

جهاز أبوظبي للمحاسبة
Abu Dhabi Accountability Authority



2012

Accountability Report

جهاز أبوظبي للمحاسبة
Abu Dhabi Accountability Authority



Accountability Report 2012







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



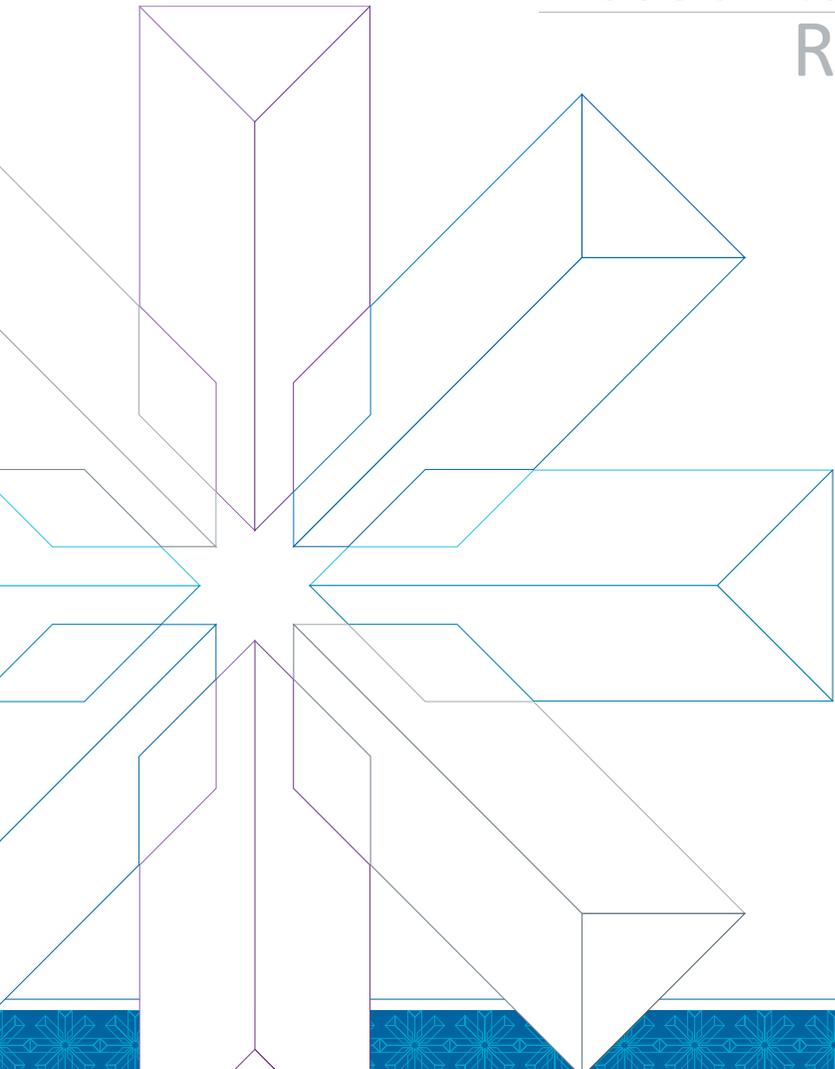


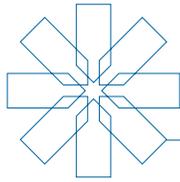


His Highness General Sheikh Mohamed bin Zayed Al Nahyan
Crown Prince of Abu Dhabi,
Deputy Supreme Commander of the UAE Armed Forces



Accountability **20**
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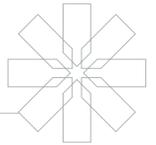


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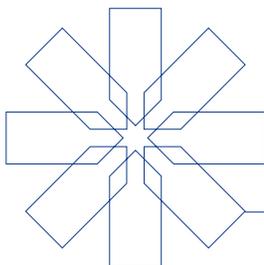
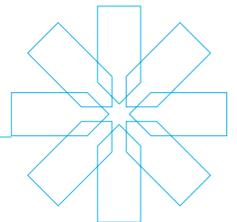
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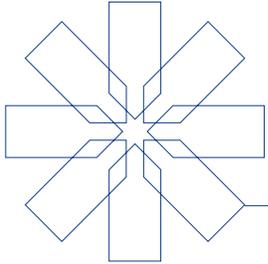


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H.E. Riyadh Al Mubarak
ADAA Chairman





FOREWORD

It gives us great pleasure to present for the fourth consecutive year our Accountability Report 2012, hoping its content will manifest the transparency and accountability that we've promised to sustain and aspire to achieve in all our work.

2011 was unquestionably a challenging and eventful year both locally and internationally, and has been for ADAA a significant turning point. We tested our service's and work methodologies, exploring new ways to further develop them in accordance with the latest best practices in order to ensure the accuracy, clarity and relevance of our outputs to achieve our mandate and responsibilities outlined in our establishment law.

The continuous pursuit to progress, persistence to achieve and great aspirations; are not principles exclusive to ADAA, they are a lifestyle we grew accustomed to, a vision of a leadership we admire and the spirit of a union which established a country that celebrated its 40th anniversary last year.

The 2nd of December marked our 40th anniversary celebration of the Union and the establishment of the U.A.E. making it the highlight of 2011 which is the first thing we proudly remember upon recalling the events of the previous year. Therefore we take this opportunity to congratulate the UAE, our rulers and the people once again with our prayers to Allah to perpetuate security and prosperity.

A clear vision with the right support facilitate implementation and transform goals to achievements; and we are fortunate to have the clear vision of His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the UAE and Ruler of Abu Dhabi along with the unparalleled support 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 that enabled us to realize our goals and

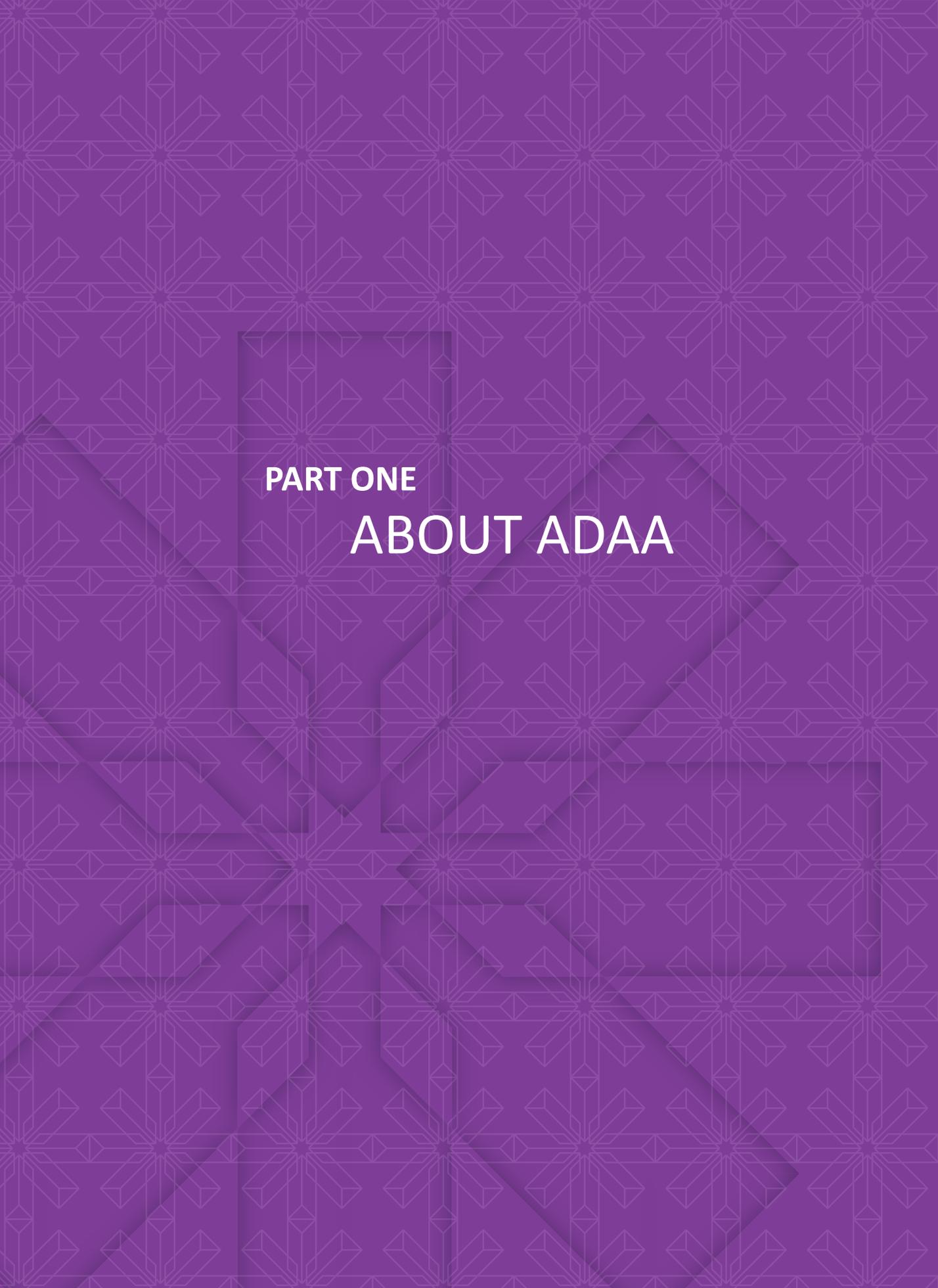
transform them into achievements, of which we mention a few below:

- ADAA issued 212 reports across all of its output groups.
- ADAA was elected by members of the International Forum of Independent Audit Regulators (IFIAR) to sit on its Advisory Council making the UAE the first Arab country to become a member.
- ADAA alongside the National Association of State Boards of Accountancy "NASBA" announced the commencement of the US Certified Public Accountant (CPA) Examinations in Abu Dhabi and the region.
- ADAA received the "Outstanding Contribution" award at the 1st Middle East Accountancy and Finance Excellence Award.

We do not want to expand on our achievements here and hope that you accept our invitation to find out more about ADAA by going through this report. We present in part 1 and 2 of this report what we consider the foundations and essentials necessary to accomplish our goals, followed by the implementation of our plan during the previous year and our aspirations for 2012, concluded with our audited financial statements presented transparently.

Finally, I reiterate our gratitude and pride to our wise leadership, our appreciation to our Subject Entities for their cooperation and interaction and my thankfulness to ADAA employees for their tremendous efforts in the previous year.

Riyad Al Mubarak
Chairman



PART ONE

ABOUT ADAA

- 1.1 Overview
- 1.2 Subject Entities
- 1.3 Functions, Priorities and Outcomes
- 1.4 Governance Report



PART ONE ABOUT ADAA

1.1 OVERVIEW

1.1.1 History

The Abu Dhabi Accountability Authority “ADAA” was established on 18th December 2008 as an independent body reporting to His Highness the Crown Prince of Abu Dhabi, and replacing the Financial Audit Authority that was first established pertaining to law No. (1) announced on 12th January 1985.

The first law to establish The Financial Audit Authority stated that it be established as an independent body reporting to the Crown Prince and limited its mandate to include performing a financial audit on the funds of Public Entities and ensuring that these funds are managed efficiently and legitimately, with no reference to the provision of performance and risk reviews or advisory and assistance and it did not include training and development of UAE Nationals in Accounting and Audit. The Authority began implementation of its mandate on 15th April 1997 based on the amendments to law No. (1) of its establishment.

