputs under Performance and Risk Assurance as mentioned below:

- Performance and Compliance Review
- Internal Audit Assessment
- Anti-Fraud Program

### 2.2.1 Performance and Compliance Review

Performance and Compliance Reviews are designed to provide objective evaluations of entities or programs on the development, implementation and adherence to laws, regulations or accepted leading practices required to produce their mandated output in a controlled and sustainable environment.

Based on auditing industry best practices, Performance and Compliance Reviews diagnose issues employing methodologies developed internally. Each review has four discrete steps as described below:



ADAA currently conducts 3 forms of Compliance and Performance Reviews:

**Program Reviews** provide a substantive review of high profile initiatives and projects involving one or more Abu Dhabi Government Entities. The focus of the Review is on evaluating if a program or initiative has access to capabilities needed to deliver the stated program objectives in an effective, efficient, economical and ethical manner.

**Business Regulation Reviews** evaluates whether the production of specific government goods or services complies with published regulations. The focus is on reviewing the appropriateness of the regulations compared to leading practices in the field; monitoring the effectiveness of operations in implementing the regulations, and evaluating the quality and effectiveness of the output.

**Procurement Reviews** look at the procurement functions of a Government Entity or project. The Review evaluates the procurement activities against criteria extracted from both relevant procurement laws and regulations, and internationally accepted government practices.

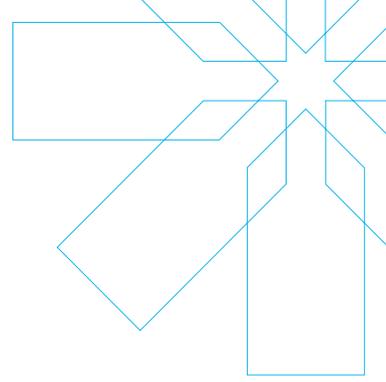
## 2.2.2 Internal Audit Assessment

ADAA conducts independent reviews of the Internal Audit role within Subject Entities to help them strengthen this vital aspect of governance, and to obtain a comprehensive understanding of available capabilities based on which ADAA can establish or not reliance on those Functions. The Internal Audit Assessment conducted by ADAA aims at providing reasonable assurance that Internal Audit operations within Subject Entities assessed are performed in accordance with approved charters and leading practices.

The Internal Audit Assessment uses a detailed framework developed internally, which follows “The Institute of Internal Auditors” (IIA) best practices for assessing Internal Audit Functions. The methodology follows the steps below:



**The Assessment conducted is based on measuring the Internal Audit function on a series of 6 elements: Audit Committee, Organization, Methodology, Operation, Technology and Value.**



## 2.2.3 Anti-Fraud Program

ADAA assesses a Subject Entity's vulnerability to fraud, corruption and misconduct ('fraud') and their ability to mitigate fraud risks across different organizational elements and to follow a proactive approach when addressing these vulnerabilities. ADAA conducts fraud risk assessments, independent reviews and provides detailed analysis together with recommendations to improve fraud risk management within Subject Entities.

ADAA established the Anti-Fraud Program to assist the Government in creating a protective shield against fraud whereby this program covers different aspects within any Subject Entity as illustrated below:



ADAA supports Subject Entities in the following:

- Develop a fraud control policy for each entity.
- Conduct Fraud Scenario Assessments to assess and address potential fraud risk exposures.
- Train employees on the fraud control policy and code of conduct.
- Assist in the development and implementation of the confidential disclosure systems.

## 2.3 SUPPORTING ACCOUNTABILITY

ADAA, as mandated in its Law of establishment, has a primary objective to promote accountability and transparency and hence has established this output group to develop and oversee various support mechanisms and services achieving this objective.

The Chairman of ADAA reports periodically to HH the Crown Prince of Abu Dhabi and carries out other functions, duties and responsibilities allotted by HH the Crown Prince to ADAA as well as providing advisory and assistance to Executive Council members and other key executives in the Government to hold Subject Entities on their requirements and related accountability systems.

## ■ Advisory and Assistance

ADAA provides advice and assistance to Subject Entities to assist them on subjects that complement ADAA's primary role and fall within its area of expertise. ADAA provides Advisory and Assistance based on the receipt of an official request from the Subject Entity and upon approval of ADAA Chairman. ADAA advice and assistance is provided in many areas and functions such as: assisting audit committees and internal audit at Subject Entities in establishing their internal audit functions, secondments of ADAA employees to Subject Entities and providing technical advice.

## ■ National and International Representation

ADAA actively participates in the regulation and supervision of the accounting and audit profession through participating in the membership of various national and international organizations that promote and support accountability and transparency and contributes to the enhancement of laws, rules and regulations in this area. ADAA regularly attends related business conferences, workshops, and meetings and prepares research papers and participates in the exchange of information and training.

ADAA also contributes to the development of other accountability and audit organizations by hosting national and international delegations throughout the year.

**ADAA was the 1st organization in the Middle East to become a member of IFIAR**

## 2.4 SPECIAL EXAMINATIONS

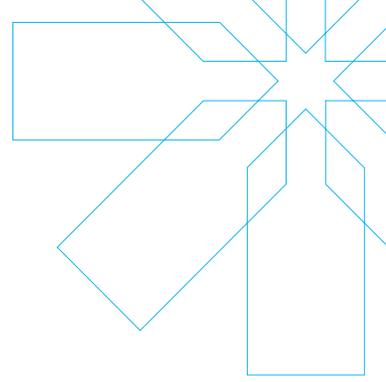
ADAA examines complaints referred to it and will investigate alleged violations at Subject Entities and tracks fraud, corruption and misconduct (collectively "fraud") to ensure that public money is safe guarded and that stringent regulations are enforced in operational, financial and managerial processes.

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

Through its investigation, ADAA identifies fraud prevention issues and maintains strategic alliances to optimize investigative and preventive outcomes.

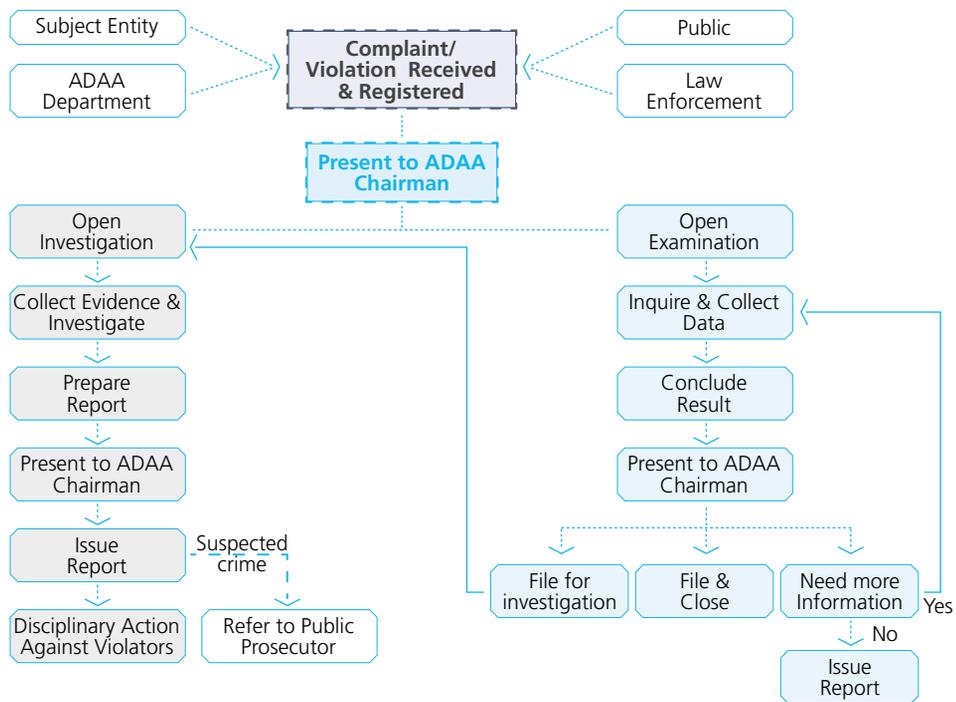
ADAA conducts Special Examinations relating to:

- Violations of the financial rules and provisions of laws, regulations and other legislations.
- Violations in the provisions of the general budget of the Emirate, and the budgets of Subject Entities.
- Violations of the provisions regulating purchases, bids, tenders, auctions and stores and/or any other rules, provisions, regulations and financial and accounting circulars that are applied at Subject Entities.



- Any negligence or failure, which results in a direct financial loss to the Emirate or other public entities or Subject Entities, or which results in, or may lead to, compromising any of its financial interests.

ADAA has established an internal process to receive complaints and developed a Special Examination methodology as shown in the following figure:



### Violations are dealt with as follow:

1. Filing the matter due to inaccuracy or the absence of a violation or its insignificance.
2. Applying disciplinary action.
3. Referring the case to relevant public prosecutor office if a punitive crime is suspected.



## 2.5 ADAA TRAINING CENTER

ADAA Training Center aims at becoming a recognized center of excellence that provides training and development to help qualify UAE National Graduates. It also provides in-depth knowledge and awareness of leading practices within the government and internationally whether it is industry-specific or by departmental functions.

Under this output group, ADAA has designed 3 outputs:

- Qualifying Emirati Auditors
- Research and Knowledge Sharing
- Workshops and Seminars

### 2.5.1 Qualifying Emirati Auditors

ADAA is determined to increase the number of qualified Emirati Auditors and has designed training programs that will 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.

