

جهاز أبوظبي للمحاسبة
ABU DHABI ACCOUNTABILITY AUTHORITY



ACCOUNTABILITY
REPORT

2013

جهاز أبوظبي المحاسبة
ABU DHABI ACCOUNTABILITY AUTHORITY



ACCOUNTABILITY REPORT 2013

H.H. Sheikh Khalifa Bin Zayed Al Nahyan
The President Of United Arab Emirates



General H.H. Sheikh Mohammed Bin Zayed Al Nahyan

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





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REPORT 2013

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H.E. Riyadh Al Mubarak
ADAA Chairman

FOREWORD

It gives us great pleasure to bring to you our 5th issue of the Accountability Report, hoping it serves as credible reference on our work and future plans and a testament to our commitment to exhibit utmost transparency and accountability in all our work.

The year 2012 unfolded new and different challenges for ADAA; it was considered a fundamental testing period for all our outputs and a measurement of how sufficient they are in accomplishing our goals and mandate as well as evaluating their success in meeting expectations from ADAA. And in spite of achieving our goals for 2012 as set in our previous Accountability Report; our true ambitions are yet to be met as we believe that true success lies in sustainability and continuity of success.

We were very keen during previous years on developing ADAA's work methodologies that result today in all its outputs and we ensured their effectiveness in achieving the desired goals. We are still very eager to improve and enhance these methodologies whereby they become recognized as reference to international best practices.

The United Arab Emirates' nation is very ambitious and difficult to dissuade from moving forward no matter what obstacles lay ahead and our history attests to that; as we still reap today at various international forums what the late Sheikh Zayed bin Sultan Al Nahyan planted and we see the world eagerly watching us work harder to achieve the vision of His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of UAE.

Each year ADAA generously receives more guidance and support from His Highness General Sheikh Mohammed 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 nurtures our ambitions and drives us to increase our efforts to persistently achieve more. We have to highlight as well the support of H.H. Sheikh Hazza bin Zayed Al Nahyan, National Security Advisor, and Vice Chairman of Abu Dhabi Executive Council and the effective impact of this support on increasing confidence in the role ADAA plays and the importance of the outputs it provides Abu Dhabi Government and public entities.

The work and achievements that this report unfolds are the result of tremendous collaborative efforts and cooperation between many parties that surpass the boundaries of ADAA and below are some of these achievements:

- ADAA issued 166 reports across its Financial Audit and Examination outputs and its Performance and Risk Assurance outputs.
- ADAA hosted the 6th International Forum of Independent Audit Regulators (IFIAR) Inspection Workshop.
- International Public Sector Accounting Standards Board "IPSASB" accepted ADAA's invitation to host the Board's annual meeting for the first time in the Middle East.

In conclusion, we reaffirm our invitation to all of you to browse through our Accountability Report and get more acquainted with the work accomplished during the previous year and explore our future plans, and we sincerely thank and appreciate the efforts of everyone that has contributed directly or indirectly to the achievement of ADAA's 2012 objectives.

Riyad Al Mubarak
ADAA Chairman



PART ONE

ABOUT ADAA

1.1 OVERVIEW

1.2 SUBJECT ENTITIES

1.3 FUNCTIONS, PRIORITIES AND OUTCOMES

1.4 GOVERNANCE REPORT

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) for the year 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) mentioned above.

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

Promote Governance, Accountability and Transparency

Promote high standards of governance, accountability and transparency to ensure that funds dispensed by public entities achieve desired goals efficiently, effectively, economically, and ethically.

Enhance Performance

Support public entities in enhancing their performance and improve the quality of data used by decision makers.

Maintain and Promote Leading Practices

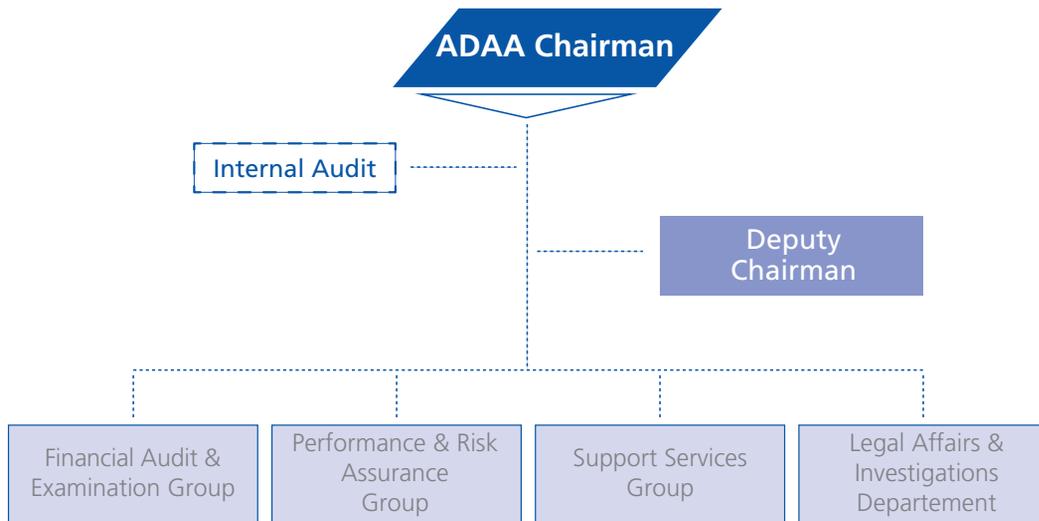
Maintain and promote leading practices through continuous research and development and sharing of knowledge.

Develop Human Capital

Train and develop UAE national graduates. Retain high caliber and experienced individuals.

1.1.3 ORGANIZATIONAL 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 ADAA's vision, mission and values.

ADAA is committed to developing and attracting 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.

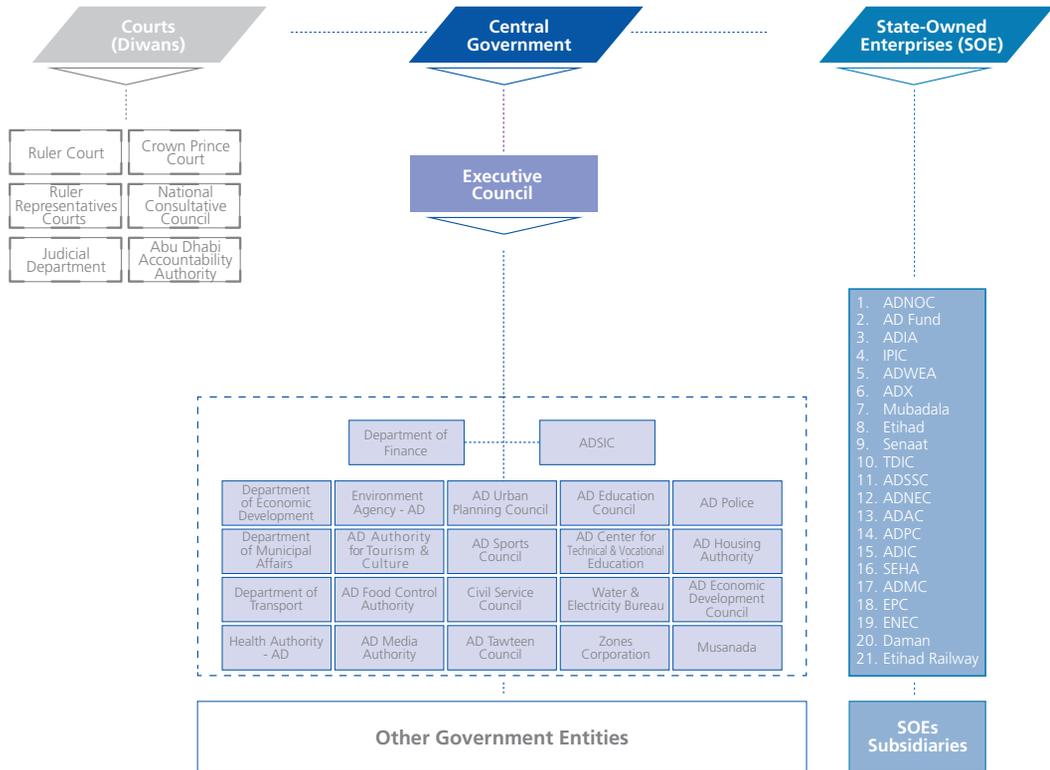
1.2 SUBJECT ENTITIES

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

ADAA classified Public Entities into groups based on their type as shown in the following figure:



ADAA has also classified all Public Entities by sector as shown in the list below (excluding SOE's Subsidiaries):

SECTOR	ENTITY NAME	
Economic Development	1	Department of Economic Development
	2	Khalifa Fund for Projects Development
	3	Abu Dhabi Quality and Conformity Council
	4	Abu Dhabi Council for Economic Development
	5	Western Region Development Council
	6	Higher Corporation for Specialized Economic Zones (1 Subsidiary)
	7	Media Zone Authority - Abu Dhabi (1 Subsidiary)
	8	Supreme Petroleum Council
	9	Regulation and Supervision Bureau
	10	Abu Dhabi Tourism and Culture Authority
	11	Emirates Heritage Club
	12	Dar Zayed for Islamic Culture
	13	Public Institution Zoo and Aquarium in Al Ain
Social Development	14	Judicial Department - Abu Dhabi
	15	General Directorate of Abu Dhabi Police
	16	Monitoring and Control Centre
	17	Health Authority - Abu Dhabi
	18	The National Rehabilitation Center
	19	Abu Dhabi Food Control Authority
	20	Abu Dhabi Farmers Services Centre
	21	Organic Agriculture Center
	22	Abu Dhabi Farmer Financial Support Fund
	23	Family Development Foundation
	24	Zayed Higher Organization For Humanitarian Care and Special Needs
	25	Social Care and Minors Affairs Foundation
	26	Zayed bin Sultan Al Nahayan Charitable & Humanitarian Foundation
	27	Khalifa Bin Zayed Al Nahyan Foundation
	28	Emirates Foundation
	29	Abu Dhabi Housing Authority

SECTOR	ENTITY NAME	
Human Capital Development	30	Abu Dhabi Education Council
	31	Khalifa University for Science, Technology and Researches
	32	Emirates College for Educational Development
	33	Paris-Sorbonne University–Abu Dhabi
	34	Mohammed V University - AGDAL - Abu Dhabi
	35	Abu Dhabi Centre for Technical and Vocational Education and Training
	36	Abu Dhabi Vocational Education and Training Institute
	37	Institute of Applied Technology
	38	Abu Dhabi Tawteen Council
	39	Civil Service Council
	40	Abu Dhabi Retirement Pensions & Benefits Fund
	41	Abu Dhabi Sports Council
Infrastructure & Environment	42	Abu Dhabi Urban Planning Council
	43	Department of Municipal Affairs
	44	Municipality of Abu Dhabi City
	45	Municipality of Al Ain City
	46	Western Region Municipality
	47	The Center of Waste Management - Abu Dhabi
	48	Abu Dhabi General Services Company - Musanada
	49	Department of Transport
	50	The Center for Regulation of Transport by Hire Cars (Trans Ad)
	51	Compensations Fund for Owners of Taxi Licenses
	52	Environment Agency - Abu Dhabi
	53	International Fund for Habara Conservation
	54	Mohamed bin Zayed Species Conservation Fund
Government Administration	55	Ruler Court
	56	Crown Prince Court
	57	Ruler Representative in the Eastern Region Court
	58	Ruler Representative in the Western Region Court
	59	National Consultative Council
	60	Abu Dhabi Accountability Authority
	61	Executive Affairs Authority (2 Subsidiaries)
	62	Vice Chairman of the Executive Council Office
	63	General Secretariat of the Executive Council
	64	Department of Finance
	65	Statistics Centre - Abu Dhabi
	66	Presidential Flight Authority (1 Subsidiary)
	67	Abu Dhabi Systems & Information Centre