1.1.2 Mandate and Strategic Pillars

- 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



→ Our Mandate

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

Overall Strategy:

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

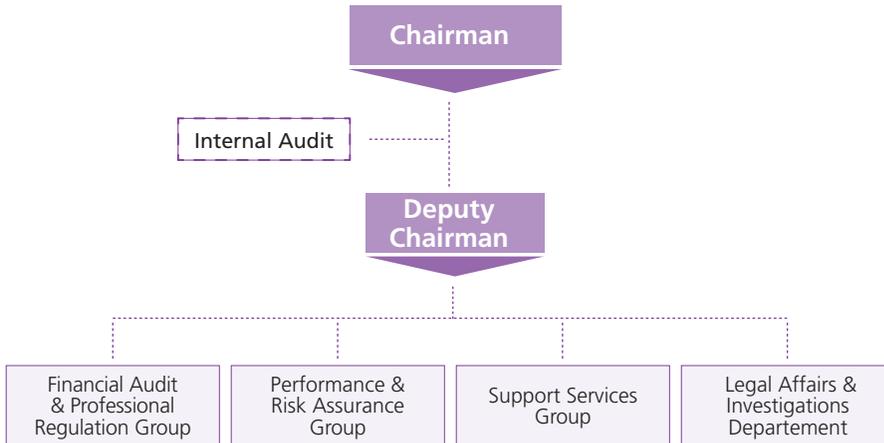
- Becoming a trusted and welcomed advisor to the Government and Subject Entities.
- Leading by example and supporting adoption of better practices.
- Enhancing communication and collaboration between Subject Entities and support sharing of knowledge.

→ Strategic Goals

- | | |
|--|---|
| 1. 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. |
| 2. Enhance Performance | Support public entities in enhancing their performance and improve the quality of data used by decision makers. |
| 3. Maintain and Promote Leading Practices | Maintain and promote leading practices through continuous research and development and sharing of knowledge. |
| 4. Develop Human Capital | Train and develop UAE National graduates. Retain high caliber and experienced individuals. |

1.1.3 Organization Structure

ADAA's structure is based on its operating model designed to fulfill its strategic goals:



→ People

ADAA views its people as its primary asset, top-tier professionals from multi-cultural backgrounds, unified by the ADAA vision, mission and values.

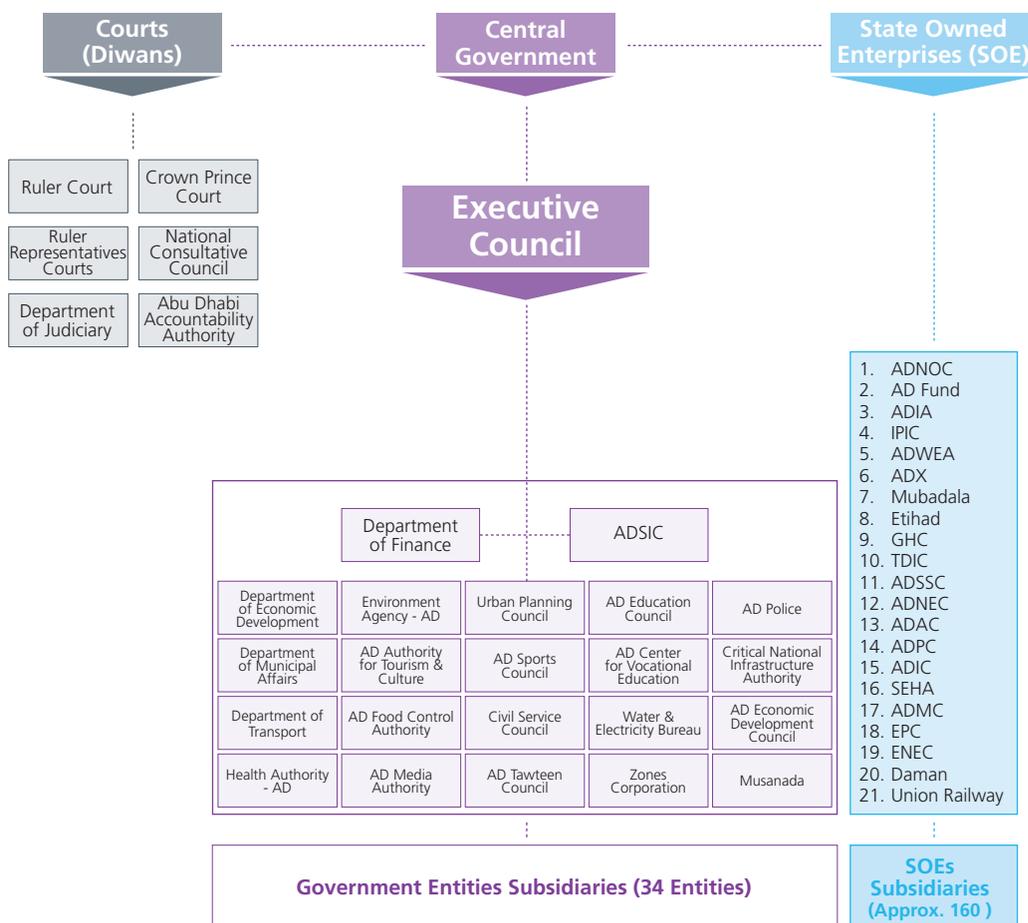
ADAA is committed to develop and attract Emiratis to the Accounting and Audit profession. The Authority has equally defined career paths and growth plans for all employees and promotes the success of ADAA as one team.

1.2 SUBJECT ENTITIES

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

ADAA may undertake special projects at other entities subject to other criteria as per its mandate.

→ Subject Entities Classification



→ Other Subject Entities

- Abu Dhabi Quality and Conformity Council
- Khalifa Fund for Projects Development
- Western Region Development Council
- Emirates Heritage Club
- Dar Zayed for Islamic Culture
- Zoo and Water Life Establishment in Al Ain
- The National Rehabilitation Center
- Abu Dhabi Farmers Services Centre
- Organic Agriculture Center
- Farmer Owner Financial Subsidies Fund
- Family Development Foundation
- Zayed Higher Organization
- Social Care and Minors Affairs Foundation
- Zayed bin Sultan Al Nahayan Charitable & Humanitarian Foundation
- Khalifa Bin Zayed Al Nahayan Charity Foundation
- Emirates Foundation
- Private Housing Loans Authority
- Khalifa University for Science, Technology and Researches
- Emirates College for Educational Development
- Paris-Sorbonne University–Abu Dhabi
- Abu Dhabi Vocational Education and Training Institute
- Institute of Applied Technology
- Abu Dhabi Retirement Fund
- Abu Dhabi Municipality
- Al Ain Municipality
- Western Region Municipality
- The Center of Waste Management - Abu Dhabi
- The Center for Regulation of Transport by Hire Cars (Trans Ad)
- Compensations Fund for Owners of Taxi Licenses
- International Fund for Habara Conservation
- Mohamed bin Zayed Species Conservation Fund
- Statistics Centre - Abu Dhabi
- Presidential Flight Authority
- Office of the Brand Abu Dhabi

1.3 FUNCTIONS, PRIORITIES AND OUTCOMES

1.3.1 Functions

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

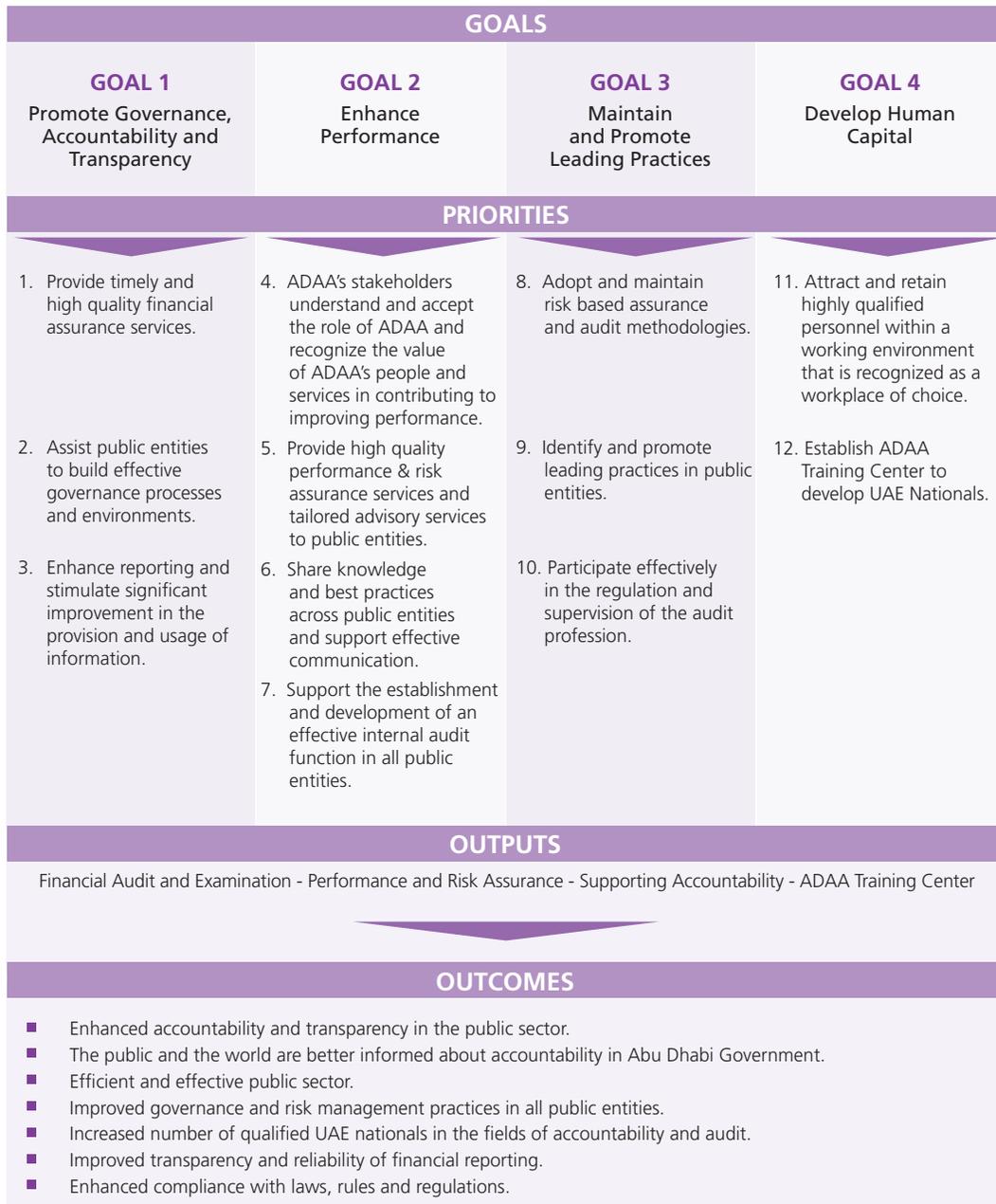
- Audit the Government consolidated financial statements and Subject Entities' financial statements.
- Review performance and risk; to fulfill this responsibility, ADAA may from time to time:
 - Examine the efficiency, effectiveness and economy of the financial and operational activities of Subject Entities.
 - 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.

ADAA prioritizes its work and its high priority Subject Entities based on the following criteria shown in the figure below:



1.3.2 Priorities and Outcomes

ADAA's outcomes are achieved through a mechanism that starts with its strategic goals whereby it derives its work priorities hence, creating its output groups:



1.4 GOVERNANCE REPORT

ADAA aims at earning the trust of its stakeholders and sustaining it through adopting and implementing the highest standards of accountability and transparency and issues its Governance Report accordingly.

In this report, ADAA follows a set of guiding principles, regulations, ideal fundamentals and processes that are integrated under the following main components of governance:

- Leadership
- Institutionalization
- Performance Management
- Control
- External Reports

1.4.1 Leadership

ADAA ensures that all its processes and operations adhere to the utmost principles of transparency whereby its Chairman has welcomed and adopted various channels of communication with the employees providing adequate communication relating to the overall strategy, ADAA's yearly plan and its performance through events such as the Annual Meeting held in the beginning of every year as well as the monthly management meetings that cover different topics of importance and impact on ADAA's work and verifies that the workflow is in line with the annual plan and is consistent with the vision and overall strategy of the Abu Dhabi Government.

