



جهاز أبوظبي للمحاسبة
ABU DHABI ACCOUNTABILITY AUTHORITY



2014 | ACCOUNTABILITY REPORT



H.H. Sheikh Khalifa bin Zayed Al Nahyan
The President of the UAE



H.H General Sheikh Mohammed bin Zayed Al Nahyan
The Crown Prince of Abu Dhabi and Deputy Supreme
Commander of the UAE Armed Forces



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FOREWORD



His Excellency Riyadh Al Mubarak
Chairman

It gives us great pleasure to bring you the "Accountability Report 2014", the 6th issue of the annual report of Abu Dhabi Accountability Authority (ADAA), that affirms our commitment to the highest standards of transparency and accountability as adopted by the Emirate in its policy agenda under the leadership of our President His Highness Sheikh Khalifa bin Zayed Al Nahyan, the direction of 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 and the guidance of His Highness Sheikh Hazza bin Zayed Al Nahyan, National Security Advisor and Vice Chairman of the Abu Dhabi Executive Council.

This issue of the annual report arrives at a time when the UAE, under its wise leadership, has achieved a number of unique successes accredited by key international reports and indicators. The Country ranked highest within the Middle East and Africa region in the Corruptions Perceptions Index issued by Transparency International. The UAE occupied fifth place globally in the efficiency of government spending, whilst attaining top four ranking in a number of indicators, in the Global Competitiveness Report issued by the World Economic Forum (Davos). In the second survey of "World Happiness" conducted by the United Nations, the Country ranked first in the Arab region for a consecutive year. The Country was also ranked first regionally and fourth globally in the "ease of doing business" according to a report issued by the International Institute for Management Development. Finally, we must mention UAE's historical achievement of winning the bid to host Expo 2020.

Therefore, it is imperative that we all say: "Thank you Khalifa" for all that His Highness provides for the sake of serving our precious Country. We take this opportunity to renew our vows, as we all in ADAA took the oath to be loyal to the Ruler and the Country.

During 2013, thanks to the cooperation of subject entities and the commitment of ADAA employees, we were able to achieve the objectives we set out in the Accountability Report 2013 in addition to a number of further accomplishments including:

- We issued 162 reports as outputs of the Financial Audit and Examination group and the Performance and Risk Assurance group.
- ADAA hosted the 2013 meeting of the International Public Sector Accounting Standards Board (IPSASB) in Abu Dhabi, for the first time in the Middle East.
- European Union recognition of ADAA's audit oversight system was received through the granting to ADAA of an "equivalent status" with EU member states.
- ADAA received the "Outstanding Contribution" award for 2013, awarded by The Institute of Chartered Accountants in England and Wales (ICAEW).

In conclusion, I would like to invite you to learn more about ADAA and to get acquainted with what has been accomplished over the past year and what we plan to do in the future. I would also like to thank everyone who has contributed to these achievements, praying to the Great and Almighty Allah to grant us success in serving our generous Country.

Riyad Al Mubarak
ADAA Chairman



To view the report on the website,
please scan QR Code above



Part 1 **About ADAA**

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- 2 Strategic Pillars
- 3 Overall Strategy
- 4 Objectives & Responsibilities
- 5 Outputs & Outcomes
- 6 Subject Entities
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ABOUT ADAA

1 ADAA History

Abu Dhabi Accountability Authority (ADAA) was established under Law No. (1) for the year 1985 as an independent body reporting to His Highness the Crown Prince of Abu Dhabi and mandated to perform financial oversight on funds disbursed by public entities and ensure the accuracy and legitimacy of the management of these funds, which were previously under the responsibility of the Department of Finance.

ADAA began to exercise its powers since the issuance of Decree No. 8 of 1996 appointing His Excellency Mohammed Al Marar as the first Chairman. In April 1997, the Law referred to above was amended to make ADAA responsible for the post financial control instead of the pre-audit to strengthen its independence. In July 2004, Law No. 6 of 2004 was issued to give ADAA broader powers.

In December 2007, Decree No. 32 of 2007 was issued appointing His Excellency Riyad Al Mubarak as Acting Chairman of ADAA as part of the restructuring of the Government of Abu Dhabi.

In December 2008, Law No. 14 of 2008 (the Law) was issued to shift the role of ADAA from financial control to government audit and added a new objective that is to promote the principles of accountability and transparency. The Law also changed the name of the authority from "Abu Dhabi Audit Authority" to "Abu Dhabi Accountability Authority". On 31 December 2008, Emiri Decree No. (10) was issued appointing His Excellency Riyad Al Mubarak as Chairman of ADAA.

2 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"



3 Overall Strategy

To enhance performance and to promote accountability and transparency by:

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

4 Objectives & Responsibilities

Law number 14 of 2008 defines ADAA's objectives as:

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

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

- Audit the Government consolidated financial reports and examine Subject Entities' financial reports.
- Review performance and risk by examining the efficiency, effectiveness and economy of the financial and operational activities of Subject Entities and ensuring compliance with laws, regulations and rules and governance guidelines.
- Submit reports to HH the Crown Prince as well as carry out any other functions and duties requested by HH the Crown Prince.
- Provide advice and recommendations and perform other procedures and services to Subject Entities as the ADAA Chairman deems reasonable and appropriate.
- Conduct investigations of complaints referred to ADAA and other violations it may discover as well as examine violations investigated by Subject Entities.
- Train and qualify UAE National graduates of universities and institutions.

5 Outputs & Outcomes

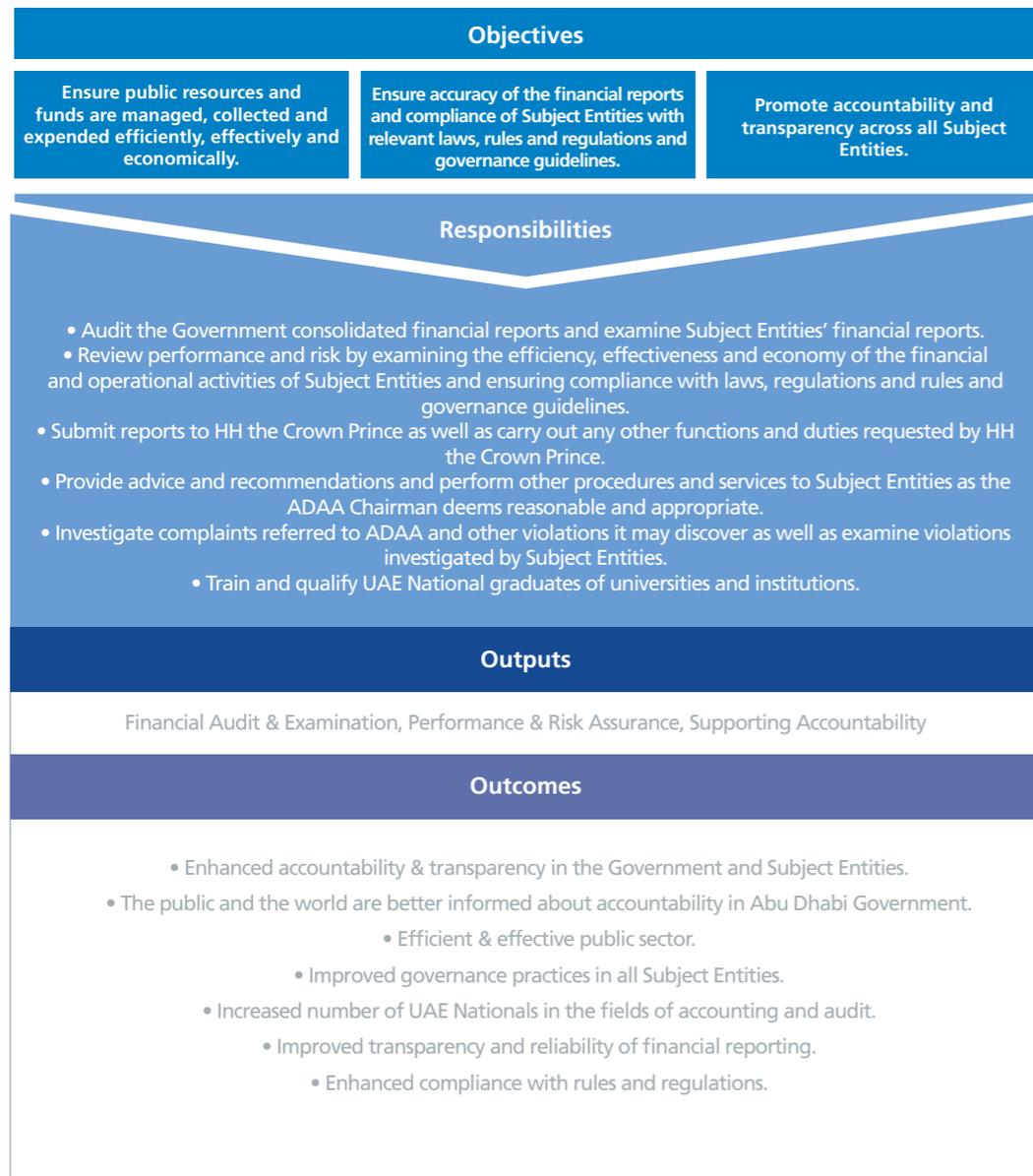
ADAA discharges its responsibilities through the outputs that have been developed during the past years (please see Part 2).