ADAA Training Center offers professional certifications training in the Accounting and Audit profession such as the Certified Public Accountant (CPA) examination preparation course and the Certified Internal Auditor (CIA) examination preparation course to UAE Nationals.

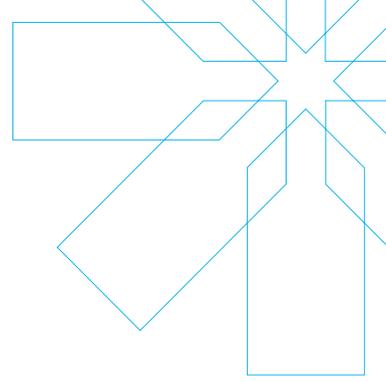
### 2.5.2 Research and Knowledge Sharing

In line with the Abu Dhabi Policy Agenda of developing a sustainable knowledge based economy, ADAA has set-up its in-house Research and Knowledge Management (RKM) function in 2009.

The objective of RKM is to develop, codify and disseminate knowledge more effectively across all areas of ADAA's operations as well as contributing towards supporting the research and knowledge needs and capabilities of Subject Entities.

ADAA's research and knowledge sharing initiatives include:

- **E-maarifa:** In 2010, e-maarifa portal was launched with the objective of creating a knowledge platform across the Government and Subject Entities that enables participants to share experience and transmit knowledge more effectively across common operational functions.
- **ADAA Digest:** ADAA issues a monthly e-newsletter titled "ADAA Digest" whereby its primary focus is on accounting issues that are relevant to the financial reporting of the Subject Entities. The aim of the digest is to eliminate inconsistencies in accounting by highlighting both changes in new standards and inconsistencies in the application of current standards.



- **Global Accountability & Transparency:** ADAA issues a monthly newsletter under the title “Global Accountability & Transparency” whereby various topics and research papers are covered and discussed.
- **Practice Guides:** In seeking to improve public administration, ADAA identifies best practices that are internationally recognized and implemented and issues practice guides for use throughout the public sector.

“ADAA Digest” highlights; hot topics in the accounting profession. ADAA also has a specialist IFRS “Help Desk” that receives internal and external requests for help and advice on the interpretation of standards and releases a technical paper accordingly to the concerned party.

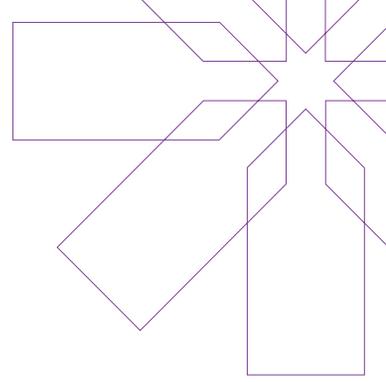
### 2.5.3 Workshops and Seminars

ADAA provides workshops and seminars to Subject Entities on matters that complement its primary role and fall within its area of expertise.

- **Abu Dhabi Technical Forum (ADTF):** This Forum brings together the UAE based audit professionals of the international accounting firms. Discussions focus on current and expected problematic accounting treatments. The aim of the forum is to eliminate the local inconsistency in application of accounting standards by building consensus on the interpretation of accounting standards and the acceptability (or not) of accounting treatments, thereby improving the comparability and quality of financial reporting in Abu Dhabi.
- **Internal Audit Seminar:** This annual event brings together all the key people in the Internal Audit function at Subject Entities to discuss process, internal controls, policies, issues and challenges as well as share knowledge of best practices and developments.
- **Panel Discussions and Workshops:** ADAA conducts regular panel discussions and workshops on emerging issues.

**PART THREE**

**2010 REPORT  
AND 2011  
WORK PLAN**



- 3.1 2010 Highlights
- 3.2 Output Group 1: Financial Audit and Examination
- 3.3 Output Group 2: Performance and Risk Assurance
- 3.4 Output Group 3: Supporting Accountability
- 3.5 Output Group 4: Special Examination
- 3.6 Output Group 5: ADAA Training Center
- 3.7 2011 Work Plan

Below is a summary of the 2010 achievements, whereby ADAA did the following:

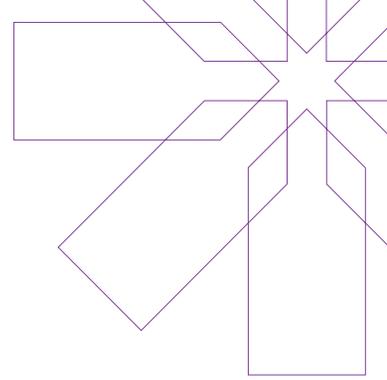
## 2010 REPORT AND 2011 WORK

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### 3.1 2010 HIGHLIGHTS

Below is a summary of ADAA's achievements in 2010:

- Issued 96 Financial Audit and Examination reports:
  - 9 Financial Audits
  - 82 Financial Examinations
  - 5 Financial Management Assessments
- Issued 83 Performance and Risk Assurance reports:
  - 14 Performance and Compliance Reviews
  - 63 Internal Audit Assessments
  - 6 Anti-Fraud Program reports
- Issued 19 Supporting Accountability reports.
- Issued 15 Special Examination reports:
  - 5 Investigations reports
  - 9 Examinations reports
  - 1 Technical advice report
- Hosted the International Forum of Independent Audit Regulators (IFIAR) in Abu Dhabi during March 2010 making the UAE the first Arab country to host this event.
- Issued Statutory Auditor Appointment Rules "SAAR" and published it in the Official Gazette of the Emirate.
- Succeeded in its initiative to bring the USA Certified Public Accountant (CPA) examinations to Abu Dhabi and the region after long negotiations with the National Association of State Boards of Accountancy "NASBA"
- Launched a new service, the "Financial Management Assessment" to strengthen the role of the finance function within Subject Entities. The FMA is based on the methodology adopted by the Chartered Institute of Public Finance and Accountancy of UK – CIPFA and was conducted in 5 Subject Entities.
- Launched the e-maarifa portal with the objective of creating a knowledge sharing platform across the Government and Subject Entities.
- Successfully deployed a knowledge sharing platform under e-maarifa for the Internal Audit community titled "Abu Dhabi Audit Management (ADAM)", with membership of 300 government employees across 66 entities.
- Established the Abu Dhabi Technical Forum (ADTF) with the objective of unifying the accounting interpretations between ADAA and the audit firms and accounting and auditing professionals in the UAE.



- Extended ADAA's role in the Governance Committee by coordinating and aligning various projects as well as providing technical expertise and research support.
- Completed over 120 research assignments, including 2 major baseline surveys, 4 research papers, several global benchmarking assignments and 10 research primers.
- Issued and published an Internal Audit Practice Guide which collates the best internationally recognized practices in the profession.
- Assisted Subject Entities in recruiting their heads of internal audit.
- Provided Subject Entities with expertise and professionals through seconding ADAA employees.
- Held an internal audit seminar for Subject Entities.

The following table provides a summary of reports issued by ADAA\*:

Description	2009 Actual	Target 2010	Actual 2010
1 Financial Audit and Examination	78	94	96
2 Performance and Risk Assurance	69	85	83
3 Supporting Accountability	9	13	19
4 Special Examination	11	10	15
5 ADAA Training Center	NA	NA	NA
<b>Total Number of Reports</b>	<b>167</b>	<b>202</b>	<b>213</b>
<b>Total Cost (AED)**</b>	<b>103,073,469</b>	<b>136,237,000</b>	<b>110,287,672</b>

\* Certain comparative numbers have been reclassified to conform to current year's output group presentation.

\*\* The total cost represents ADAA budget (target) and actual as per ADAA audited financial statements and includes the cost of other ADAA outputs.

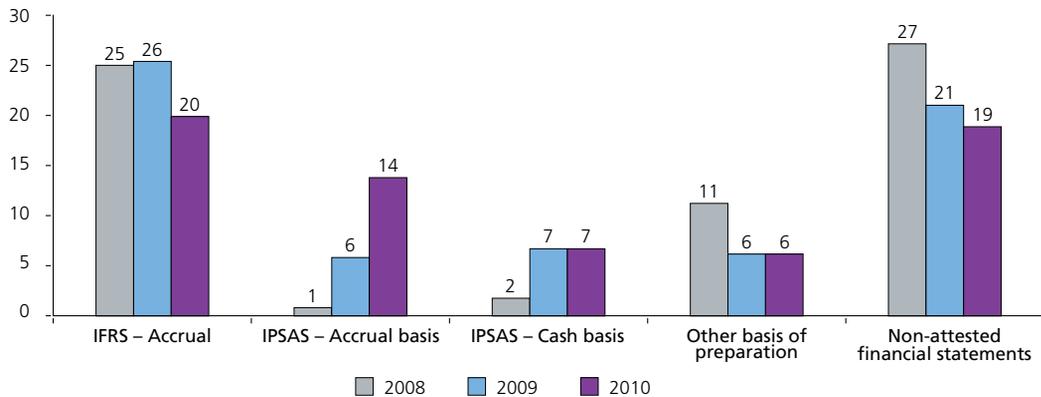
### 3.2 OUTPUT GROUP 1: FINANCIAL AUDIT AND EXAMINATION

This output group focused on the financial audit of the government of Abu Dhabi accounts, and financial reports examinations of Subject Entities based on its own uniquely developed methodology.