1.4.2 Institutionalization

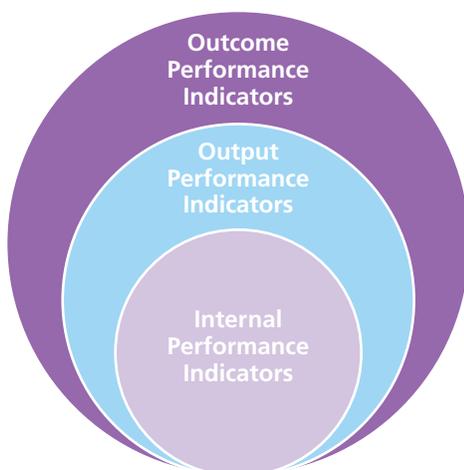
ADAA developed a strategic planning framework based on its' strategic priorities. ADAA also developed work methodologies for every output and service it provides in accordance with international best practices and is considered a guideline for ADAA's actions and the provision of its services. These methodologies are constantly revisited and reviewed to ensure their validity and relevance to the current needs of Abu Dhabi and relative stakeholders.



1.4.3 Performance Management

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

- 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 our services (outputs).
- 3- Internal Performance Indicators: to measure the performance of ADAA internal departments and units.



ADAA implements a remuneration policy and procedure for its employees as well as a performance management system that ensures fair evaluations of individual performance and identifies a clear career path and progression plan for each one.

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

ADAA considers communication a crucial and indispensable approach to measure its performance and achieve transparency with its stakeholders; be it Subject Entities or the general public. ADAA launched many initiatives to enhance awareness of its role and responsibilities that included launching its new identity and its official website www.adaa.abudhabi.ae along with other initiatives to improve the Accounting and Audit professions and has created communication channels with its Subject Entities to encourage knowledge sharing such as the monthly e-newsletter "ADAA IFRS Digest", the e-maarifa web portal, Abu Dhabi Audit Management portal in addition to networking seminars, workshops and panel discussions on new services and policies.

→ Subject Entities Feedback

ADAA seeks feedback from its Subject Entities on the review process executed after the issuance of each audit and assurance report. The feedback received constitutes an important guide to the effectiveness of existing practices and further developments that may be required.

1.4.4 Control

→ Internal Control

ADAA annually reviews its internal controls, including financial, operational, compliance controls and risk management to ensure that its processes are in line with best practice, laws, rules and regulations through its internal audit function that follows international standards set forth in its "Internal Audit Manual" issued in 2010 by ADAA.

ADAA also implemented a rigorous Code of Conduct safeguarding business and professional ethics and ensuring that all ADAA employees understand and abide by this code of conduct, additionally ADAA's Compliance Officer is responsible for receiving and examining complaints related to employees and processes and presenting recommendations for necessary action.

All ADAA employees take the below mentioned oath before the ADAA Chairman upon joining the Authority as per Article (9) of Law (14) on the establishment of ADAA:

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

→ External Audit

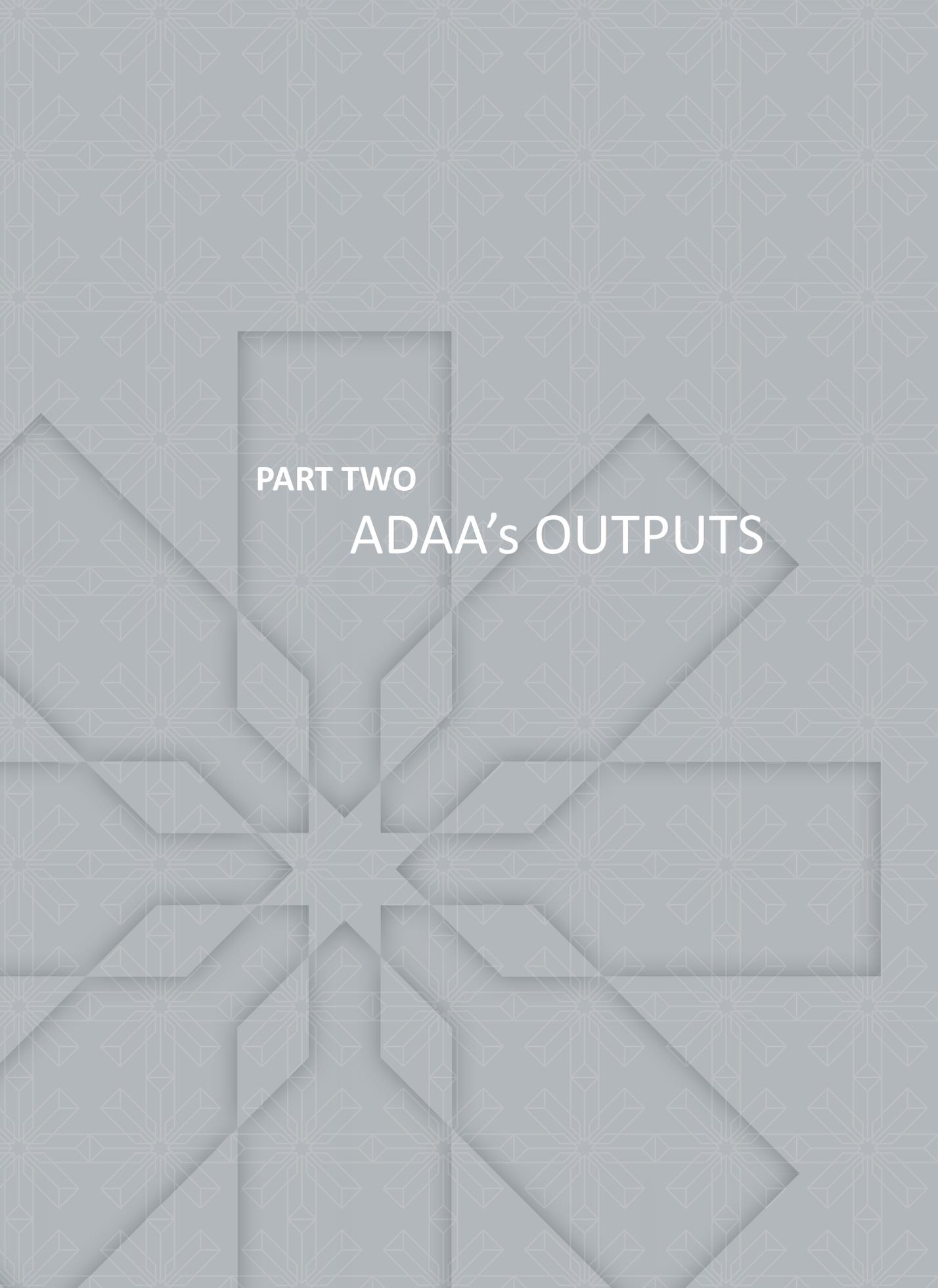
ADAA's financial statements are audited by an external auditor on an annual basis. For the year 2011, Ernst and Young were reappointed in accordance with Statutory Auditor Appointment Rules issued by ADAA for a fee of AED 89,000.

1.4.5 External Reports

ADAA prepares an annual plan that contains its operational intentions, objectives and performance targets for the coming year. The plan also includes ADAA's strategy, priorities, outputs, outcomes and performance measures.

In addition, ADAA prepares an annual report to provide information about the following :

- Comparison of actual outputs against set targets; as well as other information necessary to assess ADAA's performance during the financial year.
- Governance Report.
- ADAA's annual financial statements accompanied with the Statutory Auditor's report.



PART TWO

ADAA's OUTPUTS

- 2.1 Financial Audit and Examination
- 2.2 Performance and Risk Assurance
- 2.3 Supporting Accountability
- 2.4 ADA A Training Center



PART TWO ADAA's OUTPUTS

INTRODUCTION

ADAA has established a number of outputs enabling the execution of its mandate as outlined in its establishment law. The following table demonstrates ADAA's outputs against the related part of the mandate it fulfills:

MANDATE PERTAINING TO LAW NO. (14) OF 2008	OUTPUT GROUP	OUTPUT
 <p>Audit the Government's Consolidated Financial Statements and Subject Entities' Financial Statements.</p>	Financial Audit & Examination	<ol style="list-style-type: none"> 1. Financial Audit 2. Financial Examination 3. Financial Management Assessment
 <p>Examine the efficiency, effectiveness and economy of the financial and operational activities of Subject Entities and ensuring their compliance with laws and regulations and governance rules.</p>	Performance & Risk Assurance	<ol style="list-style-type: none"> 4. Service & Output Review 5. Capital Project Review 6. Procurement Review 7. Internal Audit Assessment 8. Fraud Risk Review
 <p>Submit an annual report on the activities of ADAA and periodic reports to the Crown Prince as well as carry out any other functions and duties requested by the Crown Prince.</p> <p>Provide advice and recommendations and perform other procedures and services to Subject Entities as ADAA Chairman deems reasonable and appropriate.</p> <p>Investigate complaints referred to ADAA and other violations it may discover as well as examine violations investigated by Subject Entities.</p>	Supporting Accountability	<ol style="list-style-type: none"> 9. Accountability Reports 10. Advisory 11. Special Examination
 <p>Train and qualify UAE National graduates of universities and institutions and establish training centers as necessary.</p>	ADAA Training Center	<ol style="list-style-type: none"> 12. Qualifying Emirati Auditors 13. Research & Knowledge Management 14. National & International Representation 15. Seminars & Workshops



2.1 FINANCIAL AUDIT AND EXAMINATION

ADAA developed 3 types of outputs under this group with the objective of providing assurance on the accuracy of the Government's Consolidated Financial Statements and the Financial Statements issued by Subject Entities:

- Financial Audit
- Financial Examination
- Financial Management Assessment

2.1.1 Financial Audit

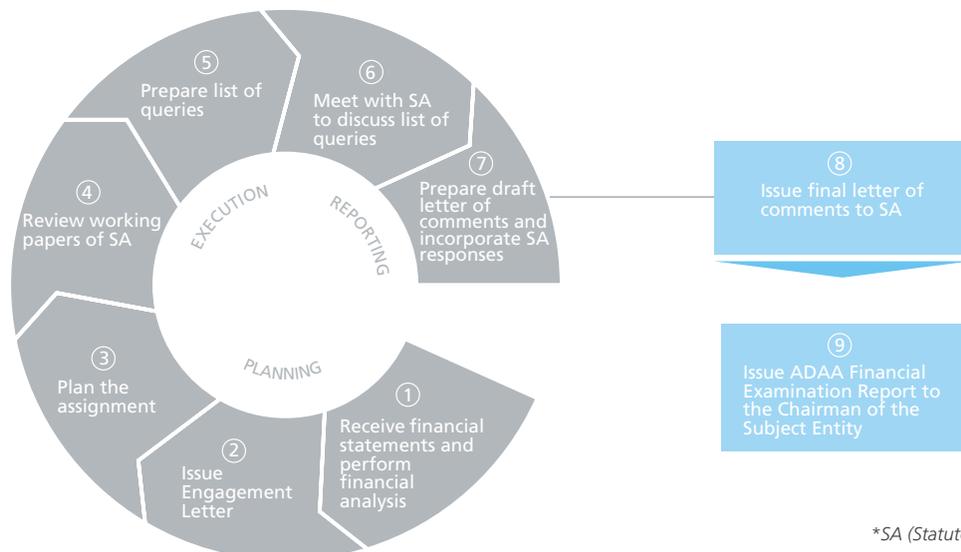
Audit the Consolidated Financial Statements of the Government of Abu Dhabi to ensure accuracy of these statements.

The "Financial Audit Methodology" was developed based on the International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC).

2.1.2 Financial Examination

Ensure that Subject Entities implement the Statutory Auditor Appointment Rules (SAAR) issued by ADAA when appointing their statutory auditor and carry an examination of the Subject Entity's financial statements and the audit work undertaken by the statutory auditor to provide reassurance on the accuracy of the financial statements of these Subject Entities.

The "Financial Examination Methodology" was developed based on the pronouncements and methodologies of the International Federation of Accountants (IFAC).