ADAA has also defined a set of outcomes based on its objectives and responsibilities as follows:

- Enhanced accountability & transparency in the Government and Subject Entities.
- The public and the world are better informed about accountability in Abu Dhabi Government.
- Efficient & effective public sector.
- Improved governance practices in all Subject Entities.
- Increased number of UAE Nationals in the fields of accounting and audit.
- Improved transparency and reliability of financial reporting.
- Enhanced compliance with rules and regulations.

ABOUT ADAA

The following figure illustrates ADAA objectives, responsibilities, outputs and outcomes:

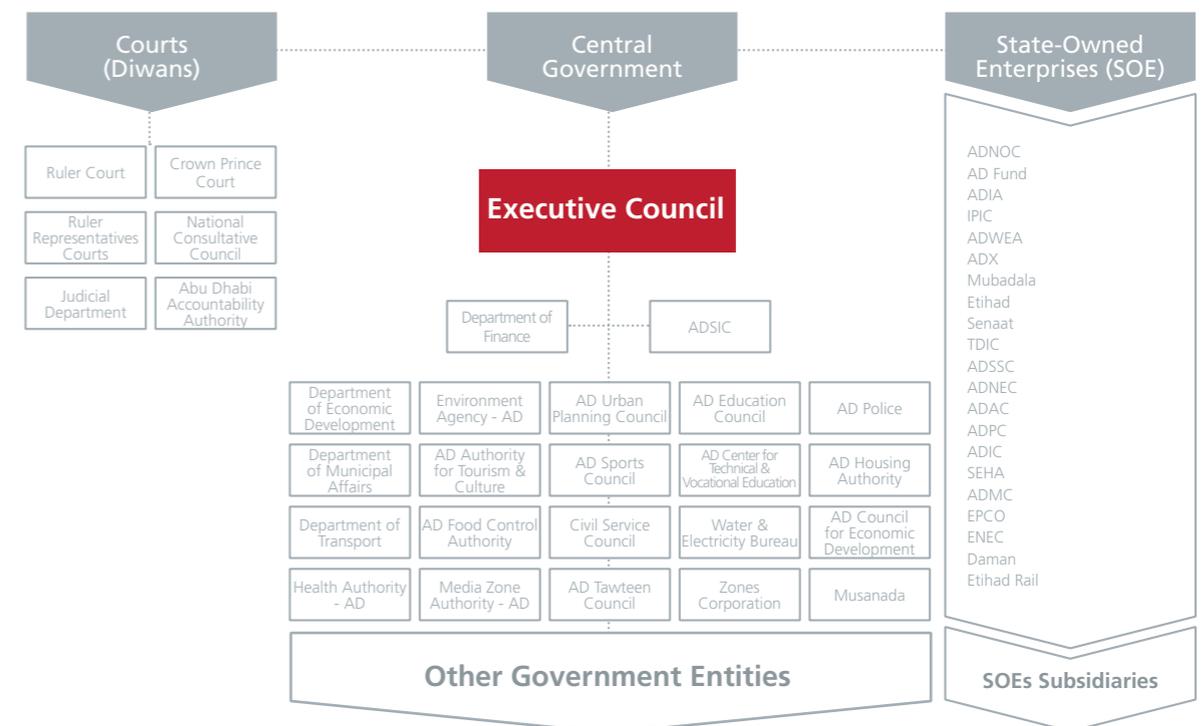


6 Subject Entities

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. Other entities may be subject to ADAA work based on other criteria as defined in Law number 14 of 2008.

Subject Entities Classification by Type

ADAA classified Subject Entities into groups based on their types as shown in the following figure:





ABOUT ADAA

Subject Entities Classification by Sector

ADAA has also classified Subject Entities by sector as shown in the list below (excluding subsidiaries of State Owned Enterprises and Government Entities)

SECTOR	POLICY AREA	ENTITY NAME
Economic Development	Planning & Economy	1- Department of Economic Development
		2- Khalifa Fund for Enterprises 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
		7- Media Zone Authority - Abu Dhabi
		8- Global Marketplace Abu Dhabi
	Energy	9- Supreme Petroleum Council
		10- Regulation and Supervision Bureau
	Tourism & Culture	11- Abu Dhabi Tourism and Culture Authority
		12- Emirates Heritage Club
		13- Zayed House for Islamic Culture
Social Development	Justice	14- Public Institution Zoo and Aquarium in Al Ain
		15- Judicial Department - Abu Dhabi
	Security	16- General Directorate of Abu Dhabi Police
		17- Monitoring and Control Centre
	Health	18- Health Authority - Abu Dhabi
		19- The National Rehabilitation Centre
	Food & Agriculture	20- Abu Dhabi Food Control Authority
		21- Abu Dhabi Farmers Services Centre
		22- Organic Agriculture Centre
		23- Abu Dhabi Farmer Financial Support Fund
	Social Inclusion	24- Family Development Foundation
		25- Zayed Higher Organization For Humanitarian Care and Special Needs
		26- Social Care and Minors Affairs Foundation
		27- Zayed bin Sultan Al Nahyan Charitable & Humanitarian Foundation
		28- Khalifa Bin Zayed Al Nahyan Foundation
		29- Emirates Foundation
	Housing	30- Abu Dhabi Housing Authority

Subject Entities Classification by Sector

SECTOR	POLICY AREA	ENTITY NAME	
Human Capital Development	Education	31- Abu Dhabi Education Council	
		32- Khalifa University for Science, Technology and Research	
		33- Emirates College for Advanced Education	
		34- Paris-Sorbonne University - Abu Dhabi	
		35- Mohammed V University - AGDAL - Abu Dhabi	
		36- Abu Dhabi Centre for Technical and Vocational Education and Training	
		37- Abu Dhabi Vocational Education and Training Institute	
		38- Institute of Applied Technology	
	Labour	39- Abu Dhabi Tawteen Council	
		40- Civil Service Council	
	Sports	41- Abu Dhabi Retirement Pensions & Benefits Fund	
		42- Abu Dhabi Sports Council	
		43- Abu Dhabi Urban Planning Council	
Infrastructure & Environment	Urban Planning & Municipal Affairs	44- Department of Municipal Affairs	
		45- Municipality of Abu Dhabi City	
		46- Municipality of Al Ain City	
		47- Western Region Municipality	
		48- The Center of Waste Management - Abu Dhabi	
		49- Abu Dhabi General Services Company - Musanada	
		Transport	50- Department of Transport
			51- The Center for Regulation of Transport by Hire Cars (Trans Ad)
			52- Compensations Fund for Owners of Taxi Licenses
	53- Environment Agency - Abu Dhabi		
	Environment	54- International Fund for Habara Conservation	
		55- Mohamed bin Zayed Species Conservation Fund	