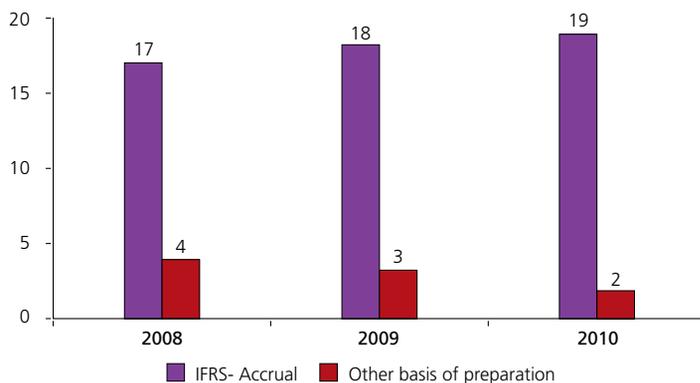
During the course of its work, this group advises Subject Entities how to improve the quality of their financial reporting and specifically relating to their financial statements basis of preparation. Which varies according to Subject Entities operations. There has been a notable change in financial statements basis of preparation since year 2008, with a focus on having all government entities and courts prepare their financial statements using IPSAS Accrual basis of accounting.

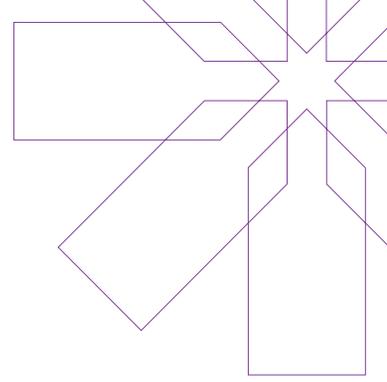
The following charts demonstrate the change in Subject Entities financial statements basis of preparation as recommended by ADAA:

#### Government Entities and Courts financial Statements Basis of Preparation



#### State Owned Entities Financial Statements Basis of Preparation





The group's reports and recommendations are the result of one of the following services:

- Financial Audit
- Financial Examination
- Financial Management Assessment

### 3.2.1 Financial Audit

ADAA completed its audit of the consolidated financial statements of the Abu Dhabi Government for the year ended 31 December 2009 and issued an unqualified (clean) opinion within the deadline specified in the Financial Management Law.

The financial statements were prepared 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 of the financial statements of Government Departments in accordance with the International Standards on Review Engagements (ISREs) issued by IFAC.

### 3.2.2 Financial Examination

During 2010, ADAA examined 82 independent audit reports and work of Statutory Auditors, appointed by Subject Entities. The financial statements and audits covered in 2010 were selected in accordance with the prioritization criteria developed by ADAA.

## ■ ADAA's Financial Examination Comments Summary

Comments arising from our financial reports examination are communicated to those charged with governance at Subject Entities and separately to statutory auditors for future improvements, implementation and follow up. Our examinations continue to highlight a number of areas where improvements are required. In order of significance; these are as follows:

- Significant delays in issuing financial statements. This reduces the usefulness of those statements. Although there is no deadline 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.
- Valuations based on invalid or untested assumptions for impairment reviews and assets.
- Deficiencies in the audit procedures performed when auditing accounting estimates.
- Weaknesses in the quality of audit evidence statutory auditors rely on.

- Management’s reliance on statutory auditors for financial reporting and accounting matters.
- Significant inadequacy by the statutory auditors when computing materiality.
- Shortcomings in statutory auditors audit procedures over commitments, contingencies, compliance with laws and regulations, and subsequent events.
- Missing necessary disclosures required by the relevant accounting standards (IFRS/IPSAS) to enhance users understanding of the financial statements.
- Poor audit procedures applied for consolidated financial statements and related parties transactions.
- Statutory auditors working paper files not documenting properly the audit procedures performed.
- In-adequate audit procedures performed when statutory auditors decide to rely on the work of experts and service organizations.

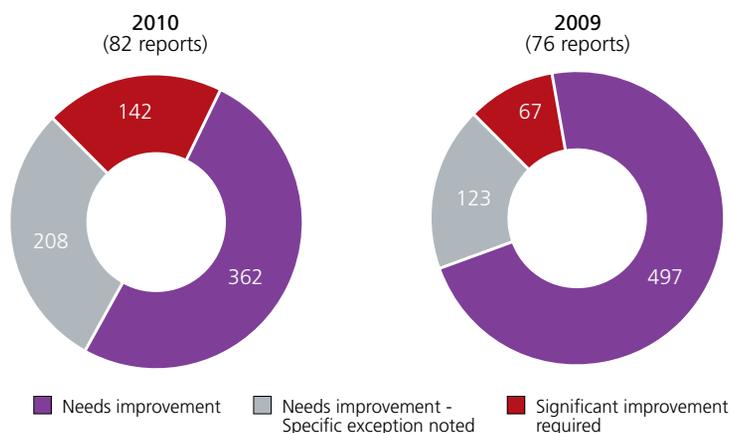
All examination comments are set out in detail in our examination reports sent to Subject Entities for implementation and improvement in the future.

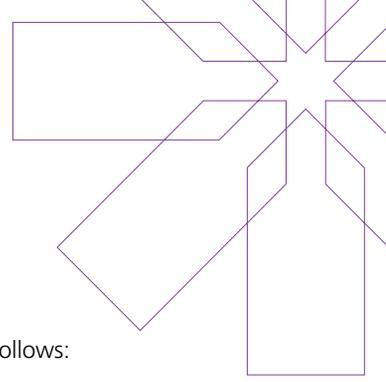
Our reports include the responses and explanations provided by the statutory auditors and our final conclusions and views on each examination comment.

## ■ 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 the Statutory Auditor’s Audit process.

Below is a comparison of the financial examination reports, conducted in 2010 and 2009:





Our financial examination reports included 712 comments in 2010 classified as follows:

## ■ Significant Improvement Required

142 comments in 2010 were classified into this category. These comments require the immediate focus of the Subject Entities' management and their statutory auditors since in our judgement they have a significant effect on the financial statements of Subject Entities.

## ■ Needs Improvement

The majority of our 362 comments in this category focus 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

208 comments in 2010 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 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 resulting from wrong application of IFRSs, financial statements presentation and disclosures, and insufficient audit procedures in areas such as related parties, estimates, and fair values.

Statutory Auditor	Year 2010					Year 2009	
	Number of reports examined	Significant improvement required	Needs improvement	Needs improvement – Specific exceptions noted	Total Comments	Number of reports examined	Total Comments
Firm 1	47	92	201	130	423	28	265
Firm 2	17	30	84	43	157	25	255
Firm 3	11	15	55	19	89	15	120
Firm 4	7	5	22	16	43	7	38
Firm 5	-	-	-	-	-	1	9
<b>Grand Total</b>	<b>82</b>	<b>142</b>	<b>362</b>	<b>208</b>	<b>712</b>	<b>76</b>	<b>687</b>

## ■ Implementation of SAAR

During 2010, the Chairman of ADAA issued resolution number (1) of 2010 establishing the Statutory Auditors Appointment Rules (SAAR) which was published as a special edition in Official Gazette of the Emirate in January 2010.

According to SAAR, Subject Entities need to go through a rigorous, well documented process when selecting and appointing their statutory auditors.

### 3.2.3 Financial Management Assessment

In 2010, ADAA started the implementation of its "Financial Management Assessment (FMA)" in Subject Entities. FMAs were conducted in 5 Subject Entities reviewing their financial capabilities, processes and assisting them in enhancing and strengthening their finance functions and financial management processes.

It is worth mentioning that all Subject Entities and their employees have been of great assistance to ADAA during the FMA which resulted in relevant yet challenging recommendations to be implemented in the future.

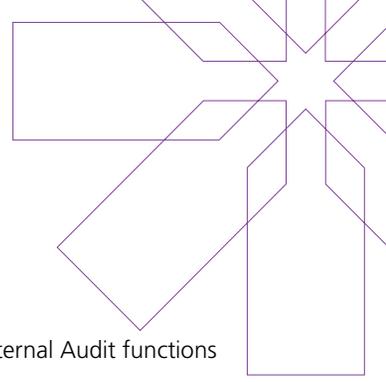
Upon conducting the 5 FMAs, ADAA found that Financial Management at 2 Subject Entities are at an "Emerging" stage while 3 Subject Entities were at a "Maturing" stage based on the assessment methodology created by ADAA.

## 3.3 OUTPUT GROUP 2: PERFORMANCE AND RISK ASSURANCE

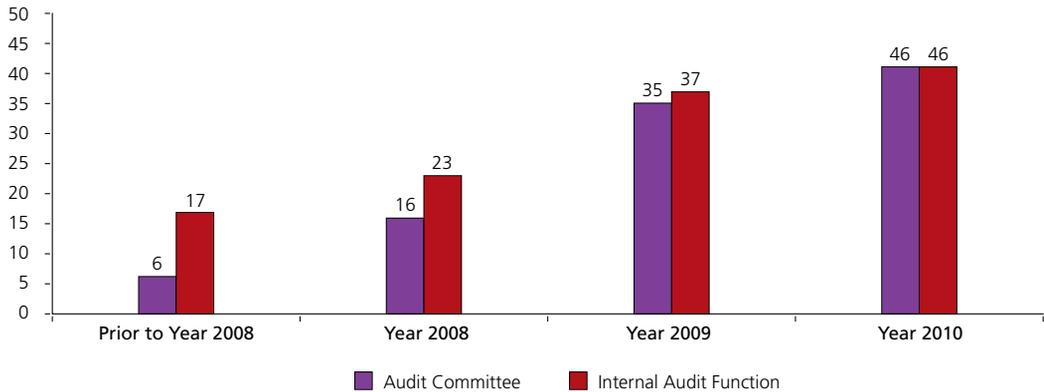
This output group provides assurance on the efficient, effective, economic and ethical utilization of resources by Subject Entities and their compliance with the laws, rules, regulations and governance guidelines.