SECTOR	ENTITY NAME	
Public Investments	68	Abu Dhabi National Oil Company - ADNOC (29 Subsidiaries)
	69	Abu Dhabi Fund for Development - ADFD (5 Subsidiaries)
	70	Abu Dhabi Investment Authority - ADIA (2 Subsidiaries)
	71	International Petroleum Investment Company - IPIC (6 Subsidiaries)
	72	Abu Dhabi Water & Electricity Authority - ADWEA (35 Subsidiaries)
	73	Abu Dhabi Securities Exchange - ADX
	74	Mubadala Development Company - Mubadala (38 Subsidiaries)
	75	Etihad Airways (3 Subsidiaries)
	76	General Holding Corporation - Senaat (12 Subsidiaries)
	77	Tourism Development & Investment Company - TDIC
	78	Abu Dhabi Sewerage Services Company - ADSSC
	79	Abu Dhabi National Exhibitions Company- ADNEC (1 Subsidiary)
	80	Abu Dhabi Airports Company - ADAC (5 Subsidiaries)
	81	Abu Dhabi Ports Company - ADPC (1 Subsidiary)
	82	Abu Dhabi Investment Council - ADIC (19 Subsidiaries)
	83	Abu Dhabi Health Services Company- SEHA
	84	Abu Dhabi Media Company- ADMC (2 Subsidiaries)
	85	Emirates Palace Company - EPCO
86	Emirates Nuclear Energy Corporation - ENEC	
87	National Health Insurance Company - Daman	
88	Etihad Rail Company	

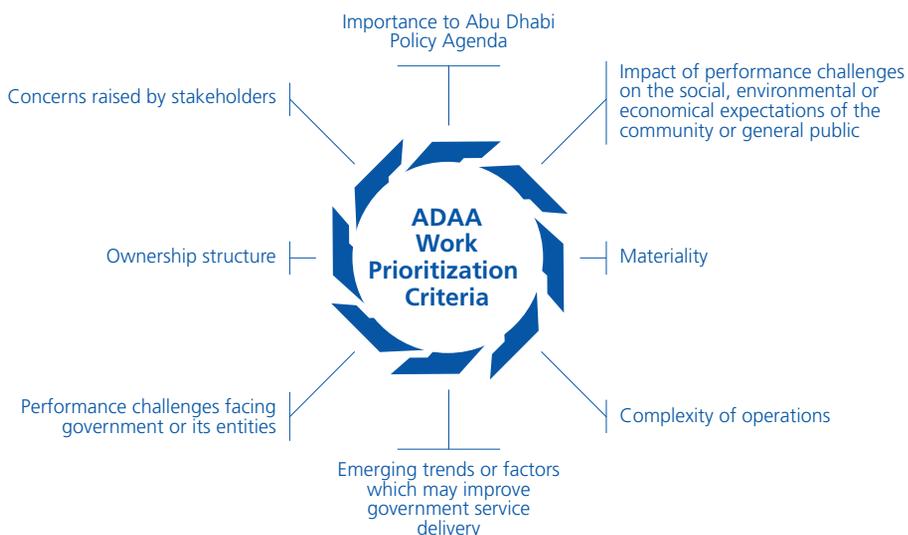
1.3 FUNCTIONS, PRIORITIES AND OUTCOMES

1.3.1 FUNCTIONS

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

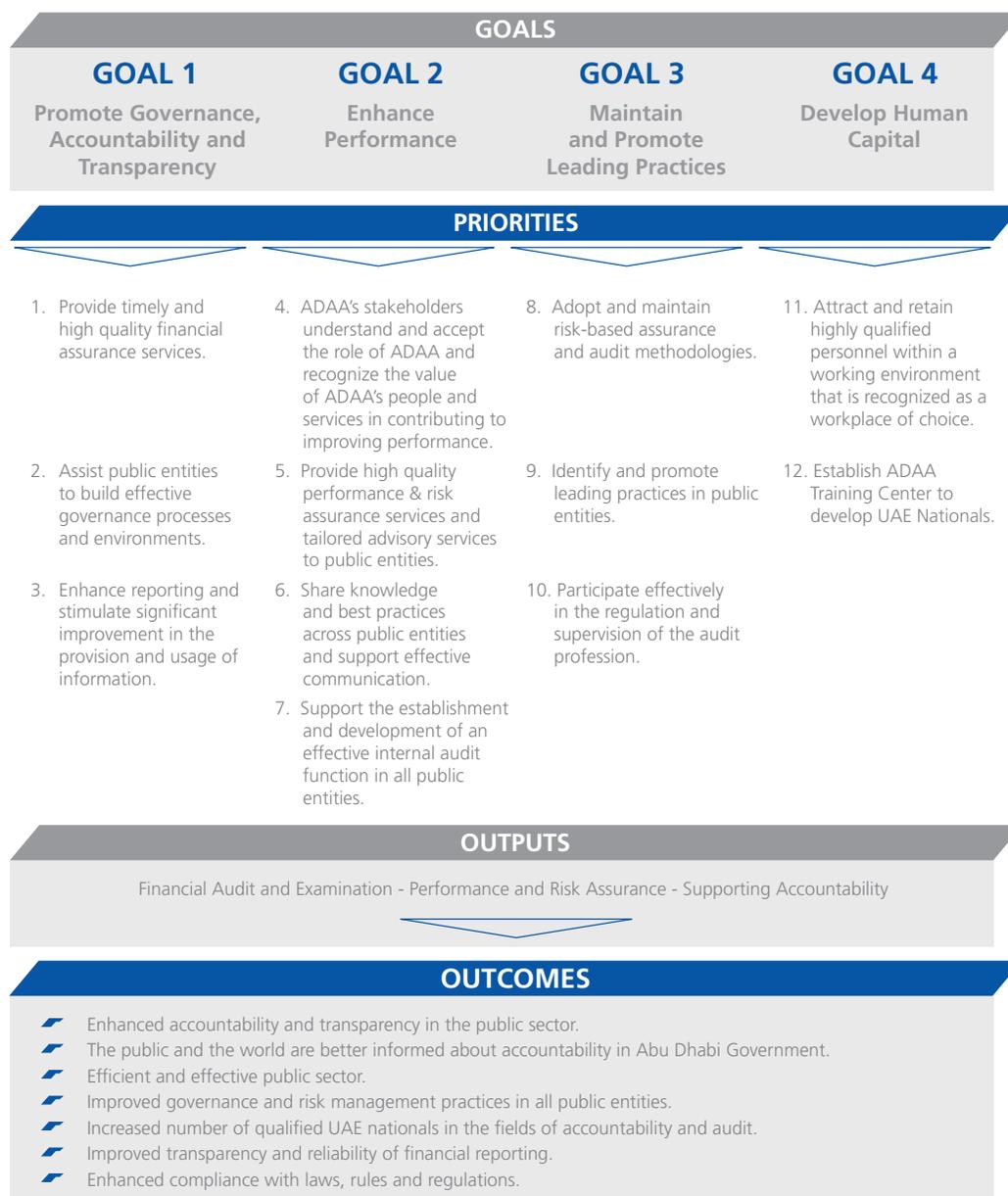
- Audit the Government consolidated financial statements and Subject Entities' financial statements.
- Review performance and risk; to fulfill this responsibility, ADAA may from time to time:
 - ◆ Examine the efficiency, effectiveness and economy of the financial and operational activities of Subject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

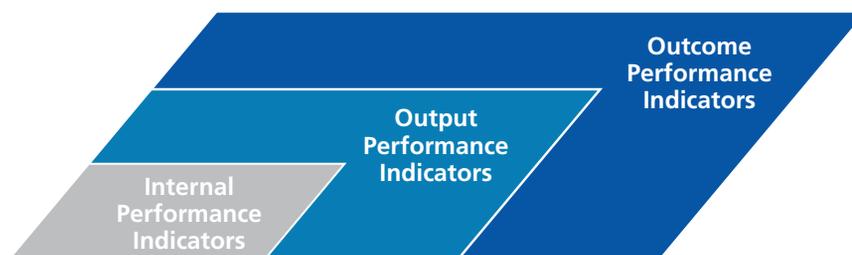
ADAA developed a strategic planning framework based on its strategic priorities. ADAA also developed work methodologies for every output and service it provides in accordance with international best practices and is considered a guideline for ADAA's actions and the provision of its services. These methodologies 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".

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

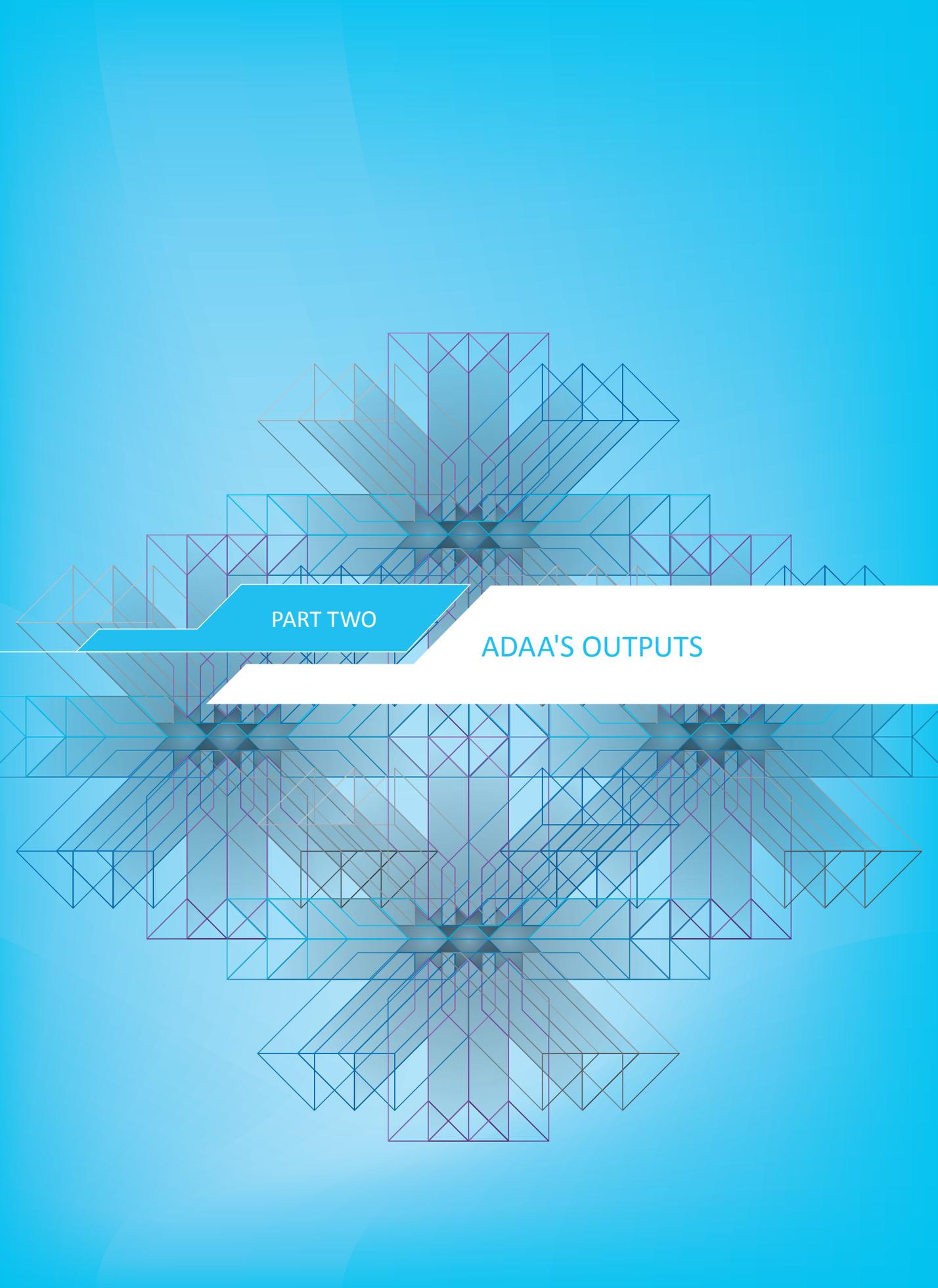
ADAA's financial statements are audited by an external auditor on an annual basis. For the year 2012, Ernst and Young were reappointed in accordance with Statutory Auditor Appointment Rules issued by ADAA for a fee of AED 89,000.