ABOUT ADAA

Subject Entities Classification by Sector

SECTOR	POLICY AREA	ENTITY NAME
Government Administration	Government Administration	56- Ruler Court
		57- Crown Prince Court
		58- Ruler Representative in the Eastern Region Court
		59- Ruler Representative in the Western Region Court
		60- National Consultative Council
		61- Abu Dhabi Accountability Authority
		62- Executive Affairs Authority
		63- Vice Chairman of the Executive Council Office
		64- General Secretariat of the Executive Council
		65- Department of Finance
		66- Statistics Centre - Abu Dhabi
		67- Presidential Flight Authority
		68- Abu Dhabi Systems & Information Centre
		69- Abu Dhabi National Oil Company - ADNOC
		70- Abu Dhabi Fund for Development - ADFD
		71- Abu Dhabi Investment Authority - ADIA
		72- International Petroleum Investment Company - IPIC
		73- Abu Dhabi Water & Electricity Authority - ADWEA
		Public Investments
75- Mubadala Development Company - Mubadala		
76- Etihad Airways		
77- General Holding Corporation - Senaat		
78- Tourism Development & Investment Company - TDIC		
79- Abu Dhabi Sewerage Services Company - ADSSC		
80- Abu Dhabi National Exhibitions Company - ADNEC		
81- Abu Dhabi Airports Company - ADAC		
82- Abu Dhabi Ports Company - ADPC		
83- Abu Dhabi Investment Council - ADIC		
84- Abu Dhabi Health Services Company - SEHA		
85- Abu Dhabi Media Company - ADMC		
86- Emirates Palace Company - EPCO		
87- Emirates Nuclear Energy Corporation - ENEC		
88- National Health Insurance Company - Daman		
89- Etihad Rail Company		

7 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

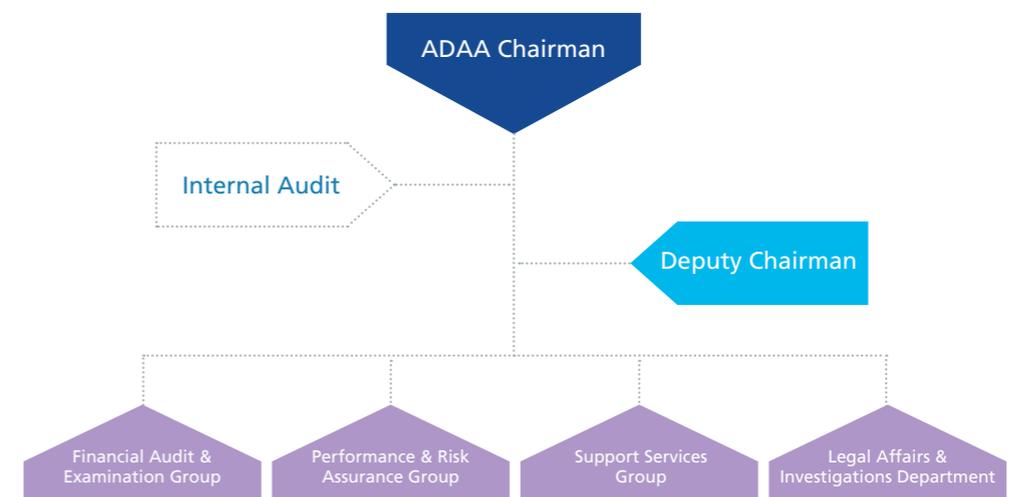
Leadership

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 at 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 operational activities are in line with the annual plan and is consistent with the vision and overall strategy of the Abu Dhabi Government.

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.

ADAA has also designed its organizational structure based on its operating model to fulfill its responsibilities and achieve its objectives:



ABOUT ADAA

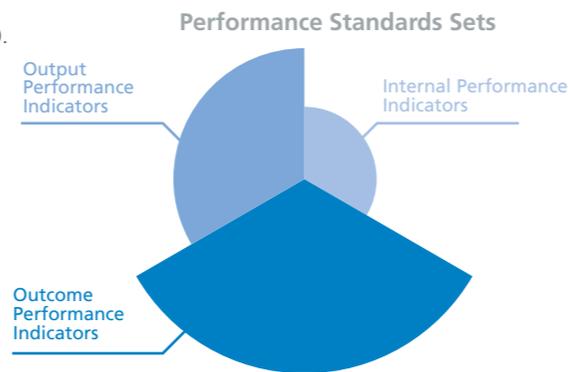
ADAA views its people as its primary asset as it includes top-tier professionals from multi-cultural backgrounds, unified by the ADAA vision, mission and values.

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

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:

- 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.
- Output Performance Indicators: to measure the cost, quantity, quality and timeliness of our services (outputs) (Such as: the cost of the reports, the number of reports, the quality of the recommendations, issuing reports on time).
- Internal Performance Indicators: to measure the performance of ADAA's 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.

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.

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 the "Internal Audit Manual" issued by ADAA in 2010.

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 established a "Compliance Officer" role whose responsibility is to handle the receipt of complaints related to employees and to ADAA's activities, examine complaints and prepare a memo of the outcomes of the examination and make recommendations with the necessary action.

External Audit:

ADAA's financial statements are reviewed and audited by an external auditor. For the year 2013, KPMG was appointed in accordance with Statutory Auditor Appointment Rules issued by ADAA to review and audit the interim and annual financial statements of ADAA. KPMG was appointed for a fee of AED 125,000.

External Reports

ADAA prepares an annual plan that comprises 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 "Accountability Report" to provide information about the following:

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

All ADAA employees take the below mentioned oath before the ADAA Chairman upon joining the Authority as per Article (9) of Law (14) of 2008 establishing ADAA:

"I SWEAR BY ALMIGHTY GOD TO BE LOYAL TO THE RULER AND THE COUNTRY, TO HONOR THE CONSTITUTION AND LAW, TO WORK TO SAFEGUARD PUBLIC FUNDS, TO PERFORM MY DUTIES HONESTLY AND SINCERELY AND TO MAINTAIN THE CONFIDENTIALITY OF ALL BUSINESSES"