In 2010, ADAA issued 83 Performance and Risk Assurance reports relating to government-wide issues, functional areas and subjects of significance for Subject Entities.

ADAA believes in the importance of the establishment of Audit Committees and internal Audit functions at Subject Entities to enhance their governance structure.



The following chart demonstrates the development of Audit Committees and Internal Audit functions within Subject Entities:



This output group's reports and recommendations are the result of one of the following services:

- Performance and Compliance Reviews
- Internal Audit Assessment
- Anti-Fraud Program

### 3.3.1 Performance and Compliance Reviews

The Performance and Compliance Reviews deliverables during 2010 were related to various sectors and covered different disciplines including operational expenditures, capital expenditures, projects and business regulation. These reviews assist in highlighting gaps and areas for improvement in compliance with laws, regulations and rules and ensure the alignment of performance with strategic objectives and leading practices.

Outputs of Performance and Compliance Reviews are typical to the mandate of ADAA and represent an aspect of assurance that ADAA undertakes on an annual basis.

Below are summaries of some of the Performance and Compliance Reviews that were conducted in 2010 with a brief description of the scope of the review and recommendations by ADAA:

## ■ Social Care and Minors Affairs Foundation (SCMAF)

ADAA carried out a strategic and organizational assessment of SCMAF and assisted the Foundation in developing a strategic action plan in relation to the following:

- Understanding the stakeholders and beneficiaries needs and expectations.
- Investment strategy and poor historical investment performance.
- Capabilities in asset management and financial planning to support income disbursement decisions.
- Social care services and coordination with other governmental social entities.
- Setting the vision, mission and strategic direction and the level of employee satisfaction.
- Organizational capabilities and structure and cross-functional processes.

### Recommendations

ADAA proposed a detailed 2 year action plan with more than 20 strategic and organizational initiatives.

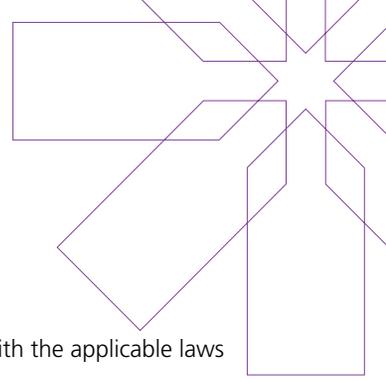
ADAA recommendations included:

- Outsource asset management and build a lean core investment function.
- Transform social care to cater to the needs of minors and establish partnerships with priority social entities.
- Drive to greater beneficiary focus by understanding Minors' needs, segmenting them and streamlining administrative functions and moving more staff to beneficiary-facing functions.
- Close HR gaps by investing in training, hiring and aligning incentives to attract talent.
- Upgrade core processes and tools to enable organizational effectiveness and streamline execution.
- Build the IT backbone and upgrade the databases by defining and implementing IT requirements.

## ■ Medical Licensing Compliance Review

The scope of this review covered medical licensing activities at the Health Authority – Abu Dhabi (HAAD) for the period running from January 2008 to May 2010. It only covered the activities of the departments relating to licensing and inspection in relation to the following:

- Developing an accurate picture of medical licensing and inspection processes.



- Evaluating whether HAAD's licensing and inspection departments comply with the applicable laws and regulations and resolutions issued by the Chairman of HAAD.
- Assessing whether the licensing procedures and approach comply with leading licensing practices.

### Recommendations

ADAA recommendations included:

- Perform a strategic review of the licensing regime and consider the establishment of another body to act as the medical examination board.
- Centralize the issuance of health licensing guidelines and regulations to one specific committee.
- Implement a regulation for medical revalidation to provide a focus for doctors' efforts to maintain and improve their practice to enhance their capabilities and qualifications.
- Review the current sanctions scheme and consider imposing escalating fines up to reaching facility suspension.

## ■ Tourism Licensing Compliance Review

The scope of this review involved the following steps for the period running from February 2005 to March 2010 in relation to the following:

- Developing an accurate picture of ADTA's Licensing process.
- Evaluating whether ADTA's Licensing Section complies with the applicable laws and regulations and resolutions issued by the Chairman of ADTA.
- Assessing whether the licensing procedures and approaches comply with leading licensing practices.

### Recommendations

ADAA recommendations included:

- Establish the Review Committee and activate its mandate to support the activity for which it was initially conceived.
- Develop classification manual for restaurants, resorts and rest houses to ensure their proper classification.
- Increase the frequency of spot inspections to monitor the performance of tourism establishments.
- Restrict tour guides licenses to persons authorized to work in the UAE and create an updated directory of all tour guides operating in Abu Dhabi along with their licensing status (active and inactive), the language(s) they speak and the guiding category (general, site or provisional).

## ■ Agricultural Subsidies Compliance Review

The scope of this review involved the activity in 2009 relating to the development of an accurate picture of Abu Dhabi Food Control Authority's (ADFCA) agricultural subsidies process including the promotion of agricultural products, the subsidization of produce, provision of assistance to farmers, and the import of feed.

### Recommendations

ADAA recommendations included:

- Expedite the process of integrating the legacy of the former Department of Agricultural Affairs to enhance the ability of ADFCA to manage the Sector.
- Establish protocols to ensure that agricultural plans are approved in due course and in a timely manner.
- Coordinate with the Food Security Committee to ensure that operations taken at the tactical level are aligned with the agreed strategy.
- Develop awareness campaigns for farmers on the proper use of pesticide, water resources, crop management, etc.
- Update all the information pertaining to farmers, lands, and vendors and maintain a useable database to facilitate and support decision making on a prompt basis.

## ■ Capital and Operating Expenditures Procurement Compliance Reviews

During 2010, ADAA conducted 6 capital expenditures procurement compliance reviews and 3 operational expenditures procurement compliance reviews

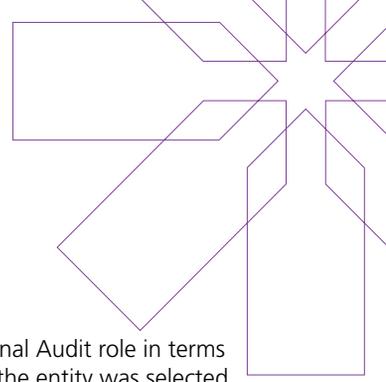
The scope of the reviews was:

- Determining the degree of consistency in applying laws and regulations by Subject Entities.
- Evaluating instances of non-compliance to take the appropriate action.
- Assessing the incorporation of leading international practices in procurement management, then developing a position on the current state of such management, and identifying relevant gaps to propose recommendations for necessary improvements.

Some of these compliance reviews led to the discovery of violations that were further investigated and resulted in disciplinary action against certain individuals.

### 3.3.2 Internal Audit Assessment

During 2010, ADAA issued 63 Internal Audit Assessment reports. This came as a continuum to the initial wave of assessments conducted during 2009. The purpose was to identify gaps in performance and areas for improvement to bring the internal audit department up to benchmarked practices.



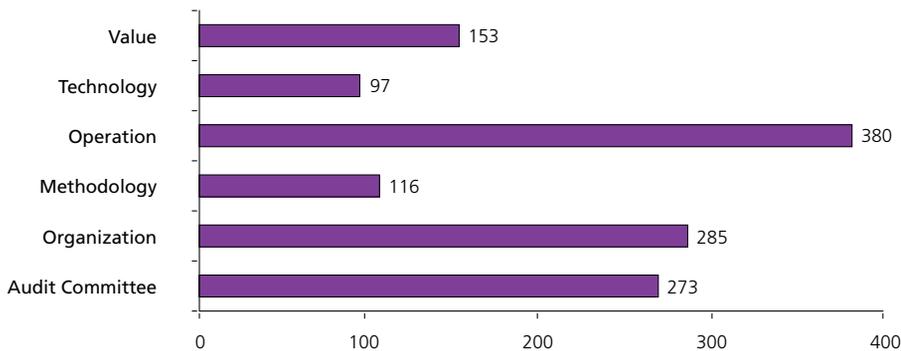
However, another key objective was to obtain assurance with regard to the Internal Audit role in terms of highlighting areas of risk exposure. Where such assurance was not obtained, the entity was selected for review and was included in ADAA's plan.

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

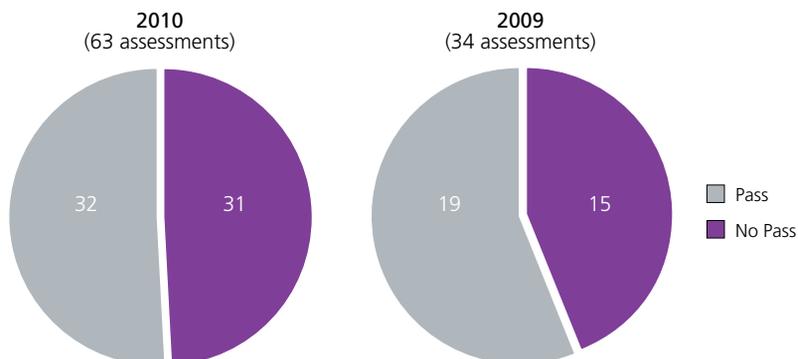
## Internal Audit Assessment Reports Summary

ADAA issued **1,304** recommendations to provide Subject Entities with insight on their control environments and for the enhancement of their governance structures. 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 63 Subject Entities, 32 met pass requirements based on the criteria established by ADAA, while 31 did not. The following figure shows the result of the internal audit assessment conducted in 2010 compared to 2009.