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 by 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

ADAA'S OUTPUTS

Introduction

ADAA established a number of outputs enabling the execution of its mandate as outlined in its establishment law. The following table demonstrates ADAA's outputs in relation to the mandate item it fulfills:

MANDATE PERTAINING TO LAW NO. (14) OF 2008	OUTPUT GROUPS	OUTPUT
Audit the Government's Consolidated Financial Statements and Subject Entities' Financial Statements.	Financial Audit & Examination	<ol style="list-style-type: none"> 1. Financial Audit 2. Financial Examination 3. Financial Management Assessment
Review performance and risks by examining 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	Performance & Risk Assurance	<ol style="list-style-type: none"> 4. Internal Audit Assessment 5. Procurement Review 6. Service & Output Review
<p>Submit 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> <p>Train and qualify UAE National graduates of universities and institutions</p>	Supporting Accountability	<ol style="list-style-type: none"> 7. Accountability Reports 8. Advisory 9. Special Examination 10. ADAA Training Center

2.1 FINANCIAL AUDIT AND EXAMINATION

ADAA developed 3 types of outputs under this group with the objective of enabling it to provide 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

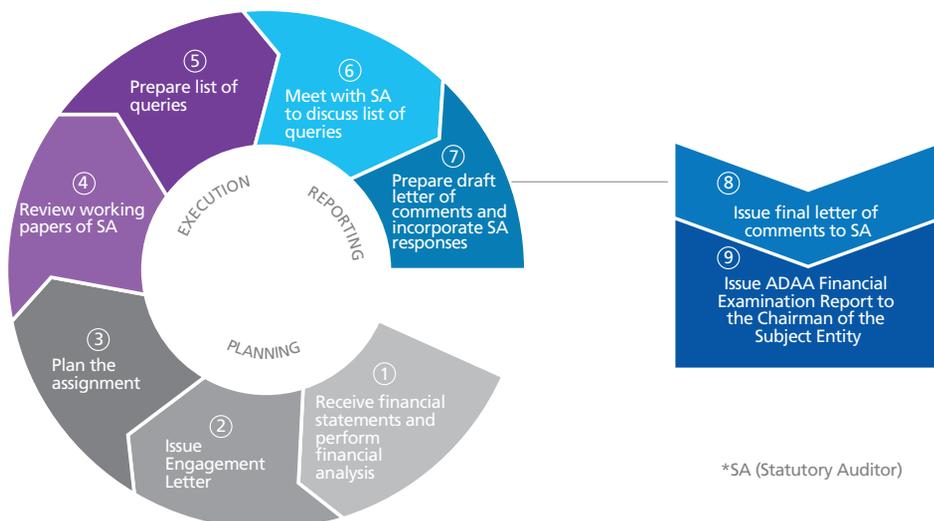
Audit the Consolidated Financial Statements of the Government of Abu Dhabi to ensure accuracy of these statements.

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.

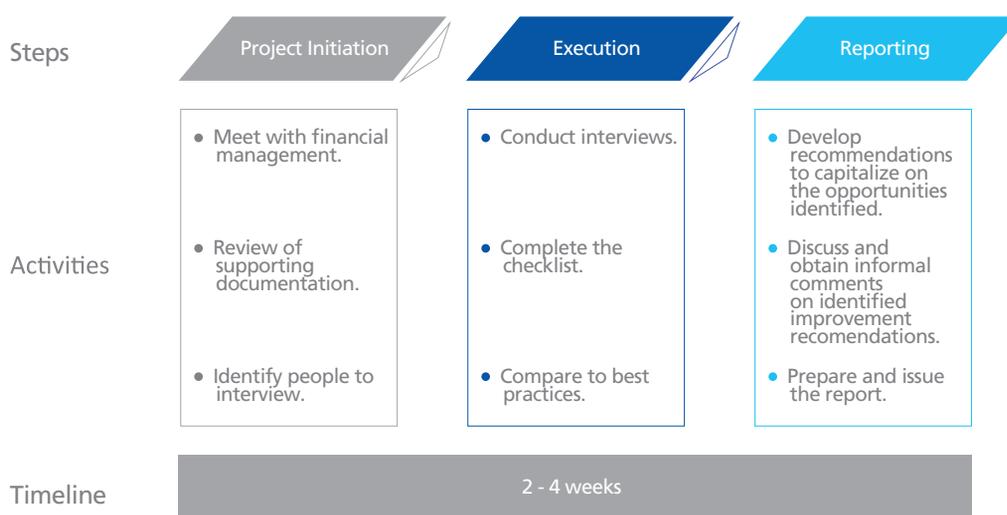
The "Financial Examination Methodology" was developed based on the pronouncements and methodologies of the International Federation of Accountants (IFAC).



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 3 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:

- ▀ Internal Audit Assessment
- ▀ Procurement Review
- ▀ Service and Output Review

2.2.1 INTERNAL AUDIT ASSESSMENT

Assess 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.



2.2.2 PROCUREMENT REVIEW

Review procurement at Subject Entities to verify the presence of comprehensive procurement regulations and procedures at the Subject Entities and ensure its compliance with them.

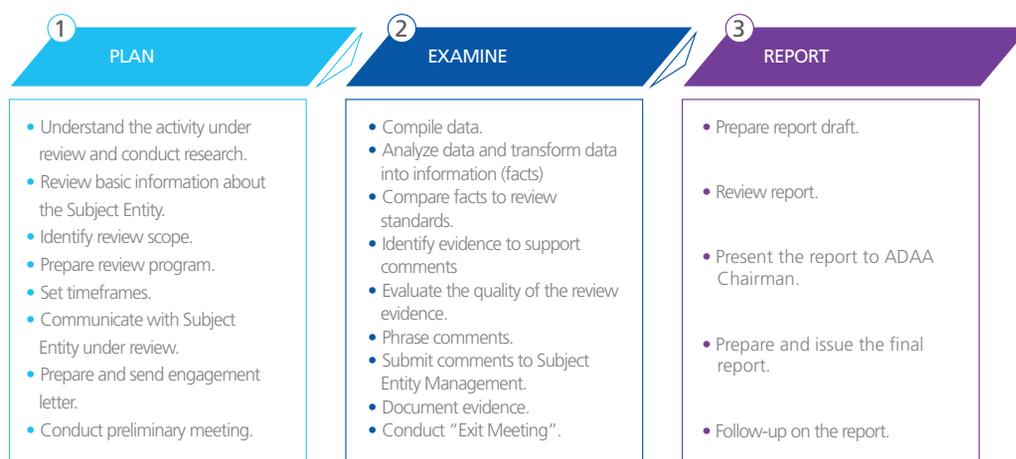
The “Procurement Review Methodology” was developed based on the pronouncements made by The Chartered Institute of Purchasing and Supply (CIPS).

2.2.3 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.

It also includes Capital Projects Review addressing the review of infrastructure assets and critical projects under development by Subject Entities.

The “Service and Output Review Methodology” was developed based on leading practices in the industry. Capital Projects Reviews are conducted based on Project Management standards issued by the Project Management Institute (PMI) as shown here:



2.3 SUPPORTING ACCOUNTABILITY

ADAA developed 4 types of outputs under this group to support holding Subject Entities accountable for their roles and responsibilities, in addition to training and developing UAE nationals and supporting sharing knowledge and leading practices:

- Accountability Reports
- Advisory
- Special Examination
- ADAA Training Center

2.3.1 ACCOUNTABILITY REPORTS

ADAA prepares and submits reports to His Highness the Crown Prince of Abu Dhabi about its work and carries out other functions, duties and responsibilities requested by His Highness.

2.3.2 ADVISORY

ADAA provides advice to Subject Entities based on the Subject Entities' request and upon approval of the 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

Investigate complaints referred to ADAA and violations discovered when carrying out its work at Subject Entities and examine 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.

Financial Violation Investigation

ADAA investigates complaints forwarded to it from His Highness the Crown Prince of Abu Dhabi and the violations discovered in the course of its work with the objective of identifying the nature of these violations and the individuals responsible to hold them accountable.

ADAA may investigate these violations directly or commission the responsible officer (Compliance Officer) at the Subject Entity if he/she has not investigated for the same violation before.

Financial Violation Examination

ADAA's establishment law requires Subject Entities to immediately notify ADAA upon discovering any violation or the occurrence of any incident that resulted in a violation. It also obliges these Subject Entities to send a copy of the investigation documents once completed supported by the investigation records and actions taken within a maximum period of ten days from the date of issue.

ADAA examines the investigation documents sent by the Subject Entity to ensure the objectivity of the investigation and to determine the cause of the violation with the corrective actions taken by the Subject Entity to ensure eliminating future recurrence of the same violations.

2.3.4 ADAA TRAINING CENTER

ADAA developed 4 types of outputs under this output 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

2.3.4.1 QUALIFYING EMIRATI AUDITORS

Develop specialized training programs with the objective of contributing to the training and development of Emirati Auditors and assisting them in acquiring the necessary skills and knowledge to advance and excel in their careers. ADAA developed the “Emirati Auditor Development Program” which was designed as a fast track, all-encompassing opportunity that takes young Emirati applicants from entry level Assistant Auditor to a Chief Auditor over a period of 7 years.

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.

ADAA also offers internships on an annual basis to undergraduates studying to attain a Bachelor’s Degree in Accountancy, Business Administration, Economics, or Finance who may be seeking employment experience and helping them gain a thorough understanding of the audit profession and what to expect as a Financial or Risk Auditor.

2.3.4.2 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.

2.3.4.3 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.

2.3.4.4 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.