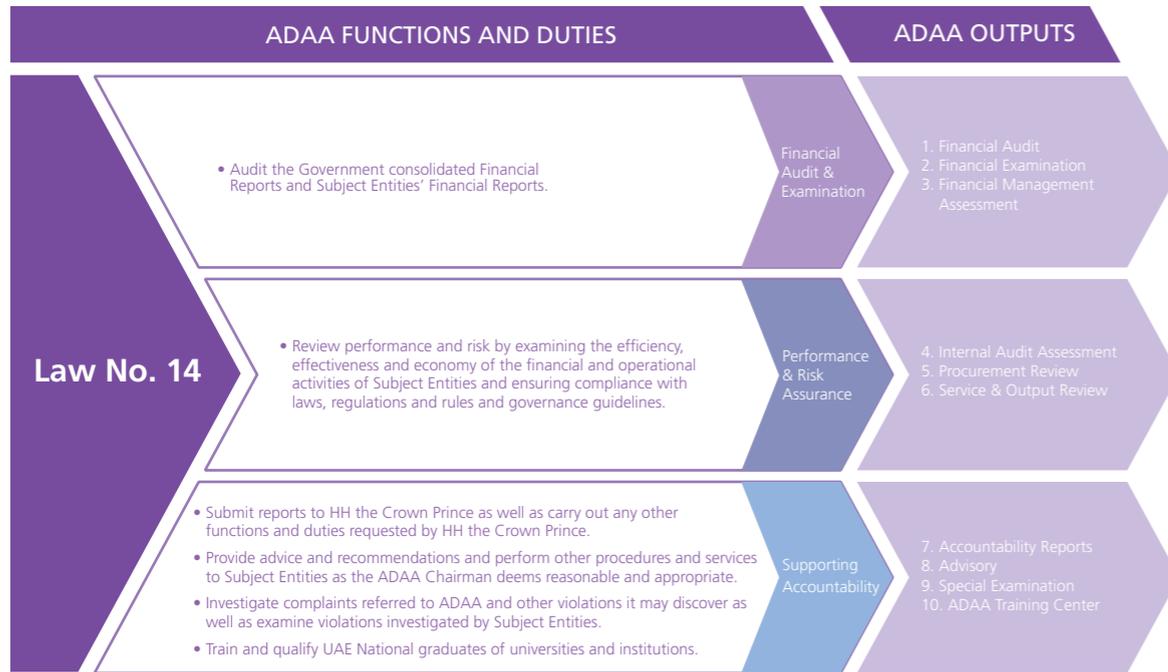
Part 2 **ADAA Outputs**

- 1 Introduction
- 2 ADAA Audit Methodology
- 3 Financial Audit & Examination
- 4 Performance & Risk Assurance
- 5 Supporting Accountability

ADAA OUTPUTS

1 Introduction

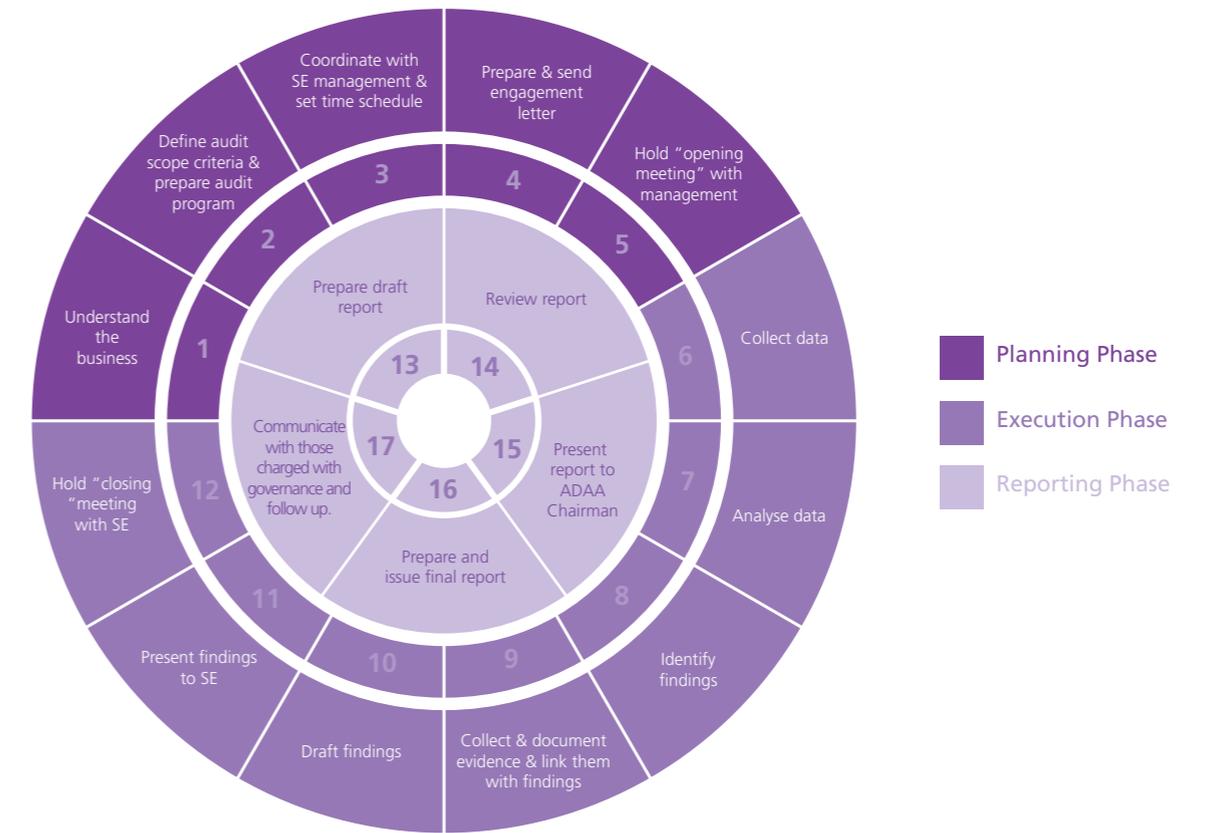
ADAA established a number of outputs enabling the execution of its mandate as outlined in its establishment law. The following table demonstrates ADAA's outputs in relation to the mandate item it fulfills:



2 ADAA Audit Methodology

ADAA performs its audit assignments in accordance with a standardized audit methodology to ensure the quality of audit work performed which is then reflected in its reports and outputs. ADAA's audit methodology involves three main phases where each phase includes a number of steps as shown in the following figure:

Abu Dhabi Accountability Authority audit methodology was developed in accordance with the standards and guidelines issued by the International Federation of Accountants (IFAC), The International Organisation of Supreme Audit Institutions (INTOSAI) and other internationally accepted standards



Abu Dhabi Accountability Authority performs its audit assignments based on previously defined "audit criteria" prepared in accordance with generally accepted standards and best practices applied on the subject of the audit

In addition, ADAA developed specific "audit criteria" for every output of the Financial Audit & Examination and Performance & Risk Assurance groups. The high quality of reports detailing the encompassed findings and recommendations are directly dependent on the presence of auditing standards developed based on internationally recognized best practices.

ADAA OUTPUTS

3 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

3-1 Financial Audit

Audit the Consolidated Financial Statements of the Government of Abu Dhabi to express an opinion whether the financial statements present fairly, in all material respects, the financial results of the Government of Abu Dhabi.

ADAA audits the Consolidated Financial Statements of the Government of Abu Dhabi in accordance with International Standards on Auditing (ISA), the purpose of which is to express an opinion on whether the financial statements present fairly, in all material respects, the financial results of the Government of Abu Dhabi, according to International Public Sector Accounting Standards (IPSAS).

3-2 Financial Examination

Ensure that Subject Entities implement the Statutory Auditor Appointment Rules (SAAR) issued by ADAA when appointing a statutory auditor, perform financial examination of the Subject Entity's financial statements and examine the work undertaken by the statutory auditor to provide assurance on the accuracy of the financial statements of Subject Entities. ADAA developed 390 audit criteria spread over 21 standards within 5 elements as illustrated in the following figure:

Audit Elements & Standards for Financial Examination

Auditor Appointment	Audit Execution	Audit Conclusion & reporting
1- Auditor Independence	8- Test of controls	19- Conclude the assignment and evaluate result
2- Expertise in the business of the entity	9- Perform analytical procedures	20- Form the opinion and prepare the report
3- Technical resources & quality	10- Significant balances & transactions	Legal, Regulatory & Other Requirements
4- Technical & financial proposals evaluation	11- Applied accounting framework	
Audit Planning	12- Accounting estimates	21- Compliance with relevant laws and regulations
	13- Related parties transactions	
	14- Subsequent events	
5- Audit planning memorandum	15- Going concern	
6- Understand the entity business and environment	16- Management representations	
7- Assess risk of significant misstatement due to fraud or error	17- Use of expert work	
	18- Legal cases	

Audit criteria for Financial Examination were developed based on the following:

- Statutory Auditor Appointment Rules issued in accordance with Law Number 14 of 2008,
- International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC), and
- Accounting standards used for preparing the financial statements. i.e. IPSAS or IFRS.