### 3.3.3 Anti-Fraud Program

ADAA established the Anti-Fraud Program to assist its Subject Entities in creating a proactive response to any potential vulnerability to fraud, corruption and misconduct "fraud". This Program is intended to support Subject Entities in many areas such as the development of their own fraud control policy, conducting Fraud Scenario Assessments, training employees on the code of conduct and the fraud control policy and the development and implementation of confidential disclosure systems.

#### ■ Fraud Scenario Assessments

ADAA developed a methodology on "Fraud Scenario Assessment (FSA)" that will be used by ADAA and its Subject Entities when planning for, or conducting a Fraud Scenario Assessment as part of their overall Fraud Risk management and helps the entities identify existing weaknesses in controls, identify gaps and setting priorities of controls to manage risks.

During 2010, ADAA conducted 6 Fraud Scenario Assessments and independent reviews and provided detailed analysis together with recommendations necessary to identify the entity's vulnerabilities to fraud and the potential impact in order to improve systems policies, procedures and processes for the Subject Entities. Some ADAA key recommendations are:

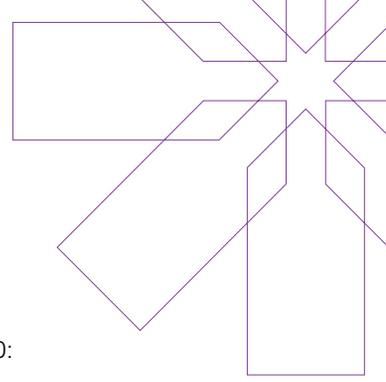
1. Develop an anti-fraud policy and an employee code of conduct that is required to be read and acknowledged by all new and existing employees on an annual basis.
2. Establish a code of conduct for suppliers and vendors for contracts over a certain threshold value.
3. Establish a data privacy policy detailing entity's expectation relating to data privacy and the sharing of confidential information.
4. Conduct fraud awareness training for all existing and new employees.
5. Conduct a separate and comprehensive Fraud Scenario Assessment by the internal audit function of the entity.

## 3.4 OUTPUT GROUP 3: SUPPORTING ACCOUNTABILITY

In 2010, ADAA issued 19 reports under this output. A number of reports were presented to His Highness the Crown Prince by the Chairman of ADAA on matters arising from annual work and audits carried by ADAA. Among the reports submitted under this output is this annual Accountability Report that ADAA completes in the first quarter of each year. The Chairman of ADAA also presented a number of reports to members of the Executive Council and other key executives in the Government.

#### ■ Advisory and Assistance

Advisory and Assistance consists of services provided to Subject Entities based on their request and the approval of ADAA Chairman. ADAA was engaged in a number of Advisory and Assistance projects and issued reports that included advising Subject Entities on strategic, structural and performance improvements.



Below is an example of such Advisory and Assistance work provided during 2010:

### *Governance Program*

Following ADAA governance review, The Governance Committee was established through the Executive Council Resolution number (17) of 2010 to supervise the development and implementation of the frameworks of governance principles presented to the Executive Council by ADAA for Abu Dhabi Government.

The Committee is tasked to focus on the following 6 areas:

- Procurement
- Public Service
- Finance and Performance Management
- IT ERP Infrastructure
- SOE Governance

ADAA developed the operating model for the work of the Governance Committee, supported the development of the detailed program scope, and helped coordinate the various projects under the Governance Committee.

ADAA also provided technical expertise and research in diverse areas including procurement, public service, finance, and governance to ensure successful delivery of program outputs. Furthermore, ADAA is helping the Governance Committee by developing an operating model and implementation guide for effective governance of SOEs.

### *Accounting Technical Advice*

To improve both the quality and consistency of International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS) reporting and understanding within the finance community of Abu Dhabi, ADAA issues accounting technical position papers that provide specific guidance to Subject Entities on particular topics.

ADAA also provided specific accounting advice to Subject Entities and through the Abu Dhabi Technical Forum builds consistency in accounting treatments. In 2010 ADAA issued 36 technical papers on a multitude of topics.

## **■ National and International Representation**

ADAA continuously seeks opportunities to gain knowledge about best practices that will assist in improving accountability and transparency across the Government. Hence, ADAA actively endeavors to contact national and international organizations that play a similar role or a regulatory and supervisory role in the fields of accountability, accounting and audit.

ADAA was the first organization in the Middle East to become a member of the International Forum of Independent Audit Regulators (IFIAR) in early 2009 and in 2010 ADAA hosted IFIAR in Abu Dhabi, marking the UAE as the first Arab country to host this meeting in its seventh edition with the attendance of more than 130 representatives from more than 30 jurisdictions worldwide.

ADAA also hosted various delegations from national and international organizations to share knowledge and get acquainted with best practices as well as attended many events locally and internationally such as the 11th Annual Gulf Regional Audit Conference of the UAE Internal Audit Association (IIA) held in Abu Dhabi, the IFIAR 8th meeting held in Madrid, the 2010 Forum of International Accountancy Regulators held by the National Association of State Boards of Accountancy "NASBA" and the World Economic Forum Summit on Global Agenda held in Dubai whereby the Chairman of ADAA participated as a member of the Global Agenda Council on Anti-Corruption after being requested to join the council earlier in 2010.

### 3.5 OUTPUT GROUP 4: SPECIAL EXAMINATION

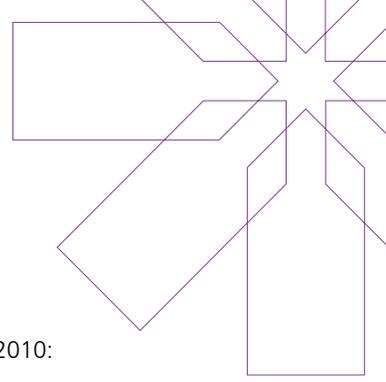
In 2010, ADAA received 33 complaints from Subject Entities, law enforcement authorities, the Public and internal departments from ADAA. In 2009 ADAA received 12 complaints. All complaints were examined as per the Special Examination Methodology outlined by ADAA and in accordance with its' approved regulations. These examinations resulted in a variety of actions taken and are shown in the following table:

No.	Action Taken	2009	2010
1.	Conducted investigations	3	5
2.	Conducted examinations	8	9
3.	Closed the complaint due to inaccuracy or insignificance of complaint or no-violation	1	16
4.	Transferred to responsible entity - out of ADAA scope	0	2
5.	Presented technical advice to law enforcement authority	0	1
<b>Total number of Complaints received by ADAA</b>		<b>12</b>	<b>33</b>

Based upon the investigations conducted by ADAA in 2010, the Public Prosecution were notified of two incidents where punitive crimes were committed and required action to be taken by public prosecution.

All examinations conducted by ADAA in 2009 and 2010 were generally identified as violations related to the followings:

- Abuse of power and conflict of interest.
- Violation of procurement laws, regulations and procedures.
- Negligence in managing public money.
- Breaching code of conduct.



Below is a summary of some of ADAA examinations and investigations cases in 2010:

### CASE 1

ADAA received a complaint from an ex-employee at a public shareholding company against a head of department at a Subject Entity that procured a service from his company claiming that the head of department had acquired huge commissions that surpassed 290 million dirhams exceeding 35% of the total value of the contract between the two parties.

Upon conducting an investigation, ADAA validated the allegations filed and found similar violations with additional companies providing a similar service and the involvement of various employees from the public shareholding company with the accused Subject Entity head of department confirming the acquisition of these illegitimate commissions.

ADAA informed the Subject Entity in order to take disciplinary action against the accused employee and other involved parties as well as notifying the Public Prosecution of the incident since it was suspected as a punitive crime. The Public Prosecution conducted a criminal investigation and has filed the case to court.

### CASE 2

A law enforcement authority informed ADAA of a violation committed by a chairman deputy at a Subject Entity whereby the violator issued financial decisions worth over 580 million dirhams beyond his designated jurisdictions.

Upon examining the violation, ADAA found the deputy had exceeded his delegation of authority and that in return reversed his decisions and ADAA notified the Subject Entity and law enforcement authority of the same and of the results of the examination.

### CASE 3

ADAA received a complaint from a law enforcement authority against a general manager of a Subject Entity stating that he had awarded tenders illegitimately to vendors and had given direct orders violating provisions regulating procurement laws and regulations.

The investigation conducted by ADAA found documentations confirming the allegations filed against the general manager and concluded that he violated the procurement laws and regulation, and code of conduct and business ethics. (During the examination the value of the Subject Entity's contracts exceeded 700 million dirham).

ADAA informed the Subject Entity to take disciplinary action against the violators and to inform the related law enforcement authority to carry forward the investigation in the suspected punitive crime that resulted in notifying the Public Prosecution of the incident.

## 3.6 OUTPUT GROUP 5: ADAA TRAINING CENTER

In 2010, ADAA re-defined the outputs under this group in order to achieve the main objective of establishing the ADAA Training Center and created an integrated approach to establishing a center of excellence that covers training requirements and needs accompanied by a full spectrum of services that ensures it keeps up-to-date with the latest developments and international best practices.

The outputs defined under this group are:

- Qualifying Emirati Auditors
- Research and Knowledge Sharing
- Workshops and Seminars

### 3.6.1 Qualifying Emirati Auditors

ADAA Training Center has designed two training programs that will contribute to increasing the number of qualified Emirati Auditors in the Government and these programs include offering professional certifications in the accounting and audit profession such as the Certified Public Accountant (CPA) examination preparation course and the Certified Internal Auditor (CIA) examination preparation course to UAE Nationals.