PART THREE

2012 REPORT AND
2013 WORK PLAN

3.1 2012 ACHIEVEMENT HIGHLIGHTS

3.2 FINANCIAL AUDIT AND EXAMINATION OUTPUTS

3.3 PERFORMANCE AND RISK ASSURANCE OUTPUTS

3.4 SUPPORTING ACCOUNTABILITY OUTPUTS

3.5 2013 WORK PLAN

2012 REPORT AND 2013 WORK PLAN

3.1 2012 ACHIEVEMENT HIGHLIGHTS

The following is a summary of highlights of ADAA's achievements during 2012:

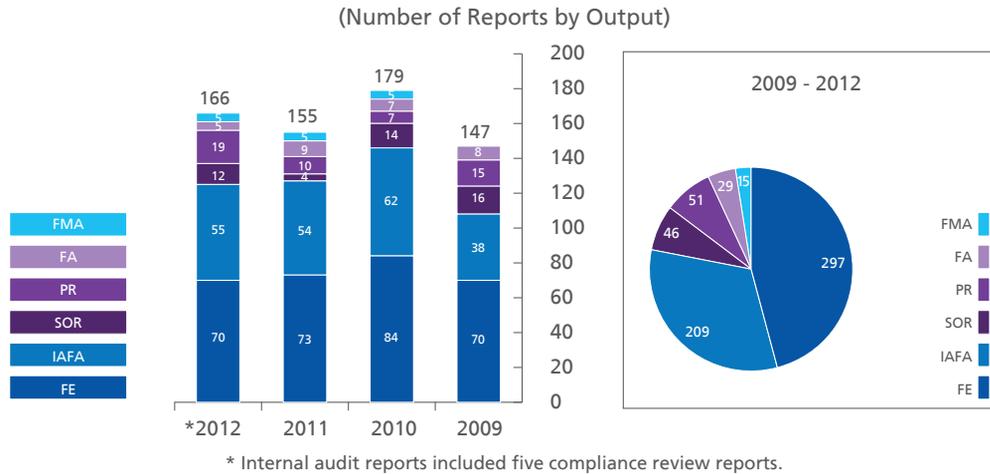
- Issued the audit report on the consolidated financial statements of the Government within the timeframe specified in the Financial Management Law.
- Performed 70 Financial Examinations and ensured Subject Entities' compliance with their budget and recommended the preparation of their financial statements in accordance with international standards.
- Conducted 5 Financial Management Assessments (FMA) to support and strengthen the financial management function within Subject Entities.
- Assessed the Internal Audit function of 50 Subject Entities and reviewed Compliance Framework for 5 Subject Entities.
- Reviewed procurement function and compliance of 19 Subject Entities.
- Reviewed a number of high priority services and outputs at Subject Entities.
- Hosted the 6th International Forum of Independent Audit Regulators (IFIAR) Inspection Workshop.
- Participated in IFIAR general meetings and its Advisory Council meetings. ADAA was asked to share its practice with other IFIAR members.
- Participated in the National Association of State Boards of Accountancy – "NASBA" annual meeting and the NASBA International Forum in the United States of America.
- Participated in the UAE National Students Forum in Washington, DC.
- Continued monitoring the compliance of Subject Entities with Statutory Auditor Appointment Rules (SAAR).
- ADAA chaired the Abu Dhabi Technical Forum (ADTF) unifying accounting interpretations between ADAA, audit firms and accounting and auditing professionals in the UAE.
- Issued the following technical working papers:
 - ◆ 2 Audit Committee updates;
 - ◆ 2 confidential accounting advice requests;
 - ◆ 4 IPSAS Bulletins;
 - ◆ 4 illustrative IFRS and IPSAS financial statements;
 - ◆ 5 published accounting technical papers;
 - ◆ 6 comment letters issued to the IPSASB;
 - ◆ 10 IFRS Digests; and
 - ◆ 27 technical papers for the ADTF.

- Held the 4th annual Internal Audit Seminar for its Subject Entities with an attendance record exceeding the previous years.
- Submitted a number of accountability reports on important issues.
- Examined and investigated complaints received or violations discovered, and issued Special Examination reports.
- Finalized Governance Committee deliverables and submitted them to concerned entities.
- The International Public Sector Accounting Standards Board (IPSASB) accepted ADAA's invitation to host the Board's annual meeting for the first time in the Middle East.
- Continued providing advisory and support to Subject Entities upon their request.
- Assisted Subject Entities to build their capabilities in internal audit and governance.
- Completed research papers, several international benchmarking studies, a survey across 48 Abu Dhabi Government entities, a monthly Global Accountability & Transparency Newsletter and more than 50 other internal and external research assignments.
- Enhanced the value of the e-maarifa portal by sharing knowledge, best practices, expert views and documents across various communities of Abu Dhabi Government employees. As a result, the e-maarifa portal has seen steady growth in membership which has now crossed 1,000 Abu Dhabi Government employees.

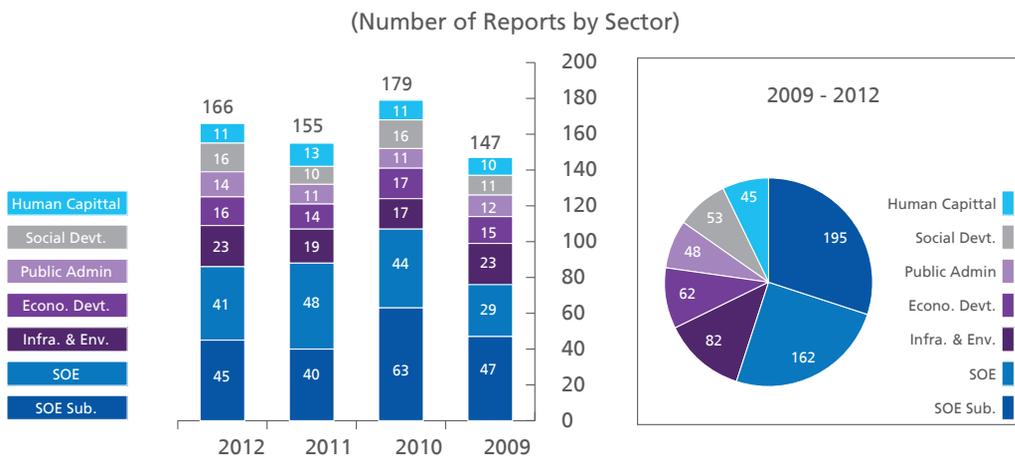
The following table provides an overview about the number of reports issued by ADAA through the Financial Audit and Examination Group and the Performance and Risk Assurance Group:

	Description	Actual 2009	Actual 2010	Actual 2011	Target 2012	Actual 2012
1	Financial Audit and Examination Group	78	96	87	79	80
2	Performance and Risk Assurance Group	69	83	68	85	86
	Total Number of Reports	147	179	155	164	166

Financial examination and internal audit reports represent more than 75% of the 647 reports issued during the past four years:



ADAA reports have covered all public sectors and more than 50% of them were related to SOEs and their subsidiaries:



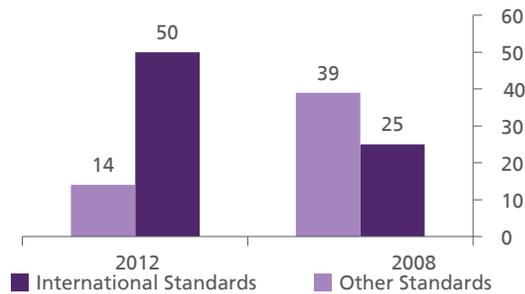
3.2 OUTPUT GROUP 1: FINANCIAL AUDIT AND EXAMINATION

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.

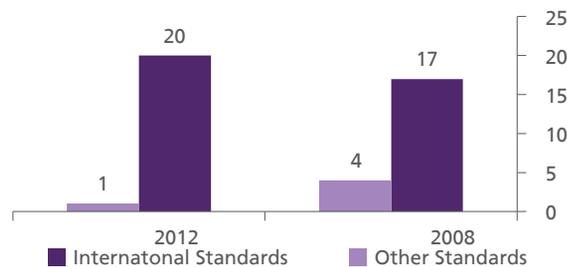
This group continues to advise Subject Entities how to improve the quality of their financial reporting and specifically in relation to their financial statements basis of preparation varying according to the Subject Entity's operations, with a focus on having all Subject Entities prepare their financial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

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

Government Entities (excluding SOEs) Financial Statements Basis of Preparation



State-Owned Enterprises "SOEs" (Government Companies) Financial Statements Basis of Preparation



The Financial Audit and Examination Group comprise the following 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 2011 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).

3.2.2 FINANCIAL EXAMINATION

During 2012, ADAA examined 70 independent audit reports and work of statutory auditors, appointed by Subject Entities. The financial statements and audits covered in 2012 were selected in accordance with the prioritization criteria developed by ADAA.

ADAA's Financial Examination Comments Summary

ADAA issues its report upon the completion of the financial statements examinations and sends it to those charged with governance at Subject Entities and to statutory auditors for future improvements, implementation and follow up.

The Financial Examinations continue to highlight a number of areas where improvements are required, and they are as follows:

- Financial statements issuance timeliness: Improvement is expected in 2013 due to new budget requirements issued officially by Department of Finance requesting Subject Entities to submit their audited financial statements by 31 March while a deadline of 30 June has been set for issuing the Consolidated Financial Statements of Abu Dhabi Government that are audited by ADAA.
- Treatment and presentation of government grants and funding.
- Valuations for impairment reviews and assets.
- Audit procedures performed when auditing accounting estimates.
- Communication by the statutory auditors with those charged with governance.
- Fraud risk assessment procedures performed by Statutory Auditors.
- Procedures performed by statutory auditors to test and rely on the internal controls.
- Statutory Auditors' opinion compliance with international standards on auditing in respect of Subject Entities applying non-generally accepted accounting standards to prepare their financial statements.
- The quality of audit evidence statutory auditors rely on.
- Management's reliance on statutory auditors for financial reporting and accounting matters.

- Audit procedures over commitments, contingencies, compliance with laws and regulations, and subsequent events.
- Necessary disclosures required by the relevant accounting standards (IFRS/IPSAS) to enhance users understanding of the financial statements.
- Audit procedures performed in respect of Group Audits and related parties transactions.
- Procedures performed when statutory auditors decide to rely on the work of experts and service organizations.
- Compliance with statutory auditors' appointment and re-appointment procedures.

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 Financial Examination Comments

ADAA's comments in the Financial Examination report are classified into "Significant improvement required", "Needs improvement" and "Needs improvement – Specific exceptions noted" based on their nature and significance to the financial statements of Subject Entities and the Statutory Auditor's Audit process.

ADAA's financial examination reports included 1,149 comments in 2012 classified as follows:

Significant improvement required

386 comments in 2012 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 579 comments in this category focus on audit quality resulting from incomplete documentation of audit procedures performed.

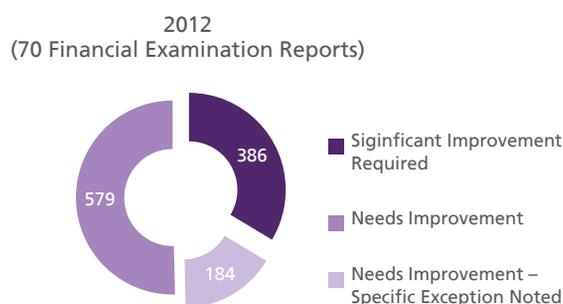
These comments highlight scope for improvement relating to audit procedures applied by the statutory auditors. If such procedures were performed, as entailed in the International Standards on Auditing or other applicable standards, a potential adjustment to the Subject Entities' financial statements might have been noted.