ADAA's financial examination reports findings are classified as follows:

Significant improvement required: Significant finding that requires immediate action.

Needs improvement: Finding indicates issues on audit quality that require action to improve the audit.

Needs improvement - Specific exception noted: Had this exception been noted during the audit process, it might have resulted in an adjustment.

3-3 Financial Management Assessment

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

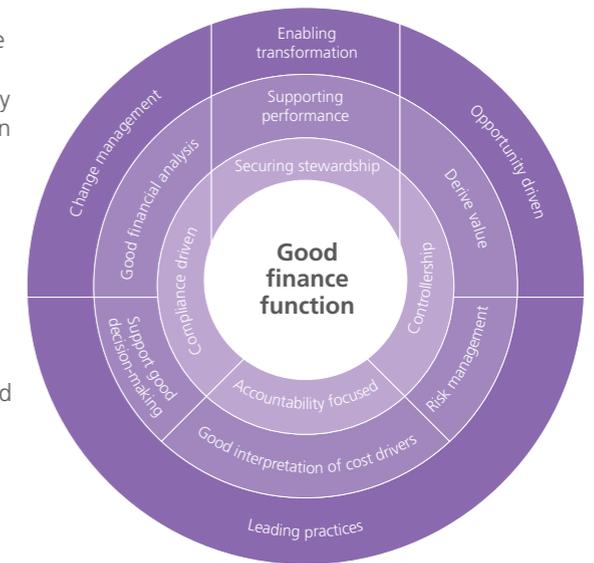
Audit criteria for Financial Management Assessment were developed based on good practice statements issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA is a member of the International Federation of Accountants (IFAC).

The good practice statements developed by the institute are structured around three progressive styles:

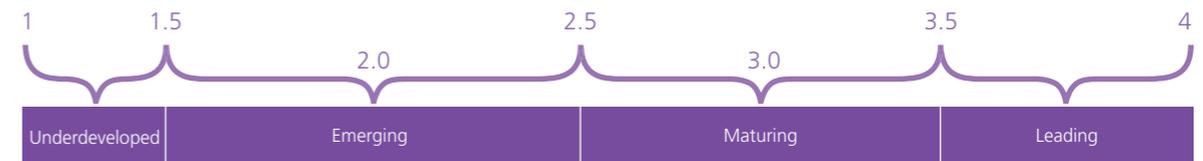
- Securing stewardship,
- Supporting performance and
- Enabling transformation.

The CIPFA good practice statements are structured around four management dimensions:

- Leadership
- People
- Processes
- Stakeholders



The financial management is assessed against 38 Good Practice Statements based on how far each Statement is met. The financial management is rated, for each Statement, on a scale from 1-4 with 1 being "not-applied" and 4 being "leading" based on 442 criteria distributed over the dimensions of the financial management and working methods specified above in each of these dimensions.



ADAA OUTPUTS

4 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 Function Assessment
- Procurement Review
- Service and Output Review

4-1 Internal Audit Function Assessment

Assess the Internal Audit function at Subject Entities to ensure effectiveness of risk management activities, control and governance at Subject Entities. ADAA has developed 96 audit criteria to assess the internal audit activity spread over 26 standards within six main elements.

The following figure shows the elements and evaluation standards:



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).

Each of the 6 elements are assessed; the outcome of assessing all elements allows the Internal Audit Activity to achieve an overall "Pass" or "No Pass" score. Due to the dissimilarity of the significance of those elements, each element was assigned a specific weight according to its criticality.

Internal Audit Activity with "Pass" rates is classified within the following 3 categories:

Category	Score	Description
Tier 1	Over 89%	Minor or no improvement opportunity to meet leading practices
Tier 2	75% to 89%	Specific or minor improvement opportunities to meet leading practices
Tier 3	51% to 74%	Significant improvement needed to meet leading practices

4-2 Procurement Review

Review procurement processes at Subject Entities to verify the presence of comprehensive procurement regulations and procedures at the Subject Entities and ensure their compliance with them. ADAA has developed 70 audit criteria to review the Procurement spread over 13 standards within four main elements: Procurement Regulatory Framework, Procurement Planning, Purchasing and Contracting and Records Keeping and Reporting.

The following figure shows the elements and evaluation standards:



Procurement Review Methodology was developed based on the pronouncements made by the Chartered Institute of Purchasing and Supply (CIPS) and in line with the prevailing Laws and Regulation relating to the Procurement applied in the Emirate of Abu Dhabi. Observations resulted from the Procurement Review are classified according to their significance as follows:

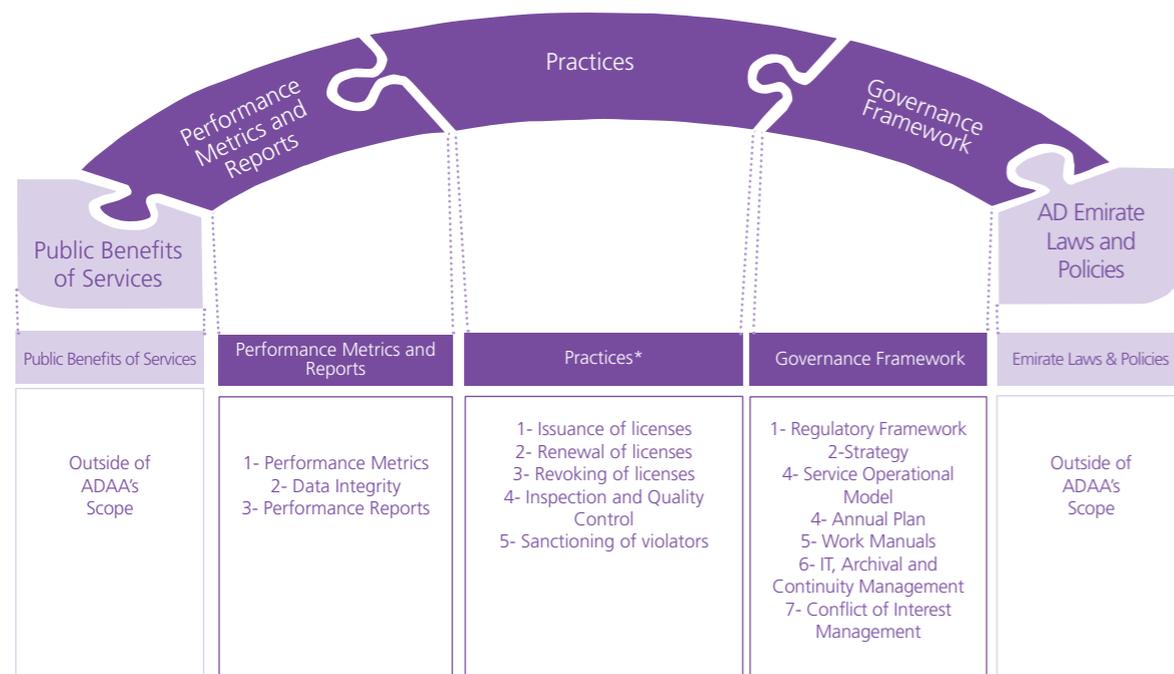
- Observation with medium risk exposure
Observation that refers to a weakness in the procurement process that requires corrective action(s).
- Observation with significant risk exposure
Observation of a significant effect on the procurement process that requires immediate action to ensure non-recurrence.