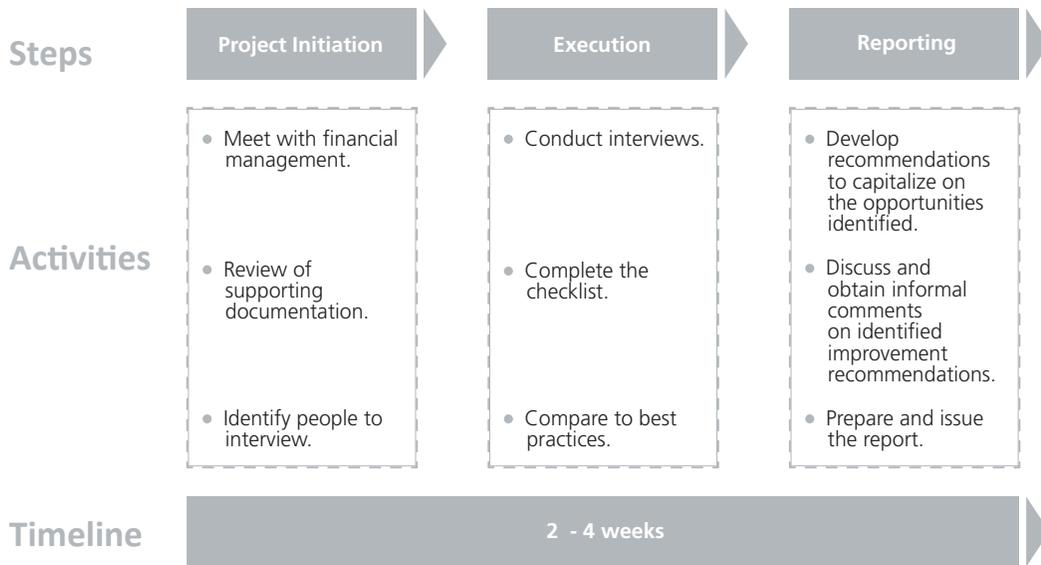


*SA (Statutory Auditor)

2.1.3 Financial Management Assessment

Assess the financial management function at a Subject Entity and its conformity with best practices to ensure efficiency of the preparation of its financial statements.

The “Financial Management Assessment” was developed based on good practice statements put by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA is member of the International Federation of Accountants (IFAC).



2.2 PERFORMANCE AND RISK ASSURANCE

ADAA developed 5 types of outputs under this group with the objective of ensuring Subject Entities' resources and funds are managed, collected and expended efficiently, effectively and economically and in compliance with the relevant laws and regulations and governance rules:

- Service and Output Review
- Capital Project Review
- Procurement Review
- Internal Audit Assessment
- Fraud Risk Review

2.2.1 Service and Output Review

Review the services and outputs provided by Subject Entities to ensure efficiency, effectiveness and economy of its operations and processes used to provide the service or output under review and its conformity with best practices.

The "Service and Output Review Methodology" was developed based on leading practices in the industry.

2.2.2 Capital Project Review

Review infrastructure assets and critical projects under development by Subject Entities to ensure efficiency, effectiveness and economy of the operational procedures of the project under review and its conformity with best practices.

The "Capital Project Review Methodology" was developed based on Project Management standards issued by the Project Management Institute (PMI).

2.2.3 Procurement Review

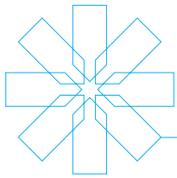
Review procurement at Subject Entities to verify the compliance with procurement regulations and procedures at the Entity and to review the effectiveness, efficiency and economy of the procurement function in line with best practices.

The "Procurement Review Methodology" was developed based on the pronouncements made by The Chartered Institute of Purchasing and Supply (CIPS).

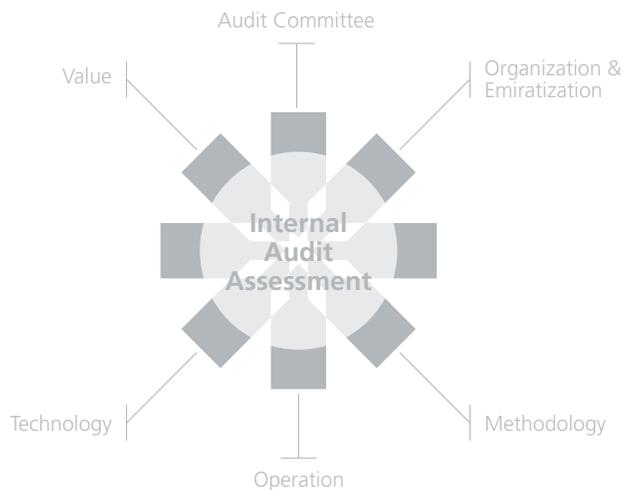
2.2.4 Internal Audit Assessment

Asses the Internal Audit function at Subject Entities to ensure efficiency, effectiveness and economy of the Internal Audit activities and its conformity with best practices.

The “Internal Audit Assessment Methodology” was developed based on best practices and in accordance with the standards issued by The Institute of Internal Auditors (IIA).



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



2.2.5 Fraud Risk Review

Review the fraud risk framework at a Subject Entity to ensure the existence of an effective internal framework that mitigates misuse of public funds, corruption and fraud risk.

The “Fraud Risk Review Methodology” was developed based on leading practices in the industry covering the following basic elements within any Subject Entity:



2.3 SUPPORTING ACCOUNTABILITY

ADAA developed 3 types of outputs under this group to support holding Subject Entities accountable for their roles and responsibilities:

- Accountability Reports
- Advisory
- Special Examination

2.3.1 Accountability Reports

ADAA reports periodically to His Highness the Crown Prince of Abu Dhabi and carries out other functions, duties and responsibilities allotted to ADAA by His Highness.

2.3.2 Advisory

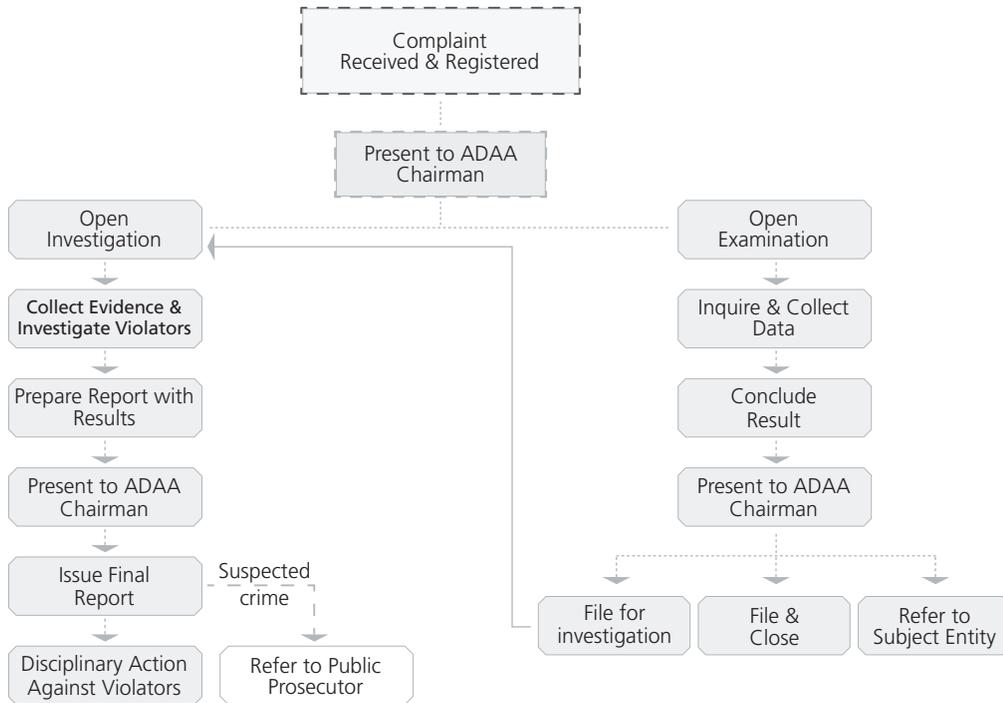
ADAA provides advice to Subject Entities upon receiving an official request from the Subject Entity and obtaining the approval of ADAA Chairman.

ADAA provides its advice in accordance with its “Advisory Provision Methodology” and in light of the information provided by the Subject Entity.

2.3.3 Special Examination

Examine complaints referred to ADAA or discovered when carrying out its work at a Subject Entity to identify all aspects of the complaint, its nature and the individuals responsible and hold them accountable. In addition, ADAA examines violations investigated by Subject Entities.

The “Special Examination Methodology” was developed based on best practices and in accordance with applicable laws and regulations in the Emirate of Abu Dhabi.



2.4 ADAA TRAINING CENTER

ADAA developed 4 types of outputs under this group with the objective of training and developing UAE Nationals and supporting sharing knowledge and leading practices:

- Qualifying Emirati Auditors
- Research and Knowledge Sharing
- National and International Representation
- Seminars and Workshops

2.4.1 Qualifying Emirati Auditors

Develop specialized training programs with the objective of contributing to the training and development of Emirati Auditors and assisting them acquire the necessary skills and knowledge to advance and excel in their careers. Professional training programs were developed specifically for Emiratis 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.

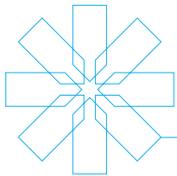
2.4.2 Research and Knowledge Sharing

ADAA set-up this output with the objective of creating awareness of best practices implemented in the public sector and on an international level as well as developing a local knowledge-base and resources hub that contributes to the development of government performance.

ADAA launched many research and knowledge sharing initiatives such as:

- **Research and Knowledge Management (RKM) Function:** ADAA established this function in 2009 with the objective of developing, codifying and disseminating 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.
- **Accounting and Auditing Standards Desk (AASD):** ADAA established the AASD to supervise issuing technical papers in accounting and auditing and issues a monthly e-newsletter about the International Financial Reporting Standards (IFRS) titled "ADAA IFRS Digest", a quarterly bulletin on the International Public Sector Accounting Standards (IPSAS) and Illustrative IFRS and IPSAS entity and consolidated and whole of Government Financial Statements. AASD publications focus primarily on accounting matters related to preparation of Subject Entities' financial statements, and assist in eliminating inconsistencies in the interpretations of current accounting standards.

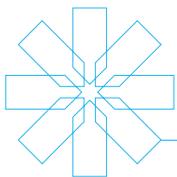
- **E-maarifa:** In 2010, e-maarifa web portal was launched with the objective of creating a knowledge platform across the Government and Subject Entities that enables participants to share experience and transmit knowledge more effectively across common operational functions.
- **Practice Guides:** ADAA identifies best practices that are internationally recognized and implemented and issues practice guides for use throughout the public sector.



“ADAA IFRS Digest” highlights hot topics in the accounting profession whereby ADAA presents technical papers and interpretations of standards.

2.4.3 National and International Representation

Participate actively in the regulation and supervision of the accounting and audit profession through acquiring memberships of various national and international organizations that promote and support accountability and transparency and contributing to the enhancement of laws and regulations in this area.



ADAA was the 1st organization in the Middle East to become a member of the International Forum of Independent Audit Regulators (IFIAR) and to be elected to sit on its Advisory Council.

2.4.4 Seminars and Workshops

Organize seminars and workshops for Subject Entities on matters that complement ADAA's primary role and fall within its area of expertise.

- **Abu Dhabi Technical Forum (ADTF):** This Forum brings together the UAE based accounting and audit technical professionals of the international audit 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 the heads of the Internal Audit functions at Subject Entities to discuss processes, internal controls, policies, issues and challenges as well as share knowledge of best practices and developments.

The background is a solid blue color with a repeating geometric pattern of light blue lines forming a grid of squares and diamonds. Overlaid on this are several large, semi-transparent, overlapping geometric shapes in a slightly darker shade of blue, creating a layered effect. The shapes include rectangles, trapezoids, and triangles, some of which are oriented horizontally and others vertically.