Needs improvement – Specific exception noted

184 comments in 2012 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 performed 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 (excluding 293 comments related to SAAR and other matters addressed only to Subject Entities):

Statutory Auditor	Number of reports examined	Significant improvement required	Needs improvement	Needs improvement – Specific exception noted	Total Comments
Firm 1	12	30	88	34	152
Firm 2	22	42	133	54	229
Firm 3	18	76	136	52	264
Firm 4	16	39	108	32	179
Firm 5	1	4	2	1	7
Firm 6	1	13	10	2	25
Grand Total	70	204	477	175	856

Implementation of SAAR

During 2012, 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. ADAA's Financial Examination reports included 68 comments related to the application of statutory auditors appointment and re-appointment procedures.

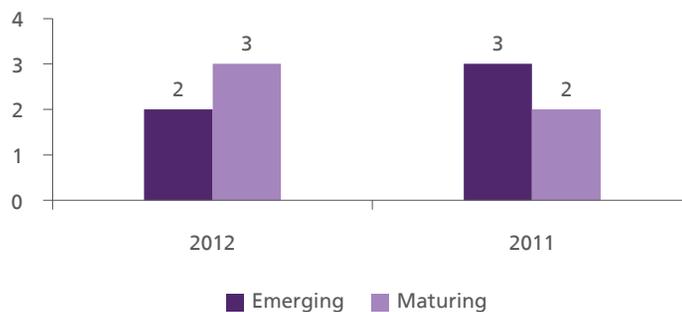
According to SAAR, Subject Entities need to go through a rigorous, well documented process when selecting and appointing their statutory auditors.

3.2.3 FINANCIAL MANAGEMENT ASSESSMENT

In 2012, ADAA conducted "Financial Management Assessments (FMAs)" in 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 a "Maturing" stage while 2 Subject Entities were at an "Emerging" stage based on the assessment methodology followed by ADAA.

Below is a comparison of the results of the financial management assessments conducted in 2012 and 2011:



3.3 OUTPUT GROUP 2: PERFORMANCE AND RISK ASSURANCE

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

ADAA aims, through this group, at enhancing Governance practices at Subject Entities since its establishment; ADAA has urged Subject Entities to establish its Audit Committees and Internal Audit Functions. The following chart demonstrates the development of internal audit functions within Subject Entities during the past couple of years:



The Performance and Risk Assurance Group comprises the following outputs:

- Internal Audit Assessment
- Procurement Review
- Service and Output Review

3.3.1 INTERNAL AUDIT ASSESSMENT

During 2012, ADAA issued 50 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.

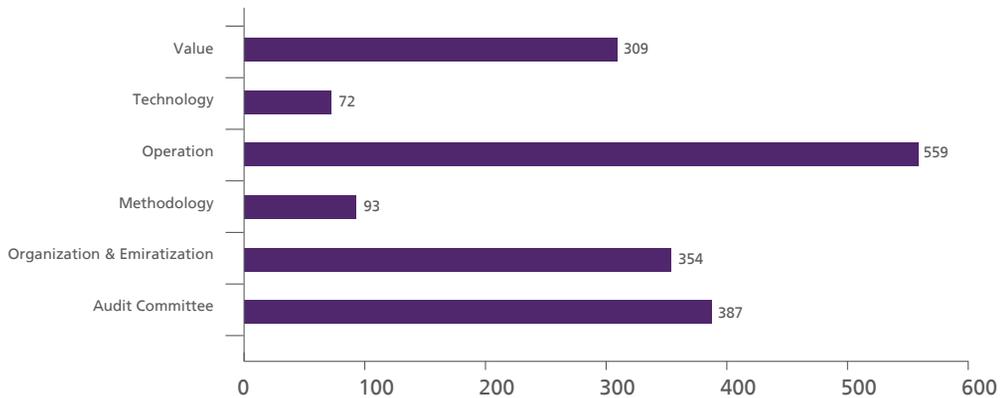
Internal Audit functions were assessed on a series of 6 elements: Audit Committee, Methodology, Organization & Emiratization, Operation, Technology and Value.

Internal Audit Assessment Reports Summary

During 2012, ADAA issued 1,774 recommendations to improve the Subject Entities' control environment and for the enhancement of the governance structure.

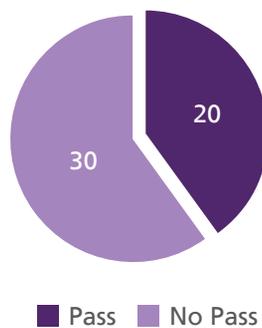
In line with ADAA's methodology, the final results of the assessment of internal audit functions at Subject Entities are presented to the Audit Committees by element along with the final score of the assessment and key observations noted.

The figure below recaps the distribution of recommendations by each of the elements:



Out of 50 Subject Entities, 20 met pass requirements based on the criteria established by ADAA, while 30 did not.

Results of the internal audit assessment in 2012



(50 Assessments)

3.3.2 PROCUREMENT REVIEWS

During 2012, ADAA reviewed capital and operational procurement at Subject Entities and issued 19 reports.

Procurement activities were reviewed by evaluating the following aspects:

- The existence of an approved Procurement Regulatory Framework at Subject Entities (i.e. the policies, procedures, processes and decision-making forums) and comparing it with best practices.
- The compliance of the Subject Entities with the approved regulatory framework.

These procurement reviews led to the discovery of violations that were further investigated and resulted in disciplinary action against responsible individuals.

3.3.3 SERVICES AND OUTPUT REVIEW

The Service and Output Review deliverables during 2012 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 2012 with a brief description of the scope of the review and recommendations by ADAA:

Government Contact Centre Review

ADAA conducted a review of the service and output related to Abu Dhabi Government Contact Centre (ADGCC) for the period running from 2010 to June 2012 with the objective of verifying:

- The existence of an approved governance and regulatory framework to provide the service and output related to ADGCC and the alignment of such a framework with leading practices.
- The compliance with the approved governance framework.

Recommendations	<p>ADAA recommendations included:</p> <ul style="list-style-type: none"> ▪ Issue an appropriate level of regulation for the ADGCC that defines its mandated roles, responsibilities, and the entities that should be included within its service portfolio. ▪ Update the ADGCC strategy. ▪ Formalize relationships between ADGCC and Public Entities in the ADGCC portfolio through signed service level agreements (SLAs). ▪ Establish a dedicated channel within the ADGCC for handling technical queries from Public Entities. ▪ Review the types and names of categories used to define incoming calls and reduce nonspecific categories such as "Other" and "General".
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Laborer Accommodation Review

ADAA conducted a review of the service and output related to Laborer Accommodation in Abu Dhabi for the period running from January 2011 to June 2012 with the objective of verifying:

- The existence of an approved governance framework to provide the service and output related to laborer accommodation and the alignment of such a framework with leading practices.
- The compliance with the approved governance framework for laborer accommodation.

Recommendations

ADAA recommendations included:

- Review roles and responsibilities of the concerned entities in relation to regulating laborer accommodation in the emirate to avoid instances of overlapping.
- Compile a unified set of all existing regulations, design standards and guidelines for Laborer Accommodation outside of Worker Residential Cities.
- Establish a definition of the term “laborer”, designating which individuals must be accommodated in WRCs and other regulated Laborer Accommodations.
- Review the rate set for Laborer Accommodation.
- Pursue the issuance of the list of sanctions and fines that will be implemented against non-compliant WRCs.
- Separate the regulatory role from the operational role in relation to laborer accommodation.

Building Permits Review

ADAA conducted a review of the service and output related to Building Permits for the period running from January 2011 to September 2012 with the objective of verifying:

- The existence of an approved regulatory framework to provide the service and output related to building permits and the alignment of such a framework with leading practices.
- The compliance with the approved governance framework for building permits.

Recommendations

ADAA recommendations included:

- Address the delineation of overlapping aspects in roles and activities between the concerned entities with regards to building permits.
- Conduct a strategic review of all regulations that affect the Building Permits within the Emirate.
- Appoint a Compliance Officer responsible for receiving complaints of non-compliance with approved laws and regulations and examining them and taking necessary action.
- Develop a conflict of interest policy to sustain the transparency of the process.
- Develop a mechanism and/or model to calculate the cost to issue building permits and related fees based on leading practices.
- Ensure plans are certified by accredited checkers.
- Study the possibility of issuing a legislation to regulate the engineering profession in the Emirate.

Food Safety Review

ADAA conducted a review of the service and output related to Food Safety for the period running from January 2011 to December 2012 with the objective of verifying:

- The existence of an approved governance framework to provide the service and output related to Food Safety and the alignment of such a framework with leading practices.
- The compliance with the approved governance framework for food safety.

Recommendations	<p>ADAA recommendations included:</p> <ul style="list-style-type: none"> ▪ Work with all the concerned stakeholders to ensure the alignment of standards and inspection criteria amongst all the points of entry to the UAE. ▪ Enhance the coordination with key stakeholders that contribute to the overall assurance map for the purpose of addressing and resolving challenges facing food control. ▪ Perform a complete inventory of the different tools, systems and media used to safeguard related information. ▪ Implement a mechanism to ensure that all food items can be traced, and recalled if necessary. This will involve establishing a direct communication path between the Special and General Field Operations and the Borders Sections to ease exchange of information. ▪ Address the obstacles related to planning efforts, inspections of food facilities, adequacy of enforcement protocols and tools. ▪ Revise the capabilities of laboratories in terms of providing the necessary food testing and detection services, especially in the context of the extensive lab testing durations.
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Education Licensing Review

ADAA conducted a review of the service and output related to P12 Education Licensing for the period running from 2008 to 2011 with the objective of verifying:

- The existence of an approved governance and regulatory framework to provide the service and output related to P12 schools licensing and the alignment of such a framework with leading practices.
- The compliance with the approved governance framework for P12 Education Licensing.

Recommendations	<p>ADAA recommendations included:</p> <ul style="list-style-type: none"> ▪ Enhance the governance and regulatory framework by activating the role of those charged with governance. ▪ Ensure the issuance of the proposed P12 Education regulations. ▪ Develop a system to license public schools. ▪ Revise current operating manuals for the licensing and inspections processes to reflect work practices in these areas. ▪ Develop ICT backbone and automate the school licensing and inspections activities. ▪ Develop a performance assessment system for third party providers who provide inspection services.
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Municipal System Support Review

ADAA conducted a review of the service and output related to the Municipal System Support for the period running from 2010 to June 2012 with the objective of verifying:

- The existence of an approved governance and regulatory framework to provide the service and output related to Municipal Service Support and the alignment of such a framework with leading practices.
- The compliance with the approved governance framework for Municipal System Support.

Recommendations

ADAA recommendations included:

- Conduct a full review of the municipal regulatory and operating model, and demarcate roles and responsibilities between the relevant entities.
- Re-define the outputs and services that will be offered to the public and other Government Entities relating to municipal system support.
- Upgrade the internal governance structure by issuing an updated Delegation of Authority matrix and reducing the reliance on committee structures to perform work.
- Review key performance indicators related to the municipal system support, upgrade periodic Performance Reports, and issue Annual Reports.
- Improve the initiative tracking process and regularly check the accuracy of the status updates for initiatives.