ADAA OUTPUTS

4-3 Service and Output Review

Review operations and processes used by Subject Entities to provide services or outputs for the purpose of ensuring the effective, efficient and economic use of public funds, as well as conformance with applicable laws and leading practices. It also includes Capital Projects Review addressing the review of infrastructure assets and critical projects under development by Subject Entities. ADAA develops set of criteria and standards within three main elements for each review as illustrated in the following chart:

Audit Elements and Standards for Service & Output Review



*Audit standards differ from audit to another based on the audit subject.

ADAA has also developed a number of criteria distributed into 17 audit standards to review the projects within three main elements based on Project Management Standards issued by the Project Management Institute (PMI) as shown below:

Program Management		
1. Program Governance 2. Program Planning and Standardization 3. Program Monitoring and Reporting		
Project Management		
Planning	Execution & Monitoring	Closeout
1. Project Funding 2. Project Planning 3. Design Management 4. Procurement Management	1. Scope and Contract Management 2. Cost Management 3. Schedule Management 4. Quality Management 5. Risk Management 6. Health, Safety, and Environmental Management 7. Communications and Stakeholder Management 8. HR Management	1. Facility Closeout 2. Financial Closeout

5 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

5-1 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.

5-2 Advisory

ADAA provides advice to Subject Entities based on the Subject Entities request and upon approval of ADAA Chairman. ADAA provides its advice in accordance with its "Advisory Provision Methodology" and in light of the information provided by the Subject Entity.

5-3 Special Examination

ADAA investigates complaints referred to ADAA and violations discovered when carrying out its work at Subject Entities and examines violations investigated by Subject Entities.

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



ADAA OUTPUTS

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 in order to hold them accountable.

ADAA may investigate these violations directly or assign the responsible officer (Compliance Officer) at the Subject Entity if he/she has not investigated 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 its issuance.

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.

5-4 ADAA Training Center

ADAA developed 4 types of secondary 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.

Qualifying Emirati Auditors

Develop 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 "Auditors 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.

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.

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 contribute to the enhancement of laws and regulations in this area.

ADAA was the first 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.

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.

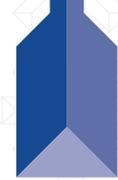
Internal Audit Seminar: This event brings together the heads of the Internal Audit functions at Subject Entities to discuss processes, internal controls, policies, issues and challenges as well as share knowledge of best practices and developments.



Part 3

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1	2013 Achievements Highlight	3-1	Internal Audit Function Assessment
2	Output Group 1: Financial Audit And Examination	3-2	Procurement Review
2-1	Financial Audit	3-3	Service & Output Review
2-2	Financial Examination	4	Output Group 3: Supporting Accountability
2-3	Financial Management Assessment	4-1	Accountability Reports
3	Output Group 2: Performance And Risk Assurance	4-2	Advisory
		4-3	Special Examination
		4-4	ADAA Training Center
		5	2014 Work Plan



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1 2013 Achievements Highlight

The following is a summary of highlights of ADAA's Achievements during 2013:

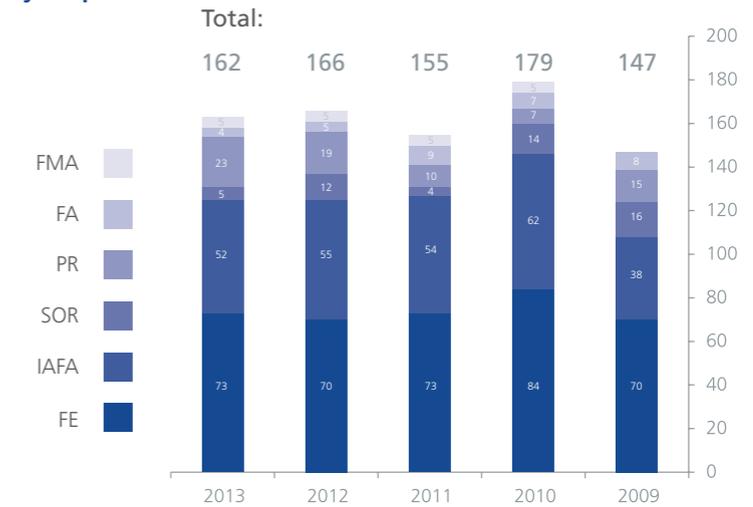
- Audited the financial statements of the Government of Abu Dhabi in accordance with international standards and issued the independent audit report with "unqualified" opinion.
- Performed 73 Financial Examinations and ensured Subject Entities compliance with their budgets and recommended the preparation of their financial statements in accordance with international standards and continued monitoring the compliance of Subject Entities with Statutory Auditor Appointment Rules (SAAR) issued in accordance with law number 14 of 2008.
- Assessed the Internal Audit function of 52 Subject Entities to ensure the efficiency and effectiveness of Internal Audit activities.
- Reviewed Procurement Functions and issued 23 reports.
- Reviewed services and outputs related to technical and vocational education and training licensing, customs collection, SME support and development, Rail project and classification of contractors, consultants and registration of engineers.
- Conducted 5 Financial Management Assessments (FMA) to support and strengthen the financial management function within Subject Entities.
- Hosted the 2013 meeting of International Public Sector Accounting Standards Board "IPSASB" in Abu Dhabi during March 2013, for the first time in the Middle East.
- The recognition of ADAA's Audit Oversight System through granting ADAA an "equivalent status" with European Union (EU) member states based on the European Commission decision number 288 of 2013.
- Participated in International Forum of Independent Audit Regulators (IFIAR) general meetings and its Advisory Council meetings.
- ADAA Chairman voluntarily joined the faculty members of Zayed University in Abu Dhabi, where he lectured "Auditing" for the University students as a Visiting Lecturer.
- Participated in the "Summit on the Global Agenda" through the membership of the "Global Agenda Council on Institutional Governance Systems of International Organisations" under the "World Economic Forum" which was hosted by the Country.
- Continued monitoring the outputs of "Auditors Development Program" related to the training and development of Emirati Auditors and assisting them acquire the necessary skills and knowledge to advance and excel in their careers in addition to providing training courses to obtain professional certifications.
- Continued the secondment of Emirati employees joining the "Auditors Development Program" to the big four audit firms.
- ADAA chaired the Abu Dhabi Technical Forum (ADTF) unifying accounting interpretations between ADAA, audit firms and accounting and auditing professionals in the UAE.
- Issued a number of technical working papers that addressed complex accounting matters and unified interpretations of financial reporting standards through the "Abu Dhabi Technical Forum".
- Submitted a number of accountability reports on important issues and examined and investigated complaints received or violations discovered and issued Special Examination reports.
- Prepared a draft for the "Governance Code" and presented feedback and comments on similar governance codes submitted by the concerned parties.
- Continued providing advisory and support to Subject Entities upon their request and assisted Subject Entities to build their capabilities in internal audit.
- Completed research papers, several international benchmarking studies, surveys and more than 40 other internal and external research assignments, in addition to continuing the issuance of the monthly Global Accountability & Transparency Newsletter.
- Enhanced the value of the e-maarifa portal for sharing knowledge and best practices which includes 529 members from Abu Dhabi Government Entities.
- Won the Outstanding Contribution award for 2013 awarded by The Institute of Chartered Accountants in England and Wales (ICAEW).