PART THREE

**2011 REPORT
AND 2012
WORK PLAN**

- 3.1 2011 Achievements Highlight
- 3.2 Financial Audit and Examination Outputs
- 3.3 Performance and Risk Assurance Outputs
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- 3.6 2012 Work Plan



3.1 2011 ACHEIVEMENTS HIGHLIGHT

- Issued 87 Financial Audit and Examination reports:
 - 9 Financial Audit
 - 73 Financial Examination
 - 5 Financial Management Assessment
- Issued 68 Performance and Risk Assurance reports:
 - 3 Service and Output Review
 - 1 Capital Project Review
 - 10 Procurement Review
 - 54 Internal Audit Assessment
- Issued 57 Supporting Accountability reports
- ADAA was elected by members of the International Forum of Independent Audit Regulators (IFIAR) to sit on its Advisory Council making the UAE the first Arab country to become a member.
- ADAA announced the commencement of the US Certified Public Accountant (CPA) Examinations in Abu Dhabi and the region after long negotiations with the National Association of State Boards of Accountancy "NASBA".
- ADAA enhanced the value of the e-maarifa portal by bringing on board contributions from the likes of the Institute of Internal Auditors, and international audit firms; accordingly, the membership stood at over 900 Internal Auditors working within 117 Subject Entities.
- ADAA sustained its support to a number of Subject Entities in establishing their internal audit functions.
- ADAA held the third annual Internal Audit Seminar for its Subject Entities with an attendance record exceeding the two previous years.
- ADAA chaired the Abu Dhabi Technical Forum (ADTF) unifying accounting interpretations between ADAA, audit firms and accounting and auditing professionals in the UAE.
- ADAA issued 69 technical papers covering subjects such as: Transactions with Government, Related Parties, Leasing, Impairment, Fair value, Presentation and Disclosure.
- ADAA sustained its advice and support to the Governance Committee to assist in producing various deliverables supporting the Committee focus areas.
- ADAA completed over 100 research assignments including several global benchmarking studies, an Internal Audit Survey across 42 Subject Entities, research papers on Change Management, Food Safety, Food Security and Government Wide Agreements in Procurement as well as issuing the Global Accountability & Transparency Newsletter.
- ADAA received the "Outstanding Contribution" award at the 1st Middle East Accountancy and Finance Excellence Award.

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

Description	Actual 2009	Actual 2010	Target 2011	Actual 2011
Financial Audit and Examination Group	78	96	85	87
Performance and Risk Assurance Group	69	83	83	68
Supporting Accountability Group	20	34	30	57
Total Number of Reports	167	213	198	212

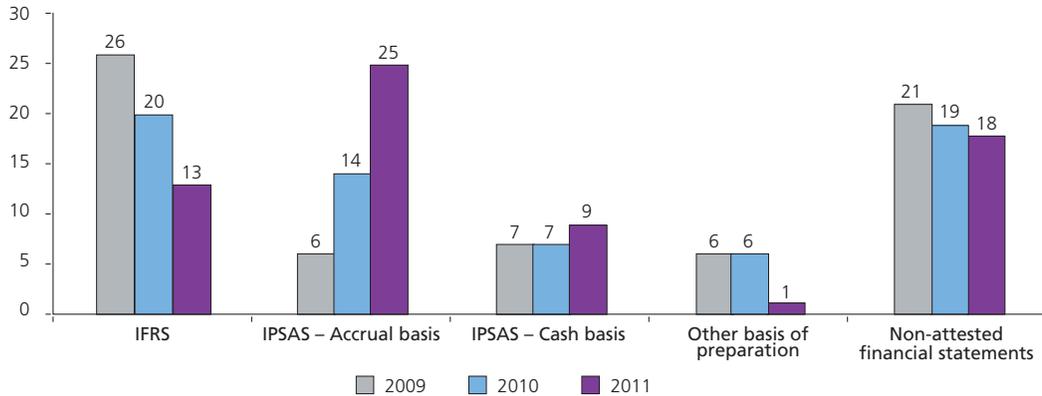
* Certain comparative numbers have been reclassified to conform to current year's output group presentation.

3.2 FINANCIAL AUDIT AND EXAMINATION OUTPUTS

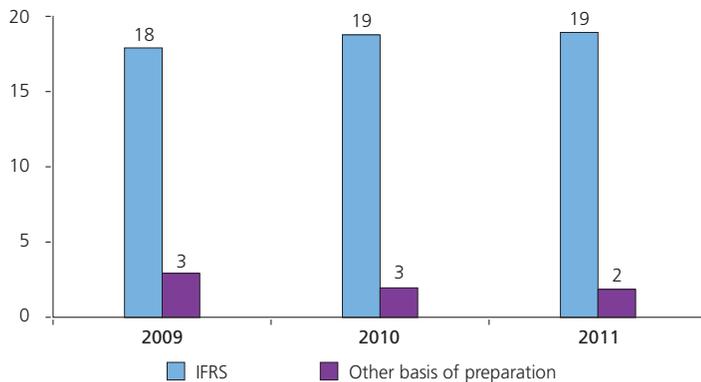
This output group focused on the audit of the consolidated financial statement of the Government of Abu Dhabi, and examination of the financial statements of Subject Entities.

This group continues to advise Subject Entities how to improve the quality of their financial reporting and specifically in relation to their financial statements basis of preparation varying according to the Subject Entity's operations, with a focus on having all Subject Entities prepare their financial statements using IPSAS Accrual basis of accounting or IFRS based on the nature of their activities:

Government Entities (Excluding SOE's) Financial Statements Basis of Preparation:



State Owned Enterprises (SOEs) Financial Statements Basis of Preparation:



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

- 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 2010 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 2011, ADAA examined 73 independent audit reports and work of statutory auditors, appointed by Subject Entities. The financial statements and audits covered in 2011 were selected in accordance with the prioritization criteria developed by ADAA.



ADAA's Financial Examination Comments Summary

Comments arising from ADAA's financial statements examinations 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:

- Minor improvements have been noticed in the financial statements issuance timeliness. Nevertheless, this is still considered as a significant area of concern, since delays reduce 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.
- Inadequate selection of the basis of preparation of financial statements, whereby certain government entities are still using IFRS as the basis of preparation rather than IPSAS.
- Incorrect treatment and presentation of government grants/funding.
- Valuations based on invalid or untested assumptions for impairment reviews and assets.

- Deficiencies in the audit procedures performed when auditing accounting estimates.
- Insufficient procedures performed by statutory auditors to test and rely on the internal controls.
- Weaknesses in the quality of audit evidence statutory auditors rely on.
- Management’s reliance on statutory auditors for financial reporting and accounting matters.
- Insufficiencies in procedures performed by statutory auditors over information systems.
- 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.
- Inadequate audit procedures performed when statutory auditors decide to rely on the work of experts and service organizations.

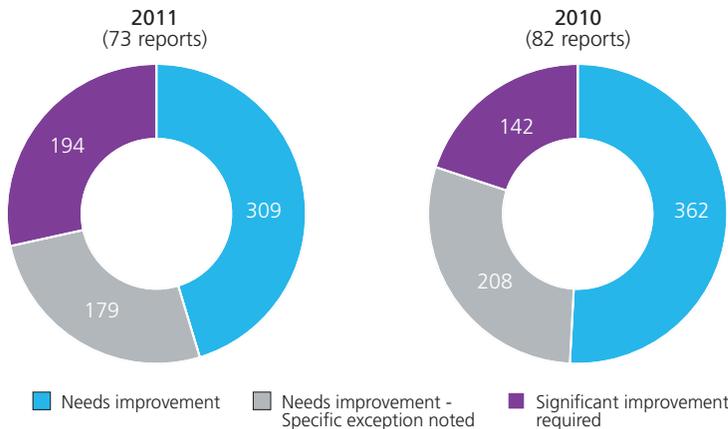
All examination comments are set out in detail in the examination reports sent to Subject Entities for implementation and improvement in the future.

These reports include the responses and explanations provided by the statutory auditors and ADAA’s final conclusions and views on each examination comment.

Analysis of Examination Comments

ADAA’s comments are classified into “Significant improvement required”, “Needs improvement” and “Needs improvement- Specific exception noted” based on their nature and significance to the financial statements of Subject Entities and the Statutory Auditor’s audit procedures.

Below is a comparison of the financial examination reports, conducted in 2011 and 2010*:



ADAA's financial examination reports included 682 comments in 2011 classified as follows:

Significant improvement required

194 comments in 2011 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 309 comments in this category focus on audit quality resulting from incomplete documentation of audit procedures performed, such as review of subsequent events. 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

179 comments in 2011 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 nature and extent of audit procedures preformed 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 IFRS or IPSAS, financial statements presentation and disclosures, and insufficient audit procedures in areas affecting various captions of the financial statements such as inventories, related parties, estimates, communication with those charged with governance and fair values.

Below is an analysis of independent audit reports examined by ADAA, comments raised and their respective classification:

Statutory Auditor	Year 2011					Year 2010	
	Number of reports examined	Significant improvement required	Needs improvement	Needs improvement Specific exceptions noted	Total Comments	Number of reports examined	Total Comments
Firm 1	20	61	99	62	222	17	157
Firm 2	19	48	87	44	179	11	89
Firm 3	19	59	75	36	170	47	423
Firm 4	15	26	48	37	111	7	43
Grand Total	73	194	309	179	682	82	712

Implementation of SAAR

During 2011, ADAA continued monitoring the Subject Entities implementation of the Statutory Auditors Appointment Rules (SAAR), established according to resolution number (1) of 2010 issued by the Chairman of ADAA.

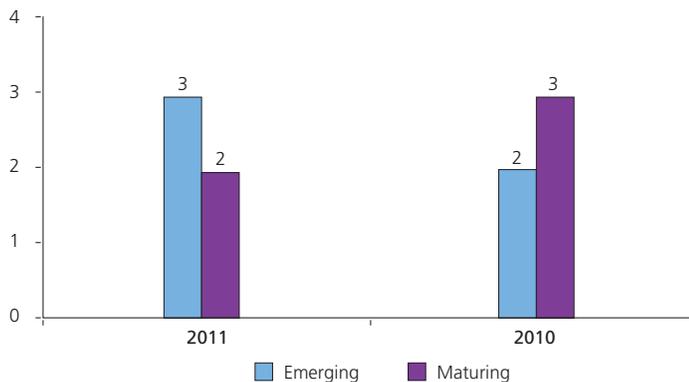
According to SAAR, Subject Entities need to go through a rigorous, well documented process when selecting and appointing their statutory auditors.

3.2.3 Financial Management Assessment

In 2011, ADAA conducted “Financial Management Assessments (FMAs)” on 5 different Subject Entities reviewing their financial capabilities, processes and assisting them in enhancing and strengthening their finance functions and financial management processes.

Upon conducting the 5 FMAs, ADAA found that financial management at 3 Subject Entities are at an “Emerging” stage while 2 Subject Entities were at a “Maturing” stage based on the assessment methodology followed by ADAA.

Below is a comparison of the results of the financial management assessments conducted in 2011 and 2010:

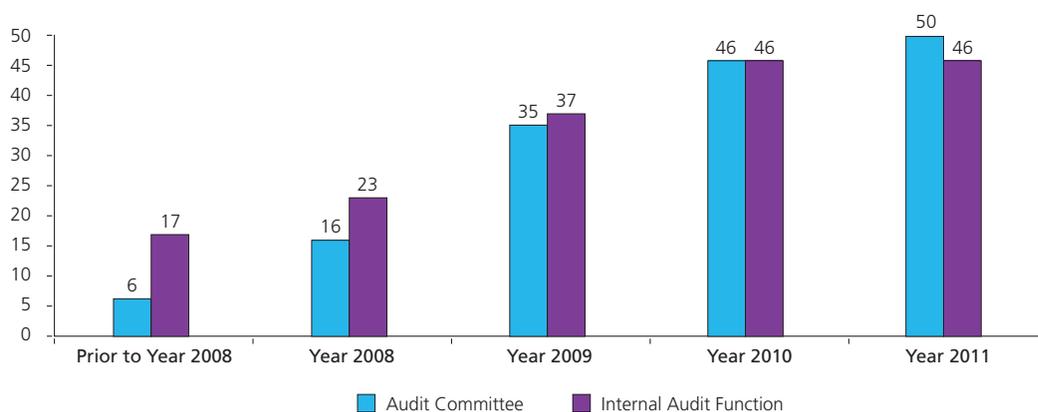


3.3 PERFORMANCE AND RISK ASSURANCE OUTPUTS

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

In 2011, ADAA issued 68 Performance and Risk Assurance reports relating to government-wide issues, functional areas and single subjects of significance for Subject Entities.