Commercial Licensing Review

ADAA conducted a review of the services and outputs related to Commercial Licensing for the period running from 2010 to 2012 with the objective of verifying:

- The existence of an approved governance framework to provide the service and output related to commercial licensing and the alignment of such a framework with leading practices.
- The compliance with the approved governance framework for commercial licensing.

Recommendations

ADAA recommendations included:

- Review of the commercial licensing regulations and identify opportunities to rationalize the number of licensing requirements and processes.
- Develop a comprehensive commercial licensing policy and strategy.
- Review the government-wide commercial licensing fees structure.
- Document commercial licensing requirements and processes in preparation for rationalization and reengineering efforts.
- Improve the management of key projects.
- Reduce vendor risk and improve the governance of the commercial licensing system.
- Consider a risk based inspection policy, strategy and plans.
- Automate inspection activities to improve efficiency.

Future Schools Program Review

ADAA conducted a review of the service and output related to the Future Schools Program with the objective of verifying:

- The effectiveness, efficiency and economy of constructing and delivering the schools under the Future Schools Program, and the Program’s compliance with leading practice.
- The Program was evaluated in the following areas:
 - ◆ Planning of the Program portfolio;
 - ◆ Establishment of appropriate Program governance mechanisms;
 - ◆ Acquisition of required Program human resources;
 - ◆ Execution of the Program; and
 - ◆ Closeout of completed school facilities.

Recommendations	<p>ADAA recommendations included:</p> <ul style="list-style-type: none"> ▪ Establish appropriate governance mechanisms to ensure effective management of the Program. ▪ Review and finalize Program project plans to better define the Program portfolio and develop an updated Program budget. ▪ Acquire needed Program capacity and capability in program management and project management disciplines. ▪ Conduct a comprehensive review of the Program to resolve outstanding contractor claims. ▪ Identify and request approval for the remedial cost to both complete outstanding work and also replace identified substandard work at schools that have been substantially completed. ▪ Improve the quality control process on school construction projects. ▪ Identify and begin implementing Program improvements to improve performance of the Program in relation to the quality of construction contracts, nomination of a Contract Manager, improvement of construction quality management, improvement of communications and cooperation with the project manager.
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Medical Licensing Review 2012

ADAA conducted a review of the services and outputs related to Medical Licensing activities (Licensing of Healthcare Facilities and professions) with the objective of verifying:

- The existence of an approved governance framework to provide the service and output related to medical licensing and the alignment of such a framework with leading practices.
- The compliance with the approved governance framework for medical licensing.
- The actions taken to address the findings noted in ADAA's report on "Medical Licensing Review" issued by ADAA and dated December 2010.

Recommendations

ADAA recommendations included:

- Ensure the approval of all regulations related to Medical Licensing and publishing them.
- Enhance the new licensing system in terms of performance and ensure the existence of comprehensive records.
- Evaluate the impacts of the decision to permit the automatic renewal of licenses, and develop action plans to address each.
- Revise and improve the current procedures for health professionals licensing.
- Verify Credential and assess healthcare professionals.
- Instil a mechanism to evaluate the quality of the licensing platforms at peer entities before signing any memorandum of understanding and or equivalency agreements.
- Enhance the overall inspection activities of healthcare facilities and professionals and evaluate the effectiveness of the penalties dictated against violating healthcare facilities and professionals.

Emiratization Program Review

ADAA conducted a review of the service and output related to the Emiratization Program for the period running from 2008 to 2011 with the objective of verifying:

- The existence of an approved governance and regulatory framework to provide the service and output related to Emiratization and the alignment of such a framework with leading practices.
- The compliance with the approved governance framework for Emiratization.

ADAA recommendations included:

- Develop and approve a formal and comprehensive Emiratization Policy.
- Review the Emiratization strategy based on the approved Emiratization policy and develop annual plans clearly identifying the outputs and services and the related performance indicators and issue progress reports.
- Conduct workforce and emiratization related research and reduce reliance on third party consultancies to perform this service.
- Improve coordination with relevant federal and local governmental and semi-governmental entities to improve implementation and results of the Emiratization program.
- Increase focus on securing private sector placements of UAE nationals and devise appropriate mechanisms that prioritize private sector employment of UAE nationals.
- Address obstacles facing the private sector when hiring UAE nationals and provide recommendations accordingly.

3.4 OUTPUT GROUP 3: SUPPORTING ACCOUNTABILITY

This output group provides the necessary support to hold Subject Entities accountable for their roles and responsibilities and fulfilling them in addition to training and developing UAE Nationals and supporting sharing knowledge and leading practices.

The Supporting Accountability Group comprises the following outputs:

- Accountability Reports
- Advisory
- Special Examination
- ADAA Training Center

3.4.1 ACCOUNTABILITY REPORTS

In 2012, a number of reports were issued under this output on matters related to ADAA's work; among these reports submitted to His Highness the Crown Prince under this output, are the Audit Report on the Consolidated Financial Statements of the Government of Abu Dhabi and this Accountability Report.

3.4.2 ADVISORY

ADAA provides advice upon receiving requests from Subject Entities. Below is an example of such advisory work provided during 2012:

Accounting Technical Advice

In 2012 ADAA provided 2 confidential accounting advices upon request from Subject Entities. ADAA also published accounting technical papers that provided guidance to Subject Entities on particular topics. These papers contributed 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. Five papers were issued in 2012 covering: fair value, investment property, disclosures, investment entities amendment and related parties.

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 2012, ADAA completed 8 installations of the e-Governance Portal along with the necessary training required and setting the methodology.

3.4.3 SPECIAL EXAMINATION

ADAA identified through its work at most Subject Entities in the preceding years; the absence of documented and approved regulations relating to complaints on Financial Violations. Based on that, ADAA started encouraging Subject Entities to recognize the importance of having a documented and approved regulation framework to receive complaints and; appointing a Compliance Officer within the internal audit function whose main duties include the following:

- Handle the receipt of complaints and reports related to suspected breach of any laws, regulations or code of conduct.
- Examine the complaints and reports received to obtain further information and evidence.
- Prepare a memo of the outcomes of the examination and make recommendations to the competent authority within the Entity to either:
 - ◆ Dismiss and file the matter without further action due to inaccuracy, absence of a violation, insignificance or any other dismissal reasons. Or
 - ◆ Refer the matter and violators to the legal department or relevant investigation committee within the Entity for investigation, in accordance with applicable laws, regulations and procedures.

- Maintain a yearly log where all complaints and reports received are registered.
- Send a copy of the investigation documents once completed supported by the investigation records and actions taken to ADAA within a maximum period of ten days from the date of issue as mandated by Law No. (14) for 2008.

In 2012, ADAA received 18 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	2012
1.	Conducted examinations	11	14	22	7
2.	Closed the complaint due to inaccuracy or insignificance of complaint or no-violation	1	16	8	9
3.	Transferred to responsible entity - out of ADAA scope	0	2	2	-
4.	Presented technical advice to law enforcement authority	0	1	2	2
Total number of Complaints received by ADAA		12	33	34	18

Based upon the investigations conducted by ADAA in 2012, 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 2012 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 resulting in the issuance of Special Examination Reports in 2012:

CASE 1

ADAA received a request for advisory from a law enforcement authority about a complaint received against employees of a Subject Entity that have violated the laws and regulations of the Subject Entity and tampered with contracts of one of its projects.

ADAA examined the procedures and process of the contracts and conducted interviews with ex-employees and current employees at the Subject Entity accused of committing the violation whereby the investigation concluded that the project was awarded to a particular contractor that is involved in work partnerships with the accused employees including partnerships related to the awarded project under investigation worth over 224 million dirhams without following the correct process which resulted in direct benefits from the project management over a long period of time and has allowed the contractor to gain huge illegitimate profits from these contracts.

CASE 2

ADAA received a complaint about a private company appointed to manage assets owned by a government entity and allegations it faced of tampering with the management of these assets and illegitimately profiting from the differences of the amounts received versus that reported to the government entity.

ADAA in cooperation with the Audit Committee at the government entity examined the incident and affirmed that employees charged with conducting the necessary revisions on controls of the asset management have failed to do so which resulted in the mentioned violation. ADAA recommended a termination of the asset management contract and taking disciplinary action against the employees charged with inspection at the government entity for negligence.

CASE 3

ADAA received a complaint against a Subject Entity that has contracted a foreign vendor that has no branch in the UAE to import goods worth over one million dirhams to the Subject Entity and without following a tender process.

ADAA concluded upon conducting an investigation with the internal audit committee at the Subject Entity that employees at the Subject Entity have committed the violation and that disciplinary action should be taken against the violators.

3.4.4 ADAA TRAINING CENTER

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.

3.4.4.1 QUALIFYING EMIRATI AUDITORS

ADAA developed specialized training programs with the objective of contributing to the training and development of Emirati Auditors and assisting them to acquire the necessary skills and knowledge to advance and excel in their careers. ADAA developed the “Emirati Auditor Development Program” which was designed as a fast track, all-encompassing opportunity that takes young Emirati applicants from entry level Assistant Auditor to a Chief Auditor over a period of 7 years.

The below figure demonstrates the career path under the “Emirati Auditor Development Program”:



In 2012, ADAA recruited 9 Emirati graduates in the program that included on-the-job training, secondments to the big 4 audit firms as well as simultaneously offering professional certifications in the accounting and audit professions such as the Certified Public Accountant (CPA) examination preparation course and the Certified Internal Auditor (CIA) examination preparation course.

3.4.4.2 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

In 2012, the Research and Knowledge Management (RKM) function at ADAA completed a number of major research papers, several international benchmarking studies, a survey across 48 Abu Dhabi Government entities, more than 50 other internal and external research assignments and a monthly Global Accountability & Transparency Newsletter.

Accounting and Auditing Standards Desk (AASD)

ADAA seeks to contribute to improve the quality of government performance for Abu Dhabi Government Business Enterprises and the Public Sector through the issuing of publications and comment letters which highlight best practice in accounting, financial reporting and governance matters.

In 2012, ADAA issued a monthly IFRS Digest, a quarterly IPSAS Bulletin and twice yearly an Audit Committee Update. The publications feature ADAA's hot accounting and financial reporting topics, What's new from the IASB, the IPSASB and the accounting profession.

For the second consecutive year, ADAA published illustrative consolidated and entity financial statements for IFRS and IPSAS reporters.

New for 2012 the AASD provided comment letters to the IPSASB on their exposure drafts of new international public sector accounting standards and international financial reporting guidelines. Topics covered included: reporting on the long-term sustainability of public sector entities' finances, financial discussion and analysis, public sector combinations and IPSASB work program 2013-2014.

E-maarifa

ADAA launched the 'e-maarifa portal' in 2010 with the objective of bringing together Abu Dhabi Government employees with shared interests, knowledge and expertise. Several communities, such as the Internal Audit Community, were created whereby Abu Dhabi Government employees shared their knowledge and best practices and benefited from a rich repository of expert views and documents on relevant topics.

The e-maarifa portal has seen steady growth and now connects more than 1,000 Abu Dhabi Government employees across more than 100 Subject Entities.

3.4.4.3 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 hosted the 6th IFIAR Inspection Workshop in March 2012. ADAA participated in both IFIAR plenary meetings in Busan and London respectively and actively participated in various IFIAR conference calls during 2012.