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:

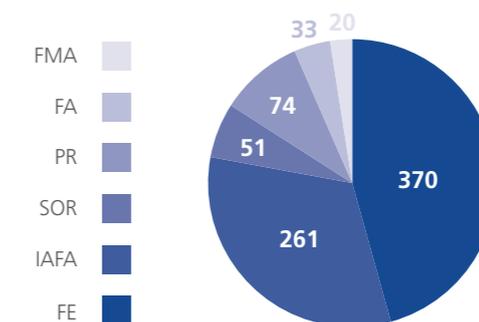
Description	Actual	Actual	Actual	Actual	Target	Actual
	2009	2010	2011	2012	2013	2013
Financial Audit and Examination Group	78	96	87	80	82	82
Performance and Risk Assurance Group	69	83	68	86	80	80
Total Number of Reports	147	179	155	166	162	162

Financial examination and internal audit function assessment reports represent more than 75% of the 809 reports issued during the past five years:

Number of deliverables by output



Number of deliverables by output 2009 - 2013

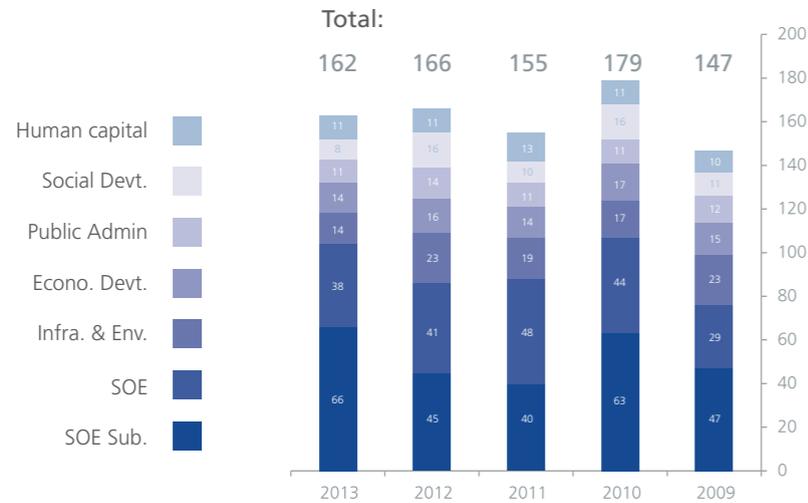




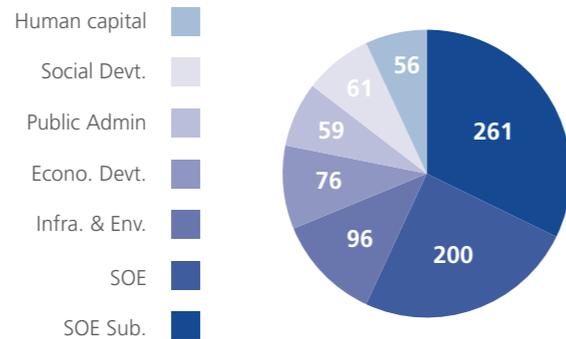
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ADAA reports have covered all public sectors and more than 50% of them were related to SOEs and their subsidiaries:

Number of deliverables by sector



Number of deliverables by sector 2009 - 2013



2 Output Group 1: Financial Audit And Examination

This output group focused on the audit of the financial statements of the Government of Abu Dhabi, and examination of the financial statements of Subject Entities in accordance with ADAA methodologies.

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. As a result, major changes have occurred as to the basis of preparation of the financial statements of the Subject Entities since 2009.

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

Subject Entities (excluding SOEs and recently established entities) 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

2-1 Financial Audit

ADAA completed its audit of the financial statements of the Abu Dhabi Government for the year ended 31 December 2012 and issued an unqualified opinion. The financial statements were prepared on a cash basis in accordance with International Public Sector Accounting Standards (IPSAS). ADAA conducted its financial statements' audits in accordance with International Standards on Auditing (ISA).

2-2 Financial Examination

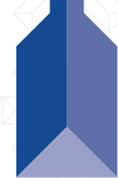
During 2013, ADAA examined 73 independent audit reports and work of statutory auditors, appointed by Subject Entities. The financial statements and audits covered in 2013 were selected in accordance with the prioritization criteria developed by ADAA.

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 the 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.
- Treatment and presentation of government grants and funding.



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- Completeness, valuation and recognition of assets and related impairment reviews.
- Audit procedures performed when auditing accounting estimates.
- Communication by the statutory auditors with those charged with governance.
- Audit procedures performed by the statutory auditors to test revenue recognition.
- Audit procedures performed by independent quality review partner.
- Audit procedures performed by IT audit specialists.
- Fraud risk assessment procedures performed by statutory auditors.
- Audit procedures performed by statutory auditors to test and rely on the internal controls.
- Statutory auditors' opinion on 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, subsequent events, and compliance with laws and regulations.
- 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.

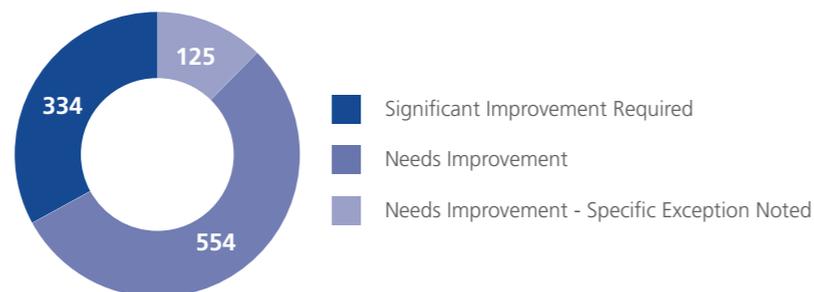
All examination comments are set out in detail in the examination reports sent to Subject Entities for implementation and improvement in the future. These reports include the responses and explanations provided by the statutory auditors and ADAA's final conclusions and views on each examination comment.

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 exception noted" based on their nature and significance to the financial statements of Subject Entities and the Statutory Auditor's audit process.

Below are the results of the financial examination reports in 2013:

2013 Classification of Financial Examination (1013 comments)



ADAA's financial examination reports included 1013 comments in 2013 classified as follows:

Significant improvement required

334 comments in 2013 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 the Subject Entities.

Needs improvement

The majority of our 554 comments in this category focus on audit quality resulting from incomplete documentation of audit procedures performed, such as review of subsequent events. These comments highlight scope for improvement relating to audit procedures applied by the statutory auditors. If such procedures were performed, as entailed in the International Standards on Auditing or other applicable standards, a potential adjustment to the Subject Entities' financial statements might have been noted.

Needs improvement – Specific exception noted

125 comments in 2013 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 incorrect 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 and fair values and communication with those charged with governance.

Below is an analysis of independent audit reports examined by ADAA, comments raised and their respective classification (excluding 331 comments addressed only to Subject Entities):

Statutory Auditor	Number of reports examined	Comments classification			Total Comments
		Significant improvement required	Needs improvement	Needs Improvement-Specific exception noted	
Firm 1	12	30	76	24	130
Firm 2	20	25	91	30	146
Firm 3	25	58	171	36	265
Firm 4	14	26	70	32	128
Firm 5	1	2	1	1	4
Firm 6	1	4	4	1	9
Grand Total	73	145	413	124	682



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Implementation of SAAR

During 2013, 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 80 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, appointing and reappointing their statutory auditors.

2-3 Financial Management Assessment

In 2013, 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.

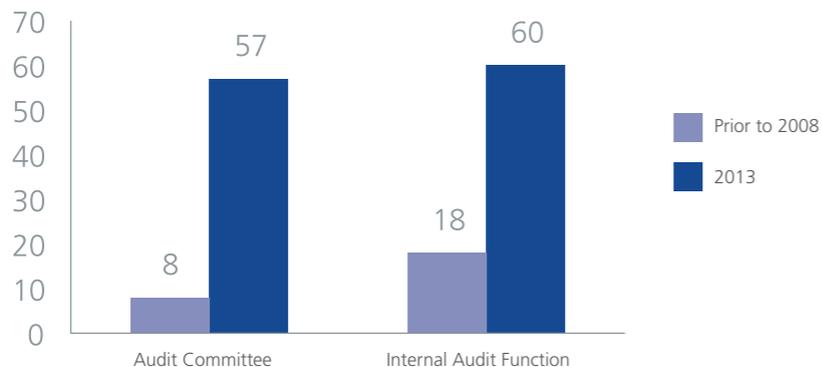
Upon conducting the 5 FMAs, ADAA found that financial management at 2 Subject Entities are at a "Maturing" stage while 3 Subject Entities were at an "Emerging" stage based on the assessment methodology followed by ADAA.