The following chart demonstrates the development of governance structures (Audit Committees/ Internal Audit functions) within Subject Entities:



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

- Service and Output Review
- Capital Project Review
- Procurement Review
- Internal Audit Assessment
- Fraud Risk Review

3.3.1 Services and Output Review

The Service and Output Review deliverables during 2011 were related to various sectors and covered reviews of activities, operations, business regulations, policies and procedures and best practices implemented upon the provision of their services and outputs.

Below are summaries of key Service and Output Reviews that were conducted in 2011 with a brief description of the scope of the review and recommendations by ADAA:

Industrial Licensing Review

This Review covered Industrial licensing activities as undertaken by the Higher Corporation for Specialized Economic Zones (ZonesCorp) for the period running from January 2010 up to March 2011.

The objectives of the review were to verify:

- The existence of approved regulations for industrial licensing.
- The alignment of these regulations with leading practices.
- The effectiveness of operational management in the implementation and application of regulations, and to assess the quality and efficiency of the outputs.
- The degree of compliance with regulations and to report on instances of non-compliance.

Recommendations

ADAA recommendations included:

- Conduct a strategic review of all regulations affecting licensing of industrial enterprises within Abu Dhabi, focusing on assuring the value of the set of regulations to Abu Dhabi and its contribution to achieving the Policy Agenda goals as well as reducing potential duplication of regulation conducted by different Government Entities.
- Assume Industrial Licensing activities by an independent entity to eliminate conflict of interest in ZonesCorp.
- Encourage certain industries and small-medium enterprises (SME's) by employing a risk based or another triaging approach when establishing licensing requirements and that will encourage economic diversification and protect the public.
- Review, update and approve the Job Descriptions for Regulatory Affairs & Compliance resources, specifically inspection staff. Also, ensure that the staff engaged has the acceptable qualifications/experience for the role.
- Develop KPIs to gauge ZonesCorp's performance in Industrial Licensing and cascade these measures to the performance evaluations of Regulatory Affairs & Compliance resources.
- Include timeframes in the inspection reports for rectifying violations committed by investors and ensuring that violations are addressed through follow-up visits.
- Consider the migration of Industrial Inspection reports to an electronic system that would allow the Inspectors to submit the inspection from the field, using tools such as PDA's.

Environmental Licensing Review

This Review was conducted to provide an objective evaluation of the environmental licensing regime implemented by the Environment Agency-Abu Dhabi (EAD) to produce its mandated output in a controlled and sustainable environment.

The objectives of the review were to:

- Verify the existence of approved regulations for environmental licensing and inspection.
- Assess the alignment of approved regulations with leading practices.
- Evaluate the effectiveness of operational management in the implementation and application of regulations and to assess the quality and efficiency of the outputs.
- Assess the degree of compliance with regulations and to report on instances of non-compliance.

Recommendations

ADAA recommendations included:

- Develop a stakeholder engagement framework to design and formalize the relationship between EAD and its key stakeholders.
- Develop a strategic plan for licensing and inspection activities, in order to establish realistic goals, objectives and KPI's consistent with and linked to EAD's overall strategy.
- Revisit current established committees in terms of relevance, importance and necessity; subsequently, enact the ones required to support specific activities.
- Ensure licensing all EAD related activities in line with its mandate and any exceptions to be escalated for validation through the proper channels prior to implementation.
- Ensure the availability of a sufficient workforce; to conduct a comprehensive comparative analysis between the number of licensees for each category, the inspection scope, and the available teams of inspectors as well as identifying gaps in quantity and credentials to attain a realistic figure for the number of inspectors needed to perform the inspection process.
- Enforce an effective fining system to support the inspection process; fines imposed may be financial and operational, including large amounts and/or potential interruption of all activities until deficiencies are addressed.

Parking Management Program (Mawaqif) Review

This Review was conducted to look at Mawaqif's strategy and operations.

The objectives of the review were to verify:

- The parking strategy and its link with the overall public transport plans for Abu Dhabi.
- Mawaqif's outputs in relation to its legal mandate and its performance in managing public parking within Abu Dhabi.
- Mawaqif's performance in providing customer service.
- Compliance of Mawaqif's operations with established policies and procedures.

Recommendations

ADAA recommendations included:

- Pursue separation between Mawaqif and Department of Transport (DoT).
- Ensure structured decision-making and performance management.
- Develop comprehensive strategy.
- Implement appropriate pricing for parking.
- Enhance financial planning and management and improve operational oversight.

3.3.2 Capital Project Review

The Capital Project Review deliverables during 2011 were related to the evaluation of the development program and operations of critical projects.

Below is a summary of a Capital Project Review that was conducted in 2011 with a brief description of the scope of the review and recommendations by ADAA:

Khalifa Port

This review evaluated whether the program of works necessary to develop the new Khalifa Port and the associated Industrial Zone is sufficient to ensure the effective, efficient and economic delivery of a world-class operational facility.

The Program was evaluated in the following areas:

- Current progress of the Program in delivering against schedule and budget.
- The Program funding approach and status.
- The performance of Program Management practices in place.
- Compliance of procurement efforts related to the Program with accepted procurement practices.

Recommendations

ADAA recommendations included:

- Revise the funding strategy to mitigate risk in case the Government chooses a different reimbursement model.
- Engage experienced professionals in control functions such as Quality Management and Risk Management.
- Establish an independent Quality Control Function.
- Consider establishing a Project Management Process that covers the full project life-cycle and is governed by an appropriate Investment Committee before undertaking new phases.
- Revisit the Governance structure and conduct a strategic review of the Projects Unit at the close of phase 1 of the Program (at the end of 2012).

3.3.3 Procurement Review

The Procurement Review deliverables during 2011 were related to capital and operational expenditure procurement compliance. ADAA issued 10 Procurement Review reports.

The scope of the reviews was in relation to the following:

- 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 a road map for necessary improvements.
- These reviews led to discovery of violations that were further investigated and resulted in disciplinary action against responsible individuals.

3.3.4 Internal Audit Assessment

During 2011, ADAA issued 54 Internal Audit Assessment reports with the purpose of identifying gaps in performance, in addition to areas for improvement to bring the internal audit role at Subject Entities to meet benchmark practices.

Another key objective from these assessments was to obtain assurance on the efficiency, effectiveness and economy of Internal Audit activities and highlighting areas of risk exposure at the Subject Entities.

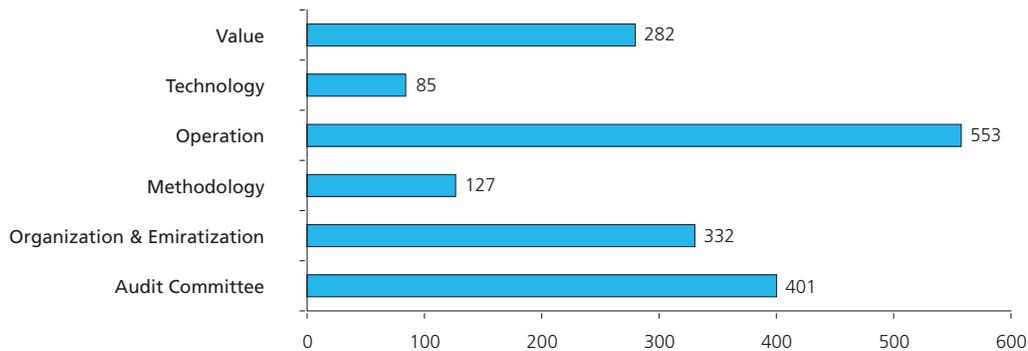
Internal Audit functions were assessed on a series of 6 elements: Audit Committee, Methodology, Organization & Emiratization, Operation, Technology and Value.

Internal Audit Assessment Reports Summary

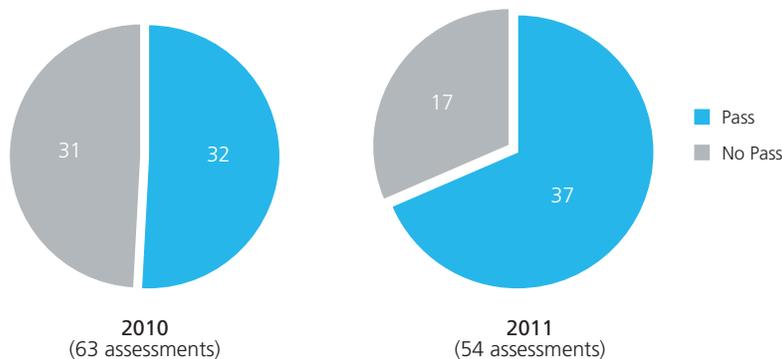
ADAA issued 1,780 recommendations to provide Subject Entities with insight on the control environment and for the enhancement of the governance structure.

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

The graph below recaps the distribution of recommendations by each element:



Out of 54 Subject Entities, 37 met pass requirements based on the criteria established by ADAA, while 17 did not. The following chart shows the result of the internal audit assessments conducted in 2011 compared to 2010.



3.3.5 Fraud Risk Review

ADAA established this output in 2008 to assist its Subject Entities in creating a proactive response to potential vulnerabilities related to fraud, corruption and misconduct "Fraud".

The Review is designed to ensure that Subject Entities have an effective internal framework to prevent, detect and respond effectively to matters related to Fraud.

In 2011, ADAA supported 3 Subject Entities with the development of their Code of Conduct and Fraud Control Policy by assisting them with the roll-out and implementation of these components.

ADAA provided supervision and technical assistance to the 3 Subject Entities who conducted Fraud Scenario Assessments and the recommendations included:

- Ensure all contracts contain a Fraud-related clause to protect the Subject Entity in relation to Fraud that is perpetrated within or against a contract that impacts assets.
- Review current insurance policies and assess the cost/benefit of insuring against losses arising from Fraud.
- Develop comprehensive policies and procedures for procurement and project management activities.
- Set a declaration mandate whereby employees disclose any direct personal interests by them and/or consultants on every project they are assigned to.
- Set limitations on accessing the system that allows addition of vendors or a change in vendor details; specifically to employees that are engaged in the payment or purchasing processes.

3.4 SUPPORTING ACCOUNTABILITY OUTPUTS

This output group provides the necessary support to hold Subject Entities accountable for their roles and responsibilities and fulfilling them.

In 2011, ADAA issued 57 reports under this output that included:

- Accountability Reports
- Advisory
- Special Examination

3.4.1 Accountability Reports

A number of reports were issued under this output on matters arising from annual work and audits carried by ADAA.

Among the reports submitted to His Highness the Crown Prince under this output, is the Audit Report on the Consolidated Financial Statements of the Government of Abu Dhabi and this annual Accountability Report that ADAA completes in the first quarter of each year.

3.4.2 Advisory

ADAA provides advice upon receiving requests from Subject Entities. Below is an example of such advisory work provided during 2011:

Accounting Technical Advice

In 2011, ADAA issued 69 technical papers covering 37 different accounting topics. ADAA issues accounting technical position papers that provide specific guidance to Subject Entities on particular topics. These papers contribute to the improvement of 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.

Internal Audit Function Establishment Support

ADAA provided guidance, tools, methodology and advice to support a smooth and effective establishment of the Internal Audit role at a number of Subject Entities.