Furthermore, ADAA's Chairman participated with a keynote presentation titled "Governance in the Public Sector" in the Abu Dhabi 3rd Governance Conference organized by the Abu Dhabi Governance Center. ADAA also participated in the National Association of State Boards of Accountancy (NASBA) Annual Meeting and the NASBA International Forum both held in Orlando, United States of America, based on the invitation received from NASBA's President and CEO and participated as well in a 3-day forum organized and hosted by the Embassy of the United Arab Emirates in Washington, DC for UAE students currently enrolled at universities in the United States.

3.4.4.4 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 2012 related to this output:

Abu Dhabi Technical Forum (ADTF)

ADAA's Head of Accounting and Auditing Standards Desk (AASD) continues to chair the accounting technical forum, comprising the technical partners of the audit firms. During 2012 the ADTF met six times and reviewed 27 accounting technical papers covering topics such as impairment, fair value, goodwill, service concession assets, asset recognition, depreciation, principal and agent, government contributions, related parties identification and disclosure, selection and application of accounting policies, disclosure of sources of estimation uncertainty and code of ethics.

Cumulatively the ADTF has met 20 times since it was established by ADAA in 2010 and has reviewed 146 technical papers.

International Forum of Independent Audit Regulators (IFIAR) Inspection Workshop

ADAA hosted the 6th International Forum of Independent Audit Regulators (IFIAR) Inspection Workshop that witnessed the participation of around 120 audit inspectors from 33 countries marking an increase of over 30% compared to the last workshop held in Washington DC.

The Inspection Workshop is held on an annual basis with the objective of sharing knowledge and best practices pertaining to audit supervisory activities, recent inspections findings, audit quality observations and the role of group auditors.

Internal Audit Seminar

ADAA held its 4th Internal Audit Seminar in March 2012 for more than 80 Heads of Internal Audit at Subject Entities discussing challenges in the profession, internal controls, internal audit processes and policies.

3.5 2013 WORKPLAN

Below are some of the highlights of ADAA's 2013 annual plan:

- ✦ Execute 2013 annual plan and deliver range of timely and relevant services on issues that add value to ADAA stakeholders.
- ✦ 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 more than 70 Subject Entities and enhance and unify Subject Entities' financial statements basis of preparation according to Subject Entities' operations and aligned with international standards. Review Subject Entities compliance with Budget and SAAR.
- ✦ Assess the Internal Audit function at more than 50 Subject Entities and continue to provide support to improve the role of internal audit.
- ✦ Conduct more than 20 Procurement Review.
- ✦ Conduct more than 5 Output and Service Review.
- ✦ Prepare financial violation regulation frame work.
- ✦ Examine complaints referred to ADAA or discovered during its course of work at Subject Entities and issue Special Examination Reports accordingly.
- ✦ Address complex accounting matters and unify interpretations of financial reporting standards through the Abu Dhabi Technical Forum.
- ✦ Strengthen the financial management function within Subject Entities and conduct 5 Financial Management Assessments.
- ✦ Continue to provide advice to Subject Entities.
- ✦ Host the International Public Sector Accounting Standards Board meeting in Abu Dhabi during the period 11-14 March 2013.
- ✦ Enhance the role of the Research and Knowledge Management function at ADAA and continue engagement with national and international auditing bodies through seeking memberships of appropriate organizations.
- ✦ Promote further initiatives to improve strategies for the retention and attraction of staff.
- ✦ Supervise ADAA head office building project.



PART FOUR

2012 AUDITED
FINANCIAL STATEMENTS

ADAA 2012 AUDITED FINANCIAL STATEMENTS

2012 AUDITED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS TOGETHER WITH AUDITORS' REPORT

31 DECEMBER 2012



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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 2012 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 2012 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive script.

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

21 March 2013
Abu Dhabi

Abu Dhabi Accountability Authority

FINANCIAL STATEMENTS

As at 31 December 2012

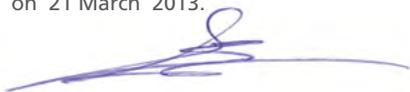
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Abu Dhabi Accountability Authority
STATEMENT OF FINANCIAL POSITION
 As at 31 December 2012

	<i>Notes</i>	2012 AED	2011 AED
ASSETS			
Current assets			
Cash and cash equivalents	4	243,654	30,190,808
Government of Abu Dhabi account	5	12,886,218	-
Debtors and other debit balances	6	<u>5,662,134</u>	<u>6,311,142</u>
		<u>18,792,006</u>	<u>36,501,950</u>
Non-current assets			
Property and equipment, net	7	14,778,423	2,594,422
Intangible assets, net	8	765,853	596,672
Advance to suppliers		-	<u>626,525</u>
		<u>15,544,276</u>	<u>3,817,619</u>
TOTAL ASSETS		<u>34,336,282</u>	<u>40,319,569</u>
LIABILITIES			
Current liabilities			
Payables and other credit balances	9	9,315,949	2,768,310
Government of Abu Dhabi account	5	-	19,289,985
Deferred government grant related to assets	5	<u>1,181,133</u>	<u>2,097,636</u>
		<u>10,497,082</u>	<u>24,155,931</u>
Non-current liabilities			
Deferred government grant related to assets	5	7,220,607	1,093,458
Retention payables		654,205	-
Employees' end of service benefits	10	<u>15,964,388</u>	<u>15,070,180</u>
		<u>23,839,200</u>	<u>16,163,638</u>
TOTAL LIABILITIES		<u>34,336,282</u>	<u>40,319,569</u>

The financial statements were authorised for issue in accordance with a resolution of the Authority's Chairman on 21 March 2013.


 Mohammad Saif Al Mehairi
 Director of Finance


 Riyad Abdulrahman Al Mubarak
 Chairman

The attached notes 1 to 17 form part of these financial statements

Abu Dhabi Accountability Authority
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 December 2012

	<i>Notes</i>	<i>2012</i> <i>AED</i>	<i>2011</i> <i>AED</i>
Revenues			
Contribution from Government of Abu Dhabi	5, 12	109,357,941	109,616,477
Other income		<u>354,655</u>	<u>1,011,852</u>
Total revenues		<u>109,712,596</u>	<u>110,628,329</u>
Expenditures			
Salaries, wages and other benefits		94,709,471	94,016,751
Employees' end of service benefits	10	3,587,350	4,672,268
Depreciation and amortization		2,270,554	4,158,118
General and administrative expenses	11	<u>9,145,221</u>	<u>7,781,192</u>
Total expenditures		<u>109,712,596</u>	<u>110,628,329</u>

The attached notes 1 to 17 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 2012

	<i>Notes</i>	<i>2012</i> <i>AED</i>	<i>2011</i> <i>AED</i>
Balance at 1 January	5	19,289,985	17,680,570
Funds received during the year related to operating and capital expenditures	5	114,222,716	108,385,504
Refund to Government of Abu Dhabi	5	(31,830,332)	-
Funds received during the year related to capital expenditures and transferred to deferred government grant	5	(7,481,200)	(1,317,730)
Contribution related to operating expenditures recognized as revenue during the year	5	<u>(107,087,387)</u>	<u>(105,458,359)</u>
Balance at 31 December	5	<u>(12,886,218)</u>	<u>19,289,985</u>
Classified in the statement of financial position as follows:			
<u>Current Assets</u>			
Government of Abu Dhabi	5	<u>12,886,218</u>	<u>-</u>
<u>Current Liabilities</u>			
Government of Abu Dhabi	5	<u>-</u>	<u>19,289,985</u>

The attached notes 1 to 17 form part of these financial statements.

Abu Dhabi Accountability Authority

CASH FLOWS STATEMENT

For the year ended 31 December 2012

	<i>Notes</i>	<i>2012</i> <i>AED</i>	<i>2011</i> <i>AED</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Adjustments for:			
Depreciation and amortization		2,270,554	4,158,118
Provision for employees' end of service benefits	10	3,587,350	4,672,268
Gain on sale of property and equipment		(53,655)	(96,027)
Decrease in debtors and other debit balances		649,008	1,641,016
Increase (decrease) in payables and other credit balances		685,833	(1,029,442)
Decrease in Government of Abu Dhabi account		(107,087,387)	(105,458,359)
Contribution received from Government, net of refund		82,392,384	108,385,504
Deferred government grant related to assets		(2,270,554)	(4,158,118)
Employees' end of service benefits paid	10	<u>(2,693,142)</u>	<u>(1,134,357)</u>
Net cash flows (used in) from operating activities		<u>(22,519,609)</u>	<u>6,980,603</u>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property and equipment		(7,185,956)	(571,905)
Purchase of intangible assets		(295,244)	(745,825)
Advance to suppliers		-	(626,525)
Proceeds from sale of property and equipment		<u>53,655</u>	<u>96,027</u>
Net cash used in investing activities		<u>(7,427,545)</u>	<u>(1,848,228)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(29,947,154)	5,132,375
Cash and cash equivalents at the beginning of the year		<u>30,190,808</u>	<u>25,058,433</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	<u>243,654</u>	<u>30,190,808</u>
The principal non cash transactions excluded from the cash flows statement:			
Purchase of property and equipment		<u>6,962,537</u>	<u>-</u>
Purchase of intangible assets		<u>180,000</u>	<u>-</u>

The attached notes 1 to 17 form part of these financial statements.

Abu Dhabi Accountability Authority
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 31 December 2012

<i>Description</i>	<i>Final budget amounts AED</i>	<i>Actual amounts on comparable basis AED</i>	<i>Difference AED</i>
RECEIPTS			
Contribution from Government of Abu Dhabi	212,584,000	114,222,716	98,361,284
Revenue from non-subject entities	-	301,000	(301,000)
Total Receipts	212,584,000	114,523,716	98,060,284
Amounts returned to Department of Finance	-	(31,830,332)	31,830,332
Net receipts available for disbursement	212,584,000	82,693,384	129,890,616
EXPENDITURES			
Chapter one - Salaries, wages and other benefits			
Basic salary and other allowances	96,325,000	84,021,191	12,303,809
Tuition allowance	3,350,000	3,348,759	1,241
Contributions to pension fund and retirements benefit plan	3,865,000	3,472,873	392,127
End of service benefits	3,600,000	2,693,142	906,858
Medical insurance	2,290,000	1,689,154	600,846
Staff training	2,800,000	596,158	2,203,842
Other expenses	505,000	272,539	232,461
Total salaries, wages and other benefits	112,735,000	96,093,816	16,641,184
Chapter two – Other operating expenditure			
Recruitment fees	800,000	387,266	412,734
Consultancy fees	4,695,000	669,612	4,025,388
Office rent and other related expenses	4,302,000	3,730,519	571,481
Motor vehicles expenses (insurance, maintenance and fuel)	120,000	55,890	64,110
Operation and maintenance of computers, furniture and office equipment	2,057,000	1,162,252	894,748
Books and professional and scientific subscription	560,000	202,545	357,455
Advertising and corporate identity expenses	340,000	257,862	82,138
Business travel expenses	2,061,000	1,163,434	897,566
Miscellaneous expenses	3,295,000	1,489,797	1,805,203
Total other operating expenditure	18,230,000	9,119,177	9,110,823
NET OPERATING PAYMENTS	81,619,000	(22,519,609)	104,138,609
Chapter three - Capital expenditure			
Furniture and office equipment	250,000	(54,858)	195,142
Computer equipment	2,297,000	(638,443)	1,658,557
Leasehold improvements	100,000	(2,710)	97,290
Intangible assets	2,625,000	(295,244)	2,329,756
Capital work in progress (ADAA building)	76,347,000	(6,489,945)	69,857,055
Proceeds from sale of property and equipment	-	53,655	53,655
Total capital expenditure	81,619,000	(7,427,545)	74,191,455
NET PAYMENTS	-	(29,947,154)	29,947,154

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 is disclosed in Note 16 to the financial statements.