It is worth mentioning that ADAA's two-year initiative to bring the USA CPA examination to the region and Abu Dhabi has succeeded in October 2010. The National Association of State Boards of Accountancy "NASBA" informed ADAA that it had agreed to administer this 100 year old exam outside the USA for the first time and consider Abu Dhabi as a host location; making it accessible to everyone. Since the inception of the programs ADAA has 23 Emiratis enrolled in their training program and will be accepting another 10 applications in 2011.

### 3.6.2 Research and Knowledge Sharing

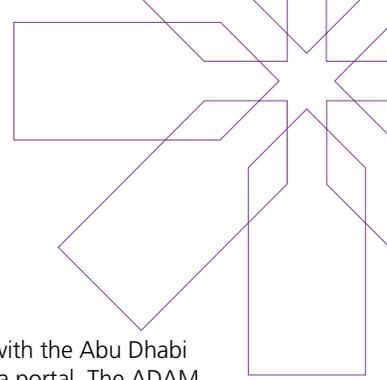
During the year 2010, ADAA worked on various projects that included base-lining and benchmarking projects providing new insights on the Abu Dhabi Government, developing research papers, development of new systems that streamline processes and ensure easy storage and accessibility of knowledge.

The Research and Knowledge Management (RKM) function at ADAA completed over 120 research assignments, 2 major baseline surveys, 4 research papers and 10 research primers.

ADAA has launched a number of initiatives to enable knowledge sharing across Abu Dhabi Government and its Subject Entities such as:

#### **E-maarifa**

In 2010, ADAA launched the e-maarifa portal with the objective of creating a knowledge platform for all Subject Entities.



The e-maarifa portal (<https://www.e-maarifa.ae>) was officially launched in 2010 with the Abu Dhabi Audit Management (ADAM) site being the first collaboration site on the e-maarifa portal. The ADAM site brought together members of the Internal Audit community across the Abu Dhabi government to share information and communicate on key issues in the form of documents and discussions. The ADAM site currently has a membership of more than 300 users across more than 65 Subject Entities.

### **ADAA Digest**

A new look and approach to ADAA's monthly Accounting Digest (Previously known as the "IFRS Digest") was introduced in 2010 with a wider scope of content that included ADAA's hot topics, what's new from the IASB and IPSASB and the accounting profession, related party transactions, accounting for transactions with government, non cash transfers of assets and much more.

The Digest fits on one page and includes web links to publications where further information can be found on the subjects highlighted. The ADAA Digest also introduced a specialist IFRS "Help Desk" that receives internal and external requests for help and advice on the interpretation of current and existing standards and interpretations and releases a technical paper accordingly to the concerned party.

### **Global Accountability and Transparency**

ADAA issues a monthly newsletter under the title "Global Accountability and Transparency" whereby various topics and research papers are covered and discussed.

### **Practice Guides**

During 2010, ADAA issued the Internal Audit Better Practice Guide that is intended to assist the Internal Audit functions at Subject Entities to operate in a consistent and unified framework based on international best practices.

## **3.6.3 Workshops and Seminars**

ADAA provides workshops and seminars to Subject Entities and the public on matters that complement its primary role and fall within its area of expertise. Below is a summary of ADAA activities in 2010 related to this output:

### **Abu Dhabi Technical Forum (ADTF)**

ADAA initiated this forum that is chaired by ADAA's Head of Accounting and Auditing Standards which brings together the Abu Dhabi based technical partners of the international accounting firms. Discussions focus on current and expected problematic accounting treatments. The aim of the forum is to eliminate the local inconsistency in application of accounting standards by building consensus on the interpretation of accounting standards and the acceptability (or not) of accounting treatments, thereby improving the comparability and quality of financial reporting in Abu Dhabi.

### **Internal Audit Seminar**

The 2<sup>nd</sup> Internal Audit Seminar was held in February 2010 and was attended by key people in the Internal Audit function from around 60 Subject Entities and discussed challenges in the profession, process, internal controls, policies, issues and an introduction to SAAR as well as knowledge sharing of best practices and developments.

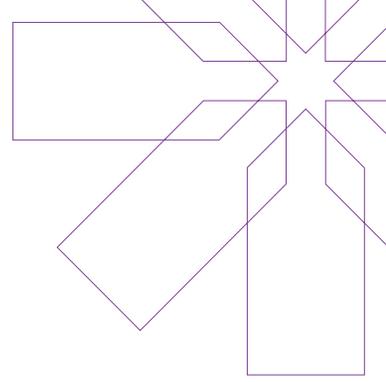
## Panel Discussions and Workshops

ADAA conducted a panel discussion on the Financial Management Assessment for over 60 key representatives from the financial function at Subject Entities to explain the FMA process, the objective, benefits and address queries by participants. It also hosted two workshops for representatives from the Abu Dhabi Judicial Department that were introduced to ADAA services with an emphasis on the Special Examinations output.

## 3.7 2011 WORKPLAN

ADAA will execute its' 2011 annual plan to ensure the delivery of timely and relevant services on issues that add value to its stakeholders as summarized below:

- Issue 85 Financial Audits and Examinations reports.
- Issue 83 Performance and Risk Assurance reports.
- Issue 20 Supporting Accountability reports.
- Issue 10 Special Examination reports.
- Issue the audit report on the consolidated financial statements of the Government within the time-frame specified in the Financial Management Law.
- Complete all services and methodologies under the "Supporting Accountability" and the "ADAA Training Center" output groups.
- Recruit 10 UAE National Graduates.
- Enhance and unify Subject Entities financial statements basis of preparation according to Subject Entities' operations and aligned with international standards.
- Address complex accounting matters and unify interpretations of financial reporting standards through the Abu Dhabi Technical Forum.
- Continue assisting the Government and the Governance Committee in establishing ADAA recommended integrated governance framework.
- Continue assisting Subject Entities to build their capabilities in internal audit, business and fraud risk management and governance.
- Monitor compliance of Subject Entities with SAAR.
- Strengthen the financial management function within Subject Entities through conducting more Financial Management Assessments (FMA).
- Monitor outputs and outcomes and related performance indicators to ensure that stakeholders and Subject Entities needs are being met.
- Continue coordination with international peers for knowledge sharing and for adoption of best practices.
- Further development of the e-maarifa portal to include new sites as well as improving the currently existing ADAM site.



- Publish “Fraud Scenario Assessment (FSA)” methodology.
- Continue to advise and assist Government entities to develop their Anti-Fraud framework.
- Identify and address the common vulnerabilities across Subject Entities.
- Develop and assist in the implementation of the Fraud Control Policy in Subject Entities.

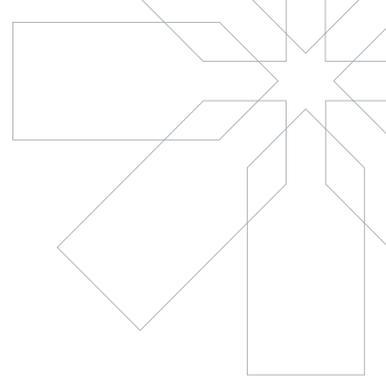
No.	Description	Actual 2010	Target 2011
1	Financial Audit and Examination	96	85
2	Performance and Risk Assurance	83	83
3	Supporting Accountability	19	20
4	Special Examination	15	10
5	ADAA Training Center	NA	NA
<b>Total Number of Reports</b>		<b>213</b>	<b>198</b>
<b>Total Cost (AED)**</b>		<b>110,287,672</b>	<b>136,237,000</b>

\* Certain comparative numbers have been reclassified to conform to current year's output group presentation.

\*\* The total cost represents ADAA budget (target) and actual as per ADAA audited financial statements and include the cost of other ADAA outputs.

**PART FOUR**

**2010 AUDITED  
FINANCIAL  
STATEMENTS**



## ADAA 2010 AUDITED FINANCIAL STATEMENTS

# 2010 AUDITED FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS TOGETHER  
WITH AUDITORS' REPORT  
31 DECEMBER 2010



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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 2010 and the statement of financial performance, statement of changes in Government of Abu Dhabi account, cash flow statement and statement of comparison of budget and actual amounts 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### 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 2010 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Signed by  
Andre Kasparian  
Partner  
Ernst & Young  
Registration No. 365

9 February 2011  
Abu Dhabi

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# Abu Dhabi Accountability Authority

## STATEMENT OF FINANCIAL POSITION As at 31 December 2010

	Notes	2010 AED	2009 AED
<b>ASSETS</b>			
<b>Current assets</b>			
Bank balances and cash	4	25,058,433	43,853,426
Debtors and other debit balances	5	<u>7,952,158</u>	<u>7,858,146</u>
		<b>33,010,591</b>	<b>51,711,572</b>
<b>Non-current assets</b>			
Property and equipment, net	6	4,716,435	5,991,753
Intangible assets, net	7	<u>1,315,047</u>	<u>2,617,180</u>
		<b>6,031,482</b>	<b>8,608,933</b>
<b>TOTAL ASSETS</b>		<b><u>39,042,073</u></b>	<b><u>60,320,505</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and other credit balances	8	3,797,752	15,529,357
Government of Abu Dhabi account		<u>23,712,052</u>	<u>32,892,635</u>
		<b>27,509,804</b>	<b>48,421,992</b>
<b>Non-current liabilities</b>			
Employees' end of service benefits	9	<u>11,532,269</u>	<u>11,898,513</u>
<b>TOTAL LIABILITIES</b>		<b><u>39,042,073</u></b>	<b><u>60,320,505</u></b>

The financial statements were authorised for issue in accordance with a resolution of the Authority's Chairman on 9 February 2011.