In 2011, ADAA completed 4 installations of the e-Governance Portal along with the necessary training required and setting the methodology.

Governance Program

The Abu Dhabi Governance Committee was established through the Executive Council Resolution No. 17 of 2010 to supervise the development and implementation of the frameworks of governance principles presented to the Executive Council by ADAA during 2010.

During 2011, ADAA supported the Governance Committee by assisting the overall program and producing the 21 deliverables of the Committee in the areas of Public Finance & Performance, Civil Service, Procurement and SOE Governance. All deliverables were submitted to the responsible Government Entity for review and implementation.

3.4.3 Special Examination

In 2011, ADAA received 34 complaints that were examined as per the "Special Examination Methodology" outlined by ADAA.

These examinations resulted in a variety of actions taken and are shown in the following table:

No.	Action Taken	2009	2010	2011
1.	Conducted investigations	3	5	6
2.	Conducted examinations	8	9	16
3.	Closed the complaint due to inaccuracy or insignificance of complaint or no-violation	1	16	8
4.	Transferred to responsible entity - out of ADAA scope	0	2	2
5.	Presented technical advice to law enforcement authority	0	1	2
Total number of Complaints received by ADAA		12	33	34

Based upon the investigations conducted by ADAA in 2011, some cases were referred to the relevant public prosecutor office to take the necessary action when the investigation of the violation indicated the existence of a suspected punitive crime.

All examinations conducted by ADAA in 2011 were generally identified as violations related to the following:

- 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 2011:

CASE 1

ADAA received a complaint of a financial violation being committed at a Subject Entity relating to awarding two tenders illegitimately to vendors through direct orders, worth approximately AED 6.68 million, as well as establishing a foreign branch of the Subject Entity on its own expense with ownership moved to employees at the Subject Entity. The complaint included bribe claims against some employees at the Subject Entity to illegally increase the classification and quality of the imported products.

Upon examining the violations, ADAA validated the allegations filed and informed the Subject Entity in order to take disciplinary action against the violators and other involved parties as well as notifying the Public Prosecution of the incident since it was suspected as a punitive crime.

CASE 2

ADAA received a complaint from a law enforcement authority committed by an Executive Director at a Subject Entity stating that he had awarded tenders illegitimately to a vendor owned by a member of his direct family (son) worth AED 154,250 and technically qualifying this vendor for tenders worth more than AED 900,000 in addition to the inconsistency of the vendor's licensed activity with the requirements of the tender awarded.

Upon examining the violations, ADAA validated the allegations against the Executive Director and other involved parties and informed the Subject Entity in order to take disciplinary action against the violators as well as notifying the Public Prosecution of the incident since it was suspected as a punitive crime.

CASE 3

ADAA received a complaint claiming that the technical and commercial evaluation of a tender worth AED 2.5 billion requested by a public service entity was tampered with in order to disqualify a certain contractor from bidding for the project.

Upon examining the violation, ADAA confirmed the allegations brought forward against employees at the Subject Entity along with the project consultants and confirmed conflict of interests between the parties involved. Hence, ADAA informed the Subject Entity in order to take disciplinary action against the violators as well as reviewing and revisiting the project management processes and policies for such projects.

CASE 4

ADAA received a complaint claiming that violations are committed in the operational execution of a construction project worth more than AED one billion.

Upon examining the violation, ADAA confirmed the allegations brought forward against the awarded joint ventures (JV) of contractors that had signed a forged JV agreement against the exchange of illegitimate commissions. ADAA also found that a number of executives at the Subject Entity were involved in awarding the tender to the JV resulting in delays in the progress of work and suspending it until the completion of the examination.

ADAA informed the Subject Entity in order to take disciplinary action against the violators and resolving the conflict between the contractors involved.

3.5 ADAA TRAINING CENTER OUTPUTS

ADAA created an integrated approach to establishing this output group to fulfill its objective of training and developing UAE Nationals and supporting sharing knowledge and leading practices.

The outputs defined under this group are:

- Qualifying Emirati Auditors.
- Research and Knowledge Sharing.
- National and International Representation
- Seminars and Workshops.

3.5.1 Qualifying Emirati Auditors

ADAA has developed training programs addressing its objective of increasing the number of qualified Emirati Auditors in the Government and these programs include on-the-job training, secondments to the audit firms as well as simultaneously 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.

ADAA alongside The National Association of State Boards of Accountancy announced in March 2011 the commencement of the USA CPA examination in the UAE after extensive efforts and negotiations that took place over a span of two years making it accessible to everyone in the UAE and the region.

3.5.2 Research and Knowledge Sharing

ADAA set-up this output with the objective of creating awareness of best practices implemented in the government public sector and on an international level as well as developing a local knowledge-base and resources hub that contributes to the development of government performance.

Many initiatives were launched under this output such as:

The Research and Knowledge Management (RKM) Function

During 2011, the Research and Knowledge Management (RKM) function at ADAA completed over 100 research assignments, an Internal Audit Survey across 42 Abu Dhabi Government entities and issued 4 Research Papers.

Accounting and Auditing Standards Desk (AASD)

In 2011, ADAA issued 11 “ADAA IFRS Digest” newsletters and issued IPSAS bulletins on quarterly basis. Both publications include ADAA’s hot topics, what’s new from either the IASB or the IPSASB and the accounting profession.

In addition, ADAA prepared illustrative financial statements for IFRS and IPSAS reporters for the year end 31 December 2010.

E-maarifa

The e-maarifa portal (<https://www.e-maarifa.ae>) launched in 2010 with the Abu Dhabi Audit Management (ADAM) site brought together members of the Internal Audit community across Abu Dhabi Government to share information and communicate on key issues.

In 2011, the membership of ADAM site under the e-maarifa portal increased to 409 members from around 78 Subject Entities while the e-maarifa total membership stood at over 900 members from 117 Subject Entities.

3.5.3 National and International Representation

ADAA continued to put in efforts to explore new opportunities that contribute to enhancing accountability and transparency across the Government and the implementation of best practices.

After becoming the first Middle Eastern organization to acquire membership in the International Forum of Independent Audit Regulators (IFIAR) in early 2009 and to host the IFIAR Plenary Meeting in Abu Dhabi, ADAA was elected by IFIAR members to sit on the IFIAR Advisory Council as the first Arab organization along with members from Germany, Japan, Canada, Netherlands and Spain. ADAA participated in both IFIAR plenary meetings in Berlin and Bangkok respectively whereby ADAA took initiative to host the 2012 IFIAR Inspection Workshop.

Further collaborations took place in 2011 between ADAA and other national and international organizations, such as ADAA’s presentation of a lecture on “Governance in the Public Sector” at the Dubai Financial Audit Department (FAD), hosting a delegation from FAD to share knowledge and best practices in Audit and Accounting. ADAA also sponsored the “Conference on Accounting and Auditing Profession & Envision of Future Horizons” organized by the UAE Accountants and Auditors Association (AAA).

It’s worth mentioning ADAA’s recognition by The Institute of Chartered Accountants in England and Wales (ICAEW), whereby ADAA received the “Outstanding Contribution by and Organization” Award at the 1st Middle East Accountancy and Finance Excellence Awards.

3.5.4 Seminars and Workshops

ADAA conducted workshops and seminars for 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's activities in 2011 related to this output:

Abu Dhabi Technical Forum (ADTF)

ADAA continued holding these forums throughout 2011 chaired by its Head of Accounting and Auditing Standards Desk (AASD) and resulted in conducting reviews of 44 accounting technical papers.

Internal Audit Seminar

ADAA held its 3rd Internal Audit Seminar in February 2011 for more than 70 Heads of Internal Audit at Subject Entities discussing challenges in the profession, internal controls, internal audit processes and policies.

3.6 2012 WORK PLAN

Below are the highlights of ADAA's 2012 work plan:

- Issue the audit report on the consolidated financial statements of the Government within the time-frame specified in the Financial Management Law.
- Conduct examinations of the financial statements of 70 Subject Entities and enhance and unify Subject Entities' financial statements basis of preparation according to Subject Entities' operations and aligned with international standards.
- Assess the Internal Audit function at 50 Subject Entities and continue to provide support to improve the role of internal audit.
- Conduct 20 Procurement Review.
- Conduct 10 Output and Service Review and Capital Project Review.
- Examine and investigate complaints referred to ADAA or discovered during its course of work at Subject Entities.
- Address complex accounting matters and unify interpretations of financial reporting standards through the Abu Dhabi Technical Forum.
- Monitor Subject Entities' compliance with the Statutory Auditor Appointment Rules (SAAR).
- Strengthen the financial management function within Subject Entities and conduct 5 Financial Management Assessments.
- Host the IFIAR Inspection Workshop.
- Support the Research and Knowledge Management function at ADAA and continue cooperation with international peers for knowledge sharing and adoption of best practices.
- Issue the Fraud Scenario Assessment (FSA) Methodology.
- Continue to provide advice to Subject Entities.

PART FOUR

**2011 AUDITED
FINANCIAL
STATEMENTS**

ADAA 2011 Audited Financial Statements



PART FOUR

2011 AUDITED FINANCIAL STATEMENTS

**FINANCIAL STATEMENTS TOGETHER
WITH AUDITORS' REPORT
31 DECEMBER 2011**



INDEPENDENT AUDITORS' REPORT TO THE CHAIRMAN OF 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 2011 and the statement of financial performance, statement of changes in Government of Abu Dhabi account, cash flows 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 2011 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

30 January 2012
 Abu Dhabi

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→ Abu Dhabi Accountability Authority

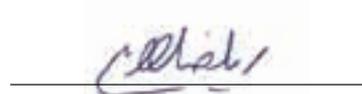
STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Notes	2011 AED	2010 AED
ASSETS			
Current assets			
Bank balances and cash	4	30,190,808	25,058,433
Debtors and other debit balances	5	<u>6,311,142</u>	<u>7,952,158</u>
		36,501,950	33,010,591
Non-current assets			
Property and equipment, net	6	2,594,422	4,716,435
Intangible assets, net	7	596,672	1,315,047
Advance to suppliers		<u>626,525</u>	<u>-</u>
		3,817,619	6,031,482
TOTAL ASSETS		<u>40,319,569</u>	<u>39,042,073</u>
LIABILITIES			
Current liabilities			
Payables and other credit balances	8	2,768,310	3,797,752
Government of Abu Dhabi account		<u>21,387,621</u>	<u>21,838,688</u>
		24,155,931	25,636,440
Non-current liabilities			
Government of Abu Dhabi account		1,093,458	1,873,364
Employees' end of service benefits	9	<u>15,070,180</u>	<u>11,532,269</u>
		16,163,638	13,405,633
TOTAL LIABILITIES		<u>40,319,569</u>	<u>39,042,073</u>

The financial statements were authorised for issue in accordance with a resolution of the Authority's Chairman on 30 January 2012.



Mohammad Saif Al Muheiri
Director of Finance



Riyad Abdulrahman Al Mubarak
Chairman

The attached notes 1 to 16 form part of these financial statements.

→ Abu Dhabi Accountability Authority

STATEMENT OF FINANCIAL PERFORMANCE For the year ended 31 December 2011

	Notes	2011 AED	2010 AED
Revenues			
Contribution from Government of Abu Dhabi	11	109,616,477	109,180,583
Other income		<u>1,011,852</u>	<u>1,107,089</u>
Total revenues		<u>110,628,329</u>	<u>110,287,672</u>
Expenditures			
Salaries, wages and other benefits		94,016,751	92,492,625
Employees' end of service benefits	9	4,672,268	2,588,251
Depreciation and amortization		4,158,118	4,175,396
General and administrative expenses	10	<u>7,781,192</u>	<u>11,031,400</u>
Total expenditures		<u>110,628,329</u>	<u>110,287,672</u>

The attached notes 1 to 16 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 2011

	2011 AED	2010 AED
Balance at 1 January	23,712,052	32,892,635
Funds received during the year	108,385,504	100,000,000
Contribution recognized as revenue during the year	(109,616,477)	(109,180,583)
Balance at 31 December	<u>22,481,079</u>	<u>23,712,052</u>

Classified in the statement of financial position as:

	2011 AED	2010 AED
Non-current liabilities	1,093,458	1,873,364
Current liabilities	21,387,621	21,838,688
Balance at 31 December	<u>22,481,079</u>	<u>23,712,052</u>

The attached notes 1 to 16 form part of these financial statements.