The attached notes 1 to 17 form part of these financial statements.

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

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 mandates 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.

All above mandates are delivered through a number of outputs included under three main groups, which are Financial Audit and Examination, Performance and Risk Assurance and Supporting Accountability.

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 2012, the Authority had 134 employees (2011: 135 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.

Abu Dhabi Accountability Authority
NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS continued

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 2012:

- 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.
- IPSAS 32 – Service Concession Agreements: Grantor – effective for annual periods beginning on or after January 1, 2014.
- 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.

Abu Dhabi Accountability Authority
NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 REVENUE RECOGNITION

Contribution from Government of Abu Dhabi

Funds received and due from the government are credited to the Government of Abu Dhabi account. When services are delivered and the conditions 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.

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 CAPITAL WORK IN PROGRESS

Capital work in progress related to constructing of new Authority building and is included in property and equipment at cost on the basis of the percentage completed at the statement of financial position date. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the above policies when construction of the asset is completed and commissioned.

Abu Dhabi Accountability Authority
NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued
3.4 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.

3.5 DEBTORS AND OTHER DEBIT BALANCES

Debtors are stated at original invoice amount less a provision for any uncollectible amounts. No provision was required in 2012 (2011: nil) and no bad debts were written off during the year (2011: nil)

3.6 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.

3.7 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.

3.8 CASH AND CASH EQUIVALENTS

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

3.9 FOREIGN CURRENCIES

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

Abu Dhabi Accountability Authority
NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

4 CASH AND CASH EQUIVALENTS

	2012 AED	2011 AED
Bank balances	235,654	30,182,808
Petty cash	<u>8,000</u>	<u>8,000</u>
	<u>243,654</u>	<u>30,190,808</u>

5 GOVERNMENT OF ABU DHABI ACCOUNT

Government of Abu Dhabi contributes funds to Abu Dhabi Accountability Authority for the operating expenditures incurred during the year. Accordingly, the Authority does not incur any surplus or deficit and the results of its financial performance is Nil. Government of Abu Dhabi contributes part of these funds in the form of cash and the remaining amount in the form of receivables against incurred expenditures not yet paid such as the end of service benefits, accrued leaves and other accrued expenditures. These incurred operating expenditures represent non-exchange transactions within the approved budget and recorded in the Statement of Financial Position as due from Government of Abu Dhabi.

In addition to the above, the Government of Abu Dhabi provides grants to cover the capital expenditures of the Authority in accordance with the approved budget. The Capital grants received are recorded as 'deferred government grant related to assets' in the Statement of Financial Position and are allocated in the Statement of Financial Performance on a straight line basis over the useful life of the asset.

Abu Dhabi Accountability Authority
 NOTES TO THE FINANCIAL STATEMENTS
 31 December 2012

5 GOVERNMENT OF ABU DHABI ACCOUNT continued

	<i>Grant related to Capital expenditure</i> AED	<i>Contribution related to Operating expenditures</i> AED	<i>Total</i> AED
Balance at 1 January 2011	6,031,482	17,680,570	23,712,052
Funds received during 2011	1,317,730	107,067,774	108,385,504
Contribution recognized as revenue during 2011	<u>(4,158,118)</u>	<u>(105,458,359)</u>	<u>(109,616,477)</u>
Balance at 31 December 2011	3,191,094	19,289,985	22,481,079
Funds received during 2012	7,481,200	106,741,516	114,222,716
Refund to Government of Abu Dhabi during 2012	-	(31,830,332)	(31,830,332)
Contribution recognized as revenue during 2012	<u>(2,270,554)</u>	<u>(107,087,387)</u>	<u>(109,357,941)</u>
Balance at 31 December 2012	<u>8,401,740</u>	<u>(12,886,218)</u>	<u>(4,484,478)</u>

Were classified in the statement of financial position as:

	<i>2012</i> AED	<i>2011</i> AED
Deferred government grant related to assets		
Non-current liabilities	7,220,607	1,093,458
Current liabilities	<u>1,181,133</u>	<u>2,097,636</u>
Balance at 31 December	<u>8,401,740</u>	<u>3,191,094</u>
Contributions related to operating expenditures		
Government of Abu Dhabi account		
Current assets	<u>12,886,218</u>	<u>-</u>
Current liabilities	<u>-</u>	<u>19,289,985</u>

Abu Dhabi Accountability Authority
NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

6 DEBTORS AND OTHER DEBIT BALANCES

	2012 AED	2011 AED
Prepaid expenses	2,279,679	2,189,703
Advances and loans to employees	3,382,455	4,121,439
	<u>5,662,134</u>	<u>6,311,142</u>

7 PROPERTY AND EQUIPMENT

	<i>Motor vehicles</i> AED	<i>Furniture and fixtures</i> AED	<i>Computers</i> AED	<i>Leasehold improve- ments</i> AED	<i>Machinery and office equipment</i> AED	<i>Capital work in progress</i> AED	<i>Total</i> AED
2012							
Cost:							
As at 31 December 2012	501,000	2,574,921	4,120,895	3,825,879	1,384,582	-	12,407,277
Additions	-	10,780	638,443	2,710	44,078	13,452,482	14,148,493
Disposals	(111,000)	-	(190,231)	-	-	-	(301,231)
As at 31 December 2012	<u>390,000</u>	<u>2,585,701</u>	<u>4,569,107</u>	<u>3,828,589</u>	<u>1,428,660</u>	<u>13,452,482</u>	<u>26,254,539</u>
Accumulated depreciation:							
As at 31 December 2012	332,533	1,750,698	3,417,975	3,058,352	1,253,297	-	9,812,855
Depreciation for the year	51,000	587,026	510,941	730,530	84,994	-	1,964,491
Disposals	(111,000)	-	(190,230)	-	-	-	(301,230)
As at 31 December 2012	<u>272,533</u>	<u>2,337,724</u>	<u>3,738,686</u>	<u>3,788,882</u>	<u>1,338,291</u>	<u>-</u>	<u>11,476,116</u>
Net carrying amount:							
As at 31 December 2012	<u>117,467</u>	<u>247,977</u>	<u>830,421</u>	<u>39,707</u>	<u>90,369</u>	<u>13,452,482</u>	<u>14,778,423</u>
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	(258,000)	-	(266,439)	-	-	-	(524,439)
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>-</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	(258,000)	-	(266,439)	-	-	-	(524,439)
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>-</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>-</u>	<u>2,594,422</u>

Abu Dhabi Accountability Authority
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8 INTANGIBLE ASSETS

	<i>Computer Software</i>	
	2012	2011
	<i>AED</i>	<i>AED</i>
<i>Cost:</i>		
As at 1 January	4,959,295	4,213,470
Additions	<u>475,244</u>	<u>745,825</u>
As at 31 December	<u>5,434,539</u>	<u>4,959,295</u>
Accumulated amortization:		
As at 1 January	4,362,623	2,898,423
Amortization for the year	<u>306,063</u>	<u>1,464,200</u>
As at 31 December	<u>4,668,686</u>	<u>4,362,623</u>
Net book value:		
As at 31 December	<u>765,853</u>	<u>596,672</u>

9 PAYABLES AND OTHER CREDIT BALANCES

	2012	2011
	<i>AED</i>	<i>AED</i>
Trade payables	386,027	947,874
Accrued expenses	<u>8,929,922</u>	<u>1,820,436</u>
	<u>9,315,949</u>	<u>2,768,310</u>

10 EMPLOYEES' END OF SERVICE BENEFITS

	2012	2011
	<i>AED</i>	<i>AED</i>
Balance as at 1 January	15,070,180	11,532,269
Charge for the year	3,587,350	4,672,268
End of service benefits paid during the year	<u>(2,693,142)</u>	<u>(1,134,357)</u>
Balance as at 31 December	<u>15,964,388</u>	<u>15,070,180</u>

UAE nationals are subject to the provisions of Law No. (2) for the year 2000 (as amended) relating to civil pensions and retirement benefits in the Emirate of Abu Dhabi, UAE nationals pension contribution recognized in 2012 amounted to AED 3,164,018 (2011: AED 2,754,460).

Abu Dhabi Accountability Authority
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11 GENERAL AND ADMINISTRATIVE EXPENSES

	2012 AED	2011 AED
Business travel	1,163,434	504,628
Recruitment fees	387,266	525,261
Consultancy fees	654,814	755,172
Rent	2,606,825	2,574,777
Computer maintenance	1,341,730	1,469,489
Other expenses	<u>2,991,152</u>	<u>1,951,865</u>
	<u>9,145,221</u>	<u>7,781,192</u>

12 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	2012 AED	2011 AED
Contribution from Government of Abu Dhabi	<u>109,357,941</u>	<u>109,616,477</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:

	2012 AED	2011 AED
Salaries and other benefits	15,615,379	14,106,527
Employees' end of service benefits	722,479	774,275
Number of key management personnel	11	9

13 COMMITMENTS AND CONTINGENCIES

As at 31 December 2012, the Authority had capital commitments, which are contracted but not provided for amounting to AED 4,622,484 (2011: AED 7,224,475).

Abu Dhabi Accountability Authority
NOTES TO THE FINANCIAL STATEMENTS
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14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

14.1 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 and most of its financial transaction 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.

14.2 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.

14.3 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 the employees' accrued benefits and monitoring existing outstanding debtor balances.

15 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments include financial assets and financial liabilities, financial assets include cash and cash equivalent, 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.

16 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

16.1 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 on 15 December 2011.

16.2 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.

16.3 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.

16.4 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.

16.5 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.

16.6 Entity differences occur when the budget omits programs/ activities or entities that are part of the entity for which the financial statements are prepared. There are no entities differences for the Authority as there were no omission for programs/ activities that are part of the entity's budget when preparing the financial statements.

16.7 Presentation differences are due to differences in the format and classification schemes adopted for presentation of statement of cash flow and statement of comparison of budget and actual amounts.

Abu Dhabi Accountability Authority
 NOTES TO THE FINANCIAL STATEMENTS
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16 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL
 AMOUNTS continued

16.8 No differences arise 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 2012 as follows:

2012	Operating AED	Investing AED	Net Payments AED
Actual amount on comparable basis as presented in the statement of budget and actual amounts	(22,519,609)	(7,427,545)	(29,947,154)
Differences	-	-	-
Actual amount in the cash flow statement	<u>(22,519,609)</u>	<u>(7,427,545)</u>	<u>(29,947,154)</u>

16.9 Explanation of differences between actual amounts and budget.

The total budget difference amount of AED 99,943,462 is primarily attributable to rescheduling of the Authority building project plan included in capital expenditures budget and an underspend against budgeted operating expenditure.

17 COMPARATIVE FIGURES

Comparative figures were reclassified to conform to the current year presentation, this mainly relates to reclassifying the Government of Abu Dhabi account into deferred government grant and Government of Abu Dhabi account, for further details refer to note 5. This reclassification does not have impact on the statement of financial performance presented in prior years.

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