Mohammad Saif Al Muheiri  
Director of Finance



Riyadh Abdulrahman Al Mubarak  
Chairman

The attached notes 1 to 15 form part of these financial statements.

## Abu Dhabi Accountability Authority

### STATEMENT OF FINANCIAL PERFORMANCE For the year ended 31 December 2010

	Notes	2010 AED	2009 AED
<b>Revenues</b>			
Contribution from Government of Abu Dhabi	11	109,180,583	103,057,049
Other income		<u>1,107,089</u>	<u>16,420</u>
<b>Total revenues</b>		<b><u>110,287,672</u></b>	<b><u>103,073,469</u></b>
<b>Expenditures</b>			
Salaries, wages and other benefits		92,492,625	75,651,058
Employees' end of service benefits	9	2,588,251	3,357,972
Depreciation and amortization		4,175,396	4,004,178
General and administrative expenses	10	<u>11,031,400</u>	<u>20,060,261</u>
<b>Total expenditures</b>		<b><u>110,287,672</u></b>	<b><u>103,073,469</u></b>

The attached notes 1 to 15 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 2010

	2010 AED	2009 AED
Balance at 1 January	32,892,635	40,949,684
Funds received during the year	100,000,000	95,000,000
Contribution recognized as revenue during the year	(109,180,583)	(103,057,049)
Balance at 31 December	<u>23,712,052</u>	<u>32,892,635</u>

The attached notes 1 to 15 form part of these financial statements.

## Abu Dhabi Accountability Authority

### CASH FLOW STATEMENT For the year ended 31 December 2010

	Notes	2010 AED	2009 AED
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Adjustments for non-cash items:			
Depreciation and amortization		4,175,396	4,004,178
Provision for employees' end of service benefits	9	2,588,251	3,357,972
Gain on sale of property and equipment		(38,000)	(16,420)
 (Increase) Decrease in debtors and other debit balances		 (94,012)	 1,284,367
(Decrease) Increase in payables and other credit balances		(11,731,605)	1,628,066
Decrease in Government of Abu Dhabi account		(9,180,583)	(8,057,049)
 Employees' end of service benefits paid	9	 (2,954,495)	 (1,574,482)
 Net cash flows (used in) from operating activities		 (17,235,048)	 <u>626,632</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Purchase of property and equipment	6	(1,511,192)	(998,322)
Purchase of intangible assets	7	(86,753)	(36,300)
Proceeds from sale of property and equipment		<u>38,000</u>	<u>16,420</u>
 Net cash used in investing activities		 (1,559,945)	 (1,018,202)
 <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		 (18,794,993)	 (391,570)
Cash and cash equivalents at the beginning of the year		43,853,426	44,244,996
 <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	4	 <u>25,058,433</u>	 <u>43,853,426</u>

The attached notes 1 to 15 form part of these financial statements.

# Abu Dhabi Accountability Authority

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS For the year ended 31 December 2010

Description 2010	Final budget amounts AED	Actual amounts on comparable basis AED	Difference surplus (deficit) AED
<b>RECEIPTS</b>			
Contribution from Government of Abu Dhabi	136,237,000	100,000,000	36,237,000
Revenue from non-subject entities	-	<u>1,069,089</u>	<u>(1,069,089)</u>
<b>Total Receipts</b>	<b><u>136,237,000</u></b>	<b><u>101,069,089</u></b>	<b><u>35,167,911</u></b>
<b>EXPENDITURES</b>			
<b>Chapter one - Salaries, wages and other benefits</b>			
Basic salary and other allowances	85,361,270	83,586,691	1,774,579
Tuition allowance	2,640,000	2,311,505	328,495
Contributions to pension fund and retirements benefit plan	3,655,000	2,413,572	1,241,428
End of service benefits	3,600,000	2,588,251	1,011,749
Medical insurance	2,250,000	2,154,259	95,741
Staff training	3,020,000	708,083	2,311,917
Other expenses	<u>1,126,730</u>	<u>290,878</u>	<u>835,852</u>
<b>Total salaries, wages and other benefits/surplus from chapter one</b>	<b><u>101,653,000</u></b>	<b><u>94,053,239</u></b>	<b><u>7,599,761</u></b>
<b>Chapter two – Other operating expenditure</b>			
Recruitment fees	1,300,000	483,037	816,963
Consultancy fees	11,160,000	2,076,449	9,083,551
Office rent and other related expenses	5,465,000	3,652,700	1,812,300
Motor vehicles expenses (insurance, maintenance and fuel)	170,000	59,736	110,264
Operation and maintenance of computers, furniture and office equipment	1,275,000	1,349,984	(74,984)
Books and professional and scientific subscription	120,000	23,387	96,613
Advertising and corporate identity expenses	1,830,000	796,050	1,033,950
Business travel expenses	1,840,000	1,090,021	749,979
Miscellaneous expenses	<u>6,359,000</u>	<u>1,489,075</u>	<u>4,869,925</u>
<b>Total other operating expenditure/ surplus from chapter two</b>	<b><u>29,519,000</u></b>	<b><u>11,020,439</u></b>	<b><u>18,498,561</u></b>
<b>NET OPERATING RECEIPTS (PAYMENTS)</b>	<b><u>5,065,000</u></b>	<b><u>(4,004,589)</u></b>	<b><u>9,069,589</u></b>
<b>Chapter three - Capital expenditure</b>			
Motor vehicles	200,000	140,000	60,000
Furniture and office equipment	650,000	695,399	(45,399)
Computer equipment	2,350,000	617,443	1,732,557
Leasehold improvements	500,000	58,350	441,650
Intangible assets	1,365,000	86,753	1,278,247
Proceeds from sale of property and equipment	-	<u>(38,000)</u>	<u>38,000</u>
<b>Total capital expenditure/ surplus from chapter three</b>	<b><u>5,065,000</u></b>	<b><u>1,559,945</u></b>	<b><u>3,505,055</u></b>
<b>NET RECEIPTS/(PAYMENTS)</b>	<b><u>-</u></b>	<b><u>(5,564,534)</u></b>	<b><u>5,564,534</u></b>

*Note: The budget and the financial statements are prepared using a different basis. The actual amounts on comparable basis above were prepared on the same basis adopted for budget: "modified cash basis". Additional information about the approved budget and a reconciliation of amounts as per the above statement and the actual amounts in the statement of cash flows are disclosed in Note 15 to the financial statements.*

The attached notes 1 to 15 form part of these financial statements.

## Abu Dhabi Accountability Authority

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

## 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 2010, the Authority had 138 employees (2009: 143 employees).

## 2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### 2.1 Basis 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.

### 2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

**IPSAS 4 *The Effects of Changes In Foreign Exchange Rates (Revised)*** – Effective from 1 January 2010, the revision mainly clarifies and provides additional guidance on recognition of exchange

# Abu Dhabi Accountability Authority

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

### 2.2 Changes in Accounting Policies and Disclosures continued

differences arising from net investment in a foreign operation. Since the Authority has no investment in a foreign operation and the fact that the presentation and functional currency of the Authority is same, the adoption of revised standard has no impact on the statements of financial performance and position of the Authority.

**IPSAS 31 Intangible Assets** – The new standard is effective from 1 April 2011 and provides comprehensive guidance on identifying, recognizing, measuring and making related disclosures for intangible assets.

The Authority has early adopted IPSAS 31 with retrospective effect. Since the Authority has previously recognized intangible assets applying the requirements of IAS 38 "Intangible Assets", the early adoption of IPSAS 31 has no impact on the statements of financial performance and position of the Authority.

**IPSAS 24 Presentation of Budget Information in Financial Statements** – In order to enhance the accountability and transparency of the Financial Statements, the Authority has voluntarily adopted IPSAS 24 with effect from 1 January 2010.

The adoption of IPSAS 24 requires an additional statement and several new disclosures. In particular, a statement of comparison of budget and actual amounts is presented in the financial statements on a comparable basis. As the adoption of IPSAS 24 only impacts the presentation of financial statements, there is no impact on the statements of financial performance and position of the Authority.

Comparative figures for the statement of comparison of budget and actual amounts and other related disclosures have not been presented as allowed under paragraph 52 of IPSAS 24.

### 2.3 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 2010:

- IPSAS 25 Employee Benefits.
- IPSAS 27 Agriculture
- IPSAS 28 Financial Instruments: Presentation
- IPSAS 29 Financial Instruments Recognition and Measurement
- IPSAS 30 Financial Instruments Disclosures
- Improvements to IPSASs (November 2010)

## Abu Dhabi Accountability Authority

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

The adoption of the above new or revised IPSAS and improvements will have no impact on the financial position or performance of the Authority. However, they will give rise to amendments to the presentation of the financial statements and additional or amended disclosures.

#### 2.4 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:

##### *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 2010 gross debtors and other debit balances were AED 7,952,158 (2009: AED 7,858,146) with no provision for doubtful debts (2009: 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 2010 was AED 4,716,435 (2009: AED 5,991,753).