→ Abu Dhabi Accountability Authority

CASH FLOWS STATEMENT For the year ended 31 December 2011

	Notes	2011 AED	2010 AED
CASH FLOWS FROM OPERATING ACTIVITIES			
Adjustments for non-cash items:			
Depreciation and amortization		4,158,118	4,175,396
Provision for employees' end of service benefits	9	4,672,268	2,588,251
Gain on sale of property and equipment		(96,027)	(38,000)
Decrease (increase) in debtors and other debit balances		1,641,016	(94,012)
Decrease in payables and other credit balances		(1,029,442)	(11,731,605)
Decrease in Government of Abu Dhabi account		(1,230,973)	(9,180,583)
Employees' end of service benefits paid	9	(1,134,357)	(2,954,495)
Net cash flows from (used in) operating activities		<u>6,980,603</u>	<u>(17,235,048)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property and equipment	6	(571,905)	(1,511,192)
Purchase of intangible assets	7	(745,825)	(86,753)
Advance to suppliers		(626,525)	-
Proceeds from sale of property and equipment		<u>96,027</u>	<u>38,000</u>
Net cash used in investing activities		<u>(1,848,228)</u>	<u>(1,559,945)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		5,132,375	(18,794,993)
Cash and cash equivalents at the beginning of the year		<u>25,058,433</u>	<u>43,853,426</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	<u>30,190,808</u>	<u>25,058,433</u>

The attached notes 1 to 16 form part of these financial statements.

→ Abu Dhabi Accountability Authority

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 31 December 2011

Description	Final budget amounts AED	Actual amounts on comparable basis AED	Difference AED
RECEIPTS			
Contribution from Government of Abu Dhabi	136,237,000	108,385,504	27,851,496
Revenue from non-subject entities	-	915,825	(915,825)
Total Receipts	136,237,000	109,301,329	26,935,671
EXPENDITURES			
Chapter one - Salaries, wages and other benefits			
Basic salary and other allowances	94,938,000	84,582,083	10,355,917
Tuition allowance	2,640,000	2,574,105	65,895
Contributions to pension fund and retirements benefit plan	3,352,000	2,748,540	603,460
End of service benefits	3,600,000	1,134,357	2,465,643
Medical insurance	2,871,000	2,495,727	375,273
Staff training	2,000,000	688,533	1,311,467
Other expenses	550,000	380,592	169,408
Total salaries, wages and other benefits	109,951,000	94,603,937	15,347,063
Chapter two – Other operating expenditure			
Recruitment fees	800,000	233,349	566,651
Consultancy fees	8,162,000	910,148	7,251,852
Office rent and other related expenses	4,605,000	3,553,669	1,051,331
Motor vehicles expenses (insurance, maintenance and fuel)	140,000	72,725	67,275
Operation and maintenance of computers, furniture and office equipment	1,617,000	1,358,356	258,644
Books and professional and scientific subscription	110,000	108,390	1,610
Advertising and corporate identity expenses	500,000	100,950	399,050
Business travel expenses	1,500,000	504,628	995,372
Miscellaneous expenses	3,050,000	1,371,336	1,678,664
Total other operating expenditure	20,484,000	8,213,551	12,270,449
NET OPERATING RECEIPTS	5,802,000	6,483,841	(681,841)
Chapter three - Capital expenditure			
Motor vehicles	80,000	64,000	16,000
Furniture and office equipment	324,000	108,480	215,520
Computer equipment	2,623,000	381,425	2,241,575
Leasehold improvements	100,000	18,000	82,000
Intangible assets	2,225,000	925,825	1,299,175
Capital work in progress (ADAA building)	450,000	446,526	3,474
Proceeds from sale of property and equipment	-	(96,028)	96,028
Total capital expenditure	5,802,000	1,848,228	3,953,772
NET RECEIPTS	-	4,635,613	(4,635,613)

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: "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 16 form part of these financial statements.

→ Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

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 activities are 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 2011, the Authority had 135 employees (2010: 138 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).

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 25 Employee Benefits – The Standard is effective from 1 January 2011 and prescribes the accounting and disclosure by public sector entities for employee benefits. It is based on IAS 19 "Employee Benefits". The Standard deals with four categories of employee benefits, short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits. Benefits that are not consideration in exchange for service rendered by employees or past employees of reporting entities are not within the scope of this Standard. The adoption of the standard did not have any impact on the financial position or performance of the Authority.

→ Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

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 2011:

- IPSAS 27 Agriculture - effective for annual periods beginning on or after 1 April 2011.
- IPSAS 28 Financial Instruments: Presentation - effective for annual periods beginning on or after 1 January 2013.
- IPSAS 29 Financial Instruments Recognition and Measurement - effective for annual periods beginning on or after 1 January 2013.
- IPSAS 30 Financial Instruments Disclosures - effective for annual periods beginning on or after 1 January 2013.
- Improvements to IPSASs - effective for annual periods beginning on or after 1 January 2013.

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

There are no 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.

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. When services are delivered and the condition attached to the funds are met the contributions are recognized as revenues in the statement of financial performance equivalent to the extent of the expense incurred for the year less other income.

Other income

Other income 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.

→ Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

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 or the remaining period of lease 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. No provision was required in 2011 (2010: nil) and no bad debts were written off during the year (2010: nil)

→ Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

3.5 Payables and other credit balances

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

3.6 Employees' end of service benefits

Employees' end of service benefits are calculated in accordance with IPSAS 25. This requires the use of actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods and to make estimates about employee turnover and financial variables and to discount those benefits using the Projected Unit Credit Method.

3.7 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.

3.8 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 2011

4 BANK BALANCES AND CASH

	2011 AED	2010 AED
Bank balances and cash	30,182,808	25,050,433
Petty cash	<u>8,000</u>	<u>8,000</u>
	<u>30,190,808</u>	<u>25,058,433</u>

5 DEBTORS AND OTHER DEBIT BALANCES

	2011 AED	2010 AED
Prepaid expenses	2,189,703	2,289,779
Advances and loans to employees	4,121,439	4,868,218
Other debtors	<u>-</u>	<u>794,161</u>
	<u>6,311,142</u>	<u>7,952,158</u>

→ Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011**6 PROPERTY AND EQUIPMENT**

	Motor vehicles AED	Furniture and fixtures AED	Computers AED	Leasehold improvements AED	Machinery and office equipment AED	Total AED
2011						
Cost:						
As at 1 January 2011	695,000	2,574,921	4,005,909	3,807,879	1,276,102	12,359,811
Additions	64,000	-	381,425	18,000	108,480	571,905
Disposals	<u>(258,000)</u>	<u>-</u>	<u>(266,439)</u>	<u>-</u>	<u>-</u>	<u>(524,439)</u>
As at 31 December 2011	<u>501,000</u>	<u>2,574,921</u>	<u>4,120,895</u>	<u>3,825,879</u>	<u>1,384,582</u>	<u>12,407,277</u>
Accumulated depreciation:						
As at 1 January 2011	550,392	1,119,470	2,911,857	2,105,095	956,562	7,643,376
Depreciation for the year	40,141	631,228	772,557	953,257	296,735	2,693,918
Disposals	<u>(258,000)</u>	<u>-</u>	<u>(266,439)</u>	<u>-</u>	<u>-</u>	<u>(524,439)</u>
As at 31 December 2011	<u>332,533</u>	<u>1,750,698</u>	<u>3,417,975</u>	<u>3,058,352</u>	<u>1,253,297</u>	<u>9,812,855</u>
Net carrying amount:						
As at 31 December 2011	<u>168,467</u>	<u>824,223</u>	<u>702,920</u>	<u>767,527</u>	<u>131,285</u>	<u>2,594,422</u>
2010						
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	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,000)</u>
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	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,000)</u>
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>

→ Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

7 INTANGIBLE ASSETS

	Computer Software	
	2011 AED	2010 AED
<i>Cost:</i>		
As at 1 January	4,213,470	4,126,717
Additions	<u>745,825</u>	<u>86,753</u>
As at 31 December	<u>4,959,295</u>	<u>4,213,470</u>
<i>Accumulated amortization:</i>		
As at 1 January	2,898,423	1,509,537
Amortization for the year	<u>1,464,200</u>	<u>1,388,886</u>
As at 31 December	<u>4,362,623</u>	<u>2,898,423</u>
<i>Net book value:</i>		
As at 31 December	<u>596,672</u>	<u>1,315,047</u>

8 PAYABLES AND OTHER CREDIT BALANCES

	2011 AED	2010 AED
Trade payables	947,874	2,025,695
Accrued expenses	<u>1,820,436</u>	<u>1,772,057</u>
	<u>2,768,310</u>	<u>3,797,752</u>

9 EMPLOYEES' END OF SERVICE BENEFITS

	2011 AED	2010 AED
Balance as at 1 January	11,532,269	11,898,513
Charge for the year	4,672,268	2,588,251
End of service benefits paid during the year	<u>(1,134,357)</u>	<u>(2,954,495)</u>
Balance as at 31 December	<u>15,070,180</u>	<u>11,532,269</u>

→ Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

10 GENERAL AND ADMINISTRATIVE EXPENSES

	2011 AED	2010 AED
Business travel	504,628	1,090,021
Recruitment fees	525,261	482,037
Consultancy fees	755,172	2,364,293
Rent	2,574,777	2,248,008
Computer maintenance	1,469,489	1,163,765
Other expenses	<u>1,951,865</u>	<u>3,683,276</u>
	<u>7,781,192</u>	<u>11,031,400</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

	2011 AED	2010 AED
Contribution from Government of Abu Dhabi	<u>109,616,477</u>	<u>109,180,583</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:

	2011 AED	2010 AED
Salaries and other benefits	14,106,527	13,445,415
Employees' end of service benefits	774,275	469,547
Number of key management personnel	9	9

→ Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

12 COMMITMENTS AND CONTINGENCIES

As at 31 December 2011, the Authority had capital commitments, which are contracted but not provided for amounting to AED 7,224,475 (2010: nil).

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. This comprises prepayments, advances and loans to employees. The Authority seeks to reduce the credit risk by limiting amounts loaned to employees and monitoring existing outstanding debtor 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 2011

15 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

- 15.1** The Authority's budget is prepared on a cash basis 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 2/2011 issued on 16 June 2011.
- 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 cash basis. The amounts in the financial statements were recast from the accrual basis to the 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 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.

→ Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

15 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

continued

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.

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 2011 is presented below.

2011	Operating AED	Investing AED	Financing AED	Total AED
Actual amount on comparable basis as presented in the statement of budget and actual amounts	6,483,841	(1,848,228)	-	4,635,613
Entity differences	<u>496,762</u>	<u>-</u>	<u>-</u>	<u>496,762</u>
Actual amount in the cash flow statement	<u>6,980,603</u>	<u>(1,848,228)</u>	<u>-</u>	<u>5,132,375</u>

15.9 Entity differences represent payments of housing loans to employees of AED 496,762.

15.10 Explanation of differences between actual amounts and budget

The total budget difference amount of AED 32 million is primarily attributable to an underspend against budgeted operating and capital expenditure.

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 108 million from the Government of Abu Dhabi as opposed to an approved and available budget of AED 136.2 million for the year 2011.

16 COMPARATIVE FIGURES

Comparative figures were reclassified to confirm to the current year presentation with respect to non-current portion of Government of Abu Dhabi account transferred from current liability to non-current liability.

جهاز أبوظبي للمحاسبة
Abu Dhabi Accountability Authority



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