##### *Useful live of intangible asset*

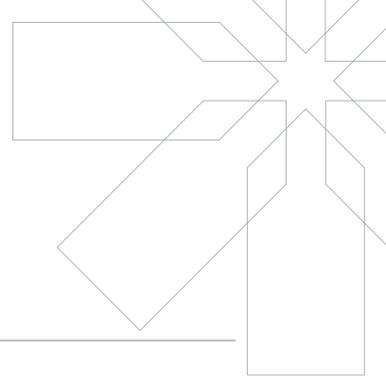
The Authority's management determines the estimated useful live of intangible assets for calculating amortization. This estimate is determined after considering the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. Management reviews the residual value and useful live annually and future amortization charge would be adjusted where the management believes the useful lives differ from previous estimates. The net carrying amount of intangible assets at 31 December 2010 was AED 1,315,047 (2009: AED 2,617,180).

## 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.



## Abu Dhabi Accountability Authority

### NOTES TO THE FINANCIAL STATEMENTS 31 December 2010

#### 3.1 Revenue Recognition *continued*

##### *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:

	Years
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 service 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 on a straight line basis over their useful economic lives of 3 years.

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 service amount, the assets are written down to their recoverable service amount. The excess of carrying value over recoverable service amount is recognized as an impairment loss.

#### 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

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### NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

#### 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.

## Abu Dhabi Accountability Authority

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

#### 4 BANK BALANCES AND CASH

	2010 AED	2009 AED
Bank balances and cash	25,050,433	43,846,407
Petty cash	<u>8,000</u>	<u>7,019</u>
	<u>25,058,433</u>	<u>43,853,426</u>

#### 5 DEBTORS AND OTHER DEBIT BALANCES

	2010 AED	2009 AED
Prepaid expenses	2,289,779	1,638,655
Advances and loans to employees	4,868,218	4,913,062
Other debtors	<u>794,161</u>	<u>1,306,429</u>
	<u>7,952,158</u>	<u>7,858,146</u>

## Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2010

## 6 PROPERTY AND EQUIPMENT

	Motor vehicles AED	Furniture and fixtures AED	Computers AED	Leasehold improvements AED	Machinery and office equipment AED	Total AED
<b>2010</b>						
Cost:						
As at 1 January 2010	680,000	1,957,342	3,388,466	3,749,529	1,198,282	10,973,619
Additions	140,000	617,579	617,443	58,350	77,820	1,511,192
Disposals	(125,000)	-	-	-	-	(125,000)
As at 31 December 2010	<u>695,000</u>	<u>2,574,921</u>	<u>4,005,909</u>	<u>3,807,879</u>	<u>1,276,102</u>	<u>12,359,811</u>
Accumulated depreciation:						
As at 1 January 2010	606,342	616,224	1,925,793	1,161,653	671,854	4,981,866
Depreciation for the year	69,050	503,246	986,064	943,442	284,708	2,786,510
Disposals	(125,000)	-	-	-	-	(125,000)
As at 31 December 2010	<u>550,392</u>	<u>1,119,470</u>	<u>2,911,857</u>	<u>2,105,095</u>	<u>956,562</u>	<u>7,643,376</u>
Net carrying amount:						
As at 31 December 2010	<u>144,608</u>	<u>1,455,451</u>	<u>1,094,052</u>	<u>1,702,784</u>	<u>319,540</u>	<u>4,716,435</u>
<b>2009</b>						
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>

## Abu Dhabi Accountability Authority

### NOTES TO THE FINANCIAL STATEMENTS 31 December 2010

#### 7 INTANGIBLE ASSETS

	<i>Computer Software</i>	
	2010 AED	2009 AED
<i>Cost:</i>		
As at 1 January	4,126,717	4,090,417
Additions	<u>86,753</u>	<u>36,300</u>
As at 31 December	<u>4,213,470</u>	<u>4,126,717</u>
<i>Accumulated amortization:</i>		
As at 1 January	1,509,537	140,889
Amortization for the year	<u>1,388,886</u>	<u>1,368,648</u>
As at 31 December	<u>2,898,423</u>	<u>1,509,537</u>
<i>Net book value:</i>		
As at 31 December	<u>1,315,047</u>	<u>2,617,180</u>

#### 8 PAYABLES AND OTHER CREDIT BALANCES

	2010 AED	2009 AED
Trade payables	2,025,695	13,297,740
Accrued expenses	<u>1,772,057</u>	<u>2,231,617</u>
	<u>3,797,752</u>	<u>15,529,357</u>

#### 9 EMPLOYEES' END OF SERVICE BENEFITS

	2010 AED	2009 AED
Balance as at 1 January	11,898,513	10,115,023
Charge for the year	2,588,251	3,357,972
End of service benefits paid during the year	<u>(2,954,495)</u>	<u>(1,574,482)</u>
Balance as at 31 December	<u>11,532,269</u>	<u>11,898,513</u>

## Abu Dhabi Accountability Authority

### NOTES TO THE FINANCIAL STATEMENTS 31 December 2010

#### 10 GENERAL AND ADMINISTRATIVE EXPENSES

	2010 AED	2009 AED
Business travel	1,090,021	726,661
Recruitment fees	482,037	1,073,091
Consultancy fees	2,364,293	12,295,551
Rent	2,248,008	1,915,686
Telephone and internet	924,068	904,269
Computer maintenance	1,163,765	1,607,855
Other expenses	<u>2,759,208</u>	<u>1,537,148</u>
	<u>11,031,400</u>	<u>20,060,261</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:

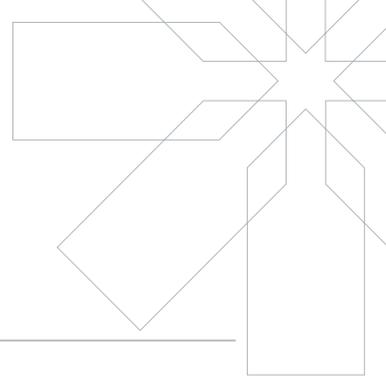
##### Government of Abu Dhabi

	2010 AED	2009 AED
Contribution from Government of Abu Dhabi	<u>109,180,583</u>	<u>103,057,049</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:

	2010	2009
Salaries and other benefits	AED 13,445,415	AED 13,684,063
Employees' end of service benefits	AED 469,547	AED 333,546
Number of key management personnel	9	9



# Abu Dhabi Accountability Authority

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2010

### 12 COMMITMENTS AND CONTINGENCIES

As at 31 December 2010, the Authority had no capital commitments, which are contracted but not provided for (2009: AED 20,900).

### 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.

## Abu Dhabi Accountability Authority

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

## 15 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

- 15.1** The Authority's budget is prepared on a modified cash basis which combines elements of cash and accrual method. The approved budget for all individual categories encompasses expected expenditures during the year but excludes any payments for prior years' obligations, except for the budget of end of service benefits which represents expected charge for the year. The budget is prepared using a classification based on the nature of expenses and covers the same period (1 January to 31 December) as the financial statements. The budget was approved by HH Abu Dhabi Crown Prince Chairman of the Abu Dhabi Executive Council, and was included in the Government budget in accordance with the Executive Council resolution Number 1 meeting 1/2010 issued on 15 February 2010.
- 15.2** The Authority's budget and financial statements are prepared using a different basis. The financial statements are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a modified cash basis. The amounts in the financial statements were recast from the accrual basis to the modified cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.
- 15.3** As required under IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences.
- 15.4** Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. For the Authority, the budget is prepared on the modified cash basis and the financial statements are prepared on the accrual basis.
- 15.5** Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for the Authority as the budget period and the reporting period reflected in the financial statements are the same.
- 15.6** Entity differences occur when the budget omits programs/ activities or entities that are part of the entity for which the financial statements are prepared.
- 15.7** Presentation differences are due to differences in the format and classification schemes adopted for presentation of statement of cash flow and statement of comparison of budget and actual amounts.

# Abu Dhabi Accountability Authority

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2010

**15.8** A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows for the year ended 31 December 2010 is presented below.

2010	Operating AED	Investing AED	Financing AED	Total AED
Actual amount on comparable basis as presented in the statement of budget and actual amounts	(4,004,589)	(1,559,945)	-	(5,564,534)
Basis differences	(12,231,064)	-	-	(12,231,064)
Entity differences	<u>(999,395)</u>	<u>-</u>	<u>-</u>	<u>(999,395)</u>
<b>Actual amount in the cash flow statement</b>	<b><u>(17,235,048)</u></b>	<b><u>(1,559,945)</u></b>	<b><u>-</u></b>	<b><u>(18,794,993)</u></b>

**15.9** Payments relating to obligations incurred in prior year are included as part of basis differences. In addition, the difference between the charge for the end of service benefits ('EOSB') and actual amount paid is also reflected as a basis difference. The details of basis differences are as follows:

2010	Operating AED
Obligations of prior years' activities paid during the year	(11,864,820)
Difference between EOSB charge and amount paid	<u>(366,244)</u>
<b>Total</b>	<b><u>(12,231,064)</u></b>

**15.10** Entity differences represent payments of housing loans to employees of AED 999,395.

## Abu Dhabi Accountability Authority

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### NOTES TO THE FINANCIAL STATEMENTS 31 December 2010

#### 15.11 Explanation of Differences Between Actual Amounts and Budget

The total budget surplus around of AED 30 million and individual surplus reported at each of the above defined budget chapter is primarily attributable to close focus on reducing current year expenditure. This has involved certain activities being deferred for future periods, current year expenditures being reduced and ongoing savings being achieved in contracts with suppliers.

The immaterial deficit reported in the budget of operation, maintenance and capital expenditure for furniture and office equipment is primarily driven from the recent expansion of the Authority's office by way of occupying an additional floor.

Due to the current and past surplus reported and availability of cash and bank balances at the beginning of the year, the Authority requested a contribution of AED 100 million from the Government of Abu Dhabi as opposed to an approved and available budget of AED 136.2 million for the year 2010.

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