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:

Number of Audit Committees and Internal Audit functions



The Performance and Risk Assurance Group comprise the following outputs:

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

3-1 Internal Audit Function Assessment

During 2013, ADAA issued 52 Internal Audit Function 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 is to obtain assurance on the role of the Internal Audit function in highlighting areas of risk exposure at the Subject Entities.

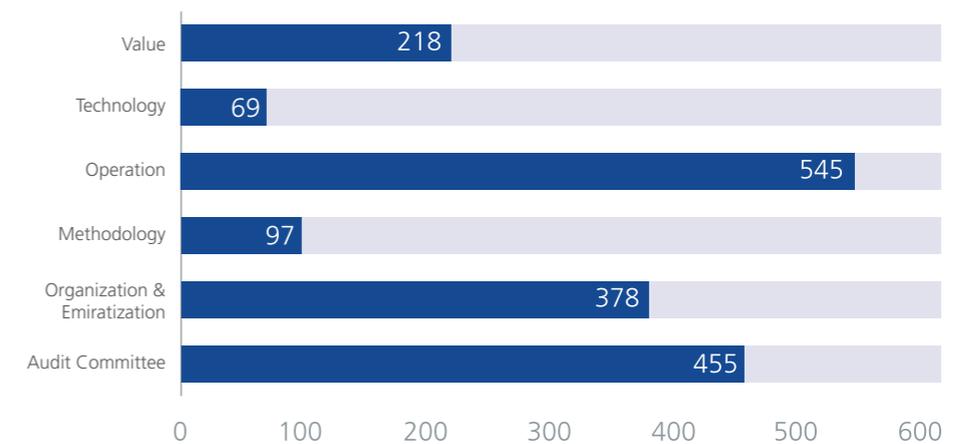
Internal Audit functions were assessed on a series of 6 elements: Audit Committee, Methodology, Organization & Emiratization, Operation, Technology and Value.

Internal Audit Function Assessment Reports Summary

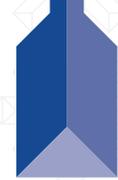
During 2013, ADAA issued 1,762 recommendations to improve the Subject Entities' control environment and for the enhancement of the governance structure.

In line with ADAA methodology, the final results of the assessment of internal audit functions at Subject Entities are presented, when requested, 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 element:



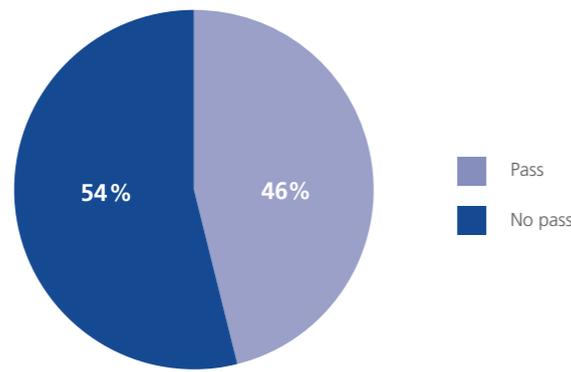
Out of 52 Subject Entities, 24 met pass requirements based on the criteria established by ADAA, while 28 did not.



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The following figure shows the results of the internal audit function assessment conducted in 2013:

Results of Internal Audit Function Assessment



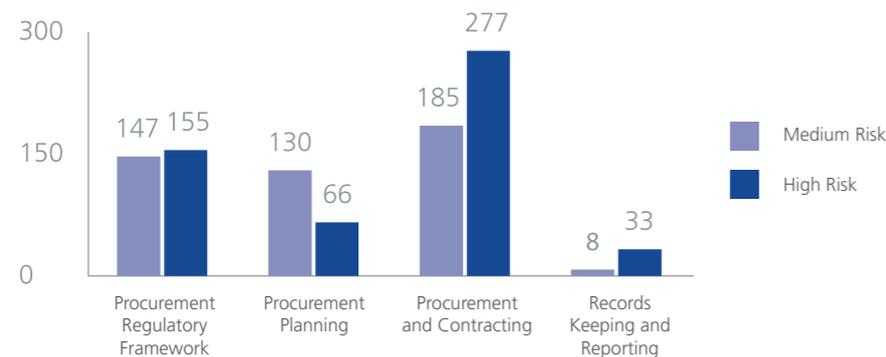
3-2 Procurement Reviews

During 2013, ADAA reviewed capital and operational procurement at Subject Entities and issued 23 reports.

Procurement activities were reviewed to ensure the existence of an approved Procurement Regulatory Framework at Subject Entities (i.e. the existence of approved policies and procedures) and comparing it with best practices and to insure the compliance of the Subject Entities with the approved regulatory framework.

These procurement reviews identified a number of observations that were classified either as High Risk or Medium Risk. The following chart illustrates the classification of observations within the four elements of a procurement review:

Classification of Procurement Review Observations (1001 observations)



The observations noted through the procurement reviews include number of non-compliance incidents for which appropriate recommendations were issued and those responsible individuals were held accountable and disciplinary actions were taken against them where the incidents discovered represent disciplinary violations.

3-3 Services and Output Review

The Service and Output Review deliverables during 2013 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 2013 with a brief description of the scope of the review and recommendations by ADAA:

Technical and Vocational Education and Training Licensing Review

ADAA conducted a review of the services and outputs related to technical and vocational education and training licensing with the objective of verifying the existence of and compliance to an approved governance framework and assessing its alignment with leading practices.

ADAA recommendations included:

Recommendations
• Separating the Entity's regulatory role from the operational one.
• Approving the Entity's Strategic Plan and ensuring that coordination and consultation took place with stakeholders within the technical and vocational education and training sector.
• Approving the requirements and standards for licensing technical and vocational education and training institutions within the Emirate of Abu Dhabi, and enhance the licensing processes (issuance, renewal and cancellation).
• Develop a conflict of interest policy to sustain the transparency and enable the identification of current and potential conflict of interest.
• Develop and approve the licensing system for technical and vocational trainers.
• Approving the accreditation system for technical and vocational education and training.
• Ensure licensing all the technical and vocational education and training institutions (government and private) operating in the Emirate of Abu Dhabi.
• Approving the control and inspection system and develop inspection plans for the technical and vocational education and training institutions operating in the Emirate of Abu Dhabi based on risk assessment levels, in order to conduct periodic inspections, including government institutions.
• Establish a database that encompasses all the technical and vocational education and training related information within the Emirate of Abu Dhabi, after coordinating with all the stakeholders to obtain their databases in order to build on.
• Update the key performance indicators in order to encompass the cost and quantity of the services and outputs related to technical and vocational education and training, in addition to approving the performance indicators relating to technical and vocational education and training.



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Customs Collection Review

ADAA conducted a review of the services and outputs related to the collection of Customs duty with the objective of verifying the existence of and compliance to an approved governance framework and assessing its alignment with leading practices.

ADAA recommendations included:

Recommendations
• Set up a bonuses fund for Customs inspectors and coordinate with the competent entities to establish a Customs Court under the administration of the Abu Dhabi Customs Authority.
• Obtain approval of the Strategic Plan by the competent authority.
• Document the procedures for issuing Customs Clearance and obtain the necessary approval.
• Develop procedures for cash and cheques receipt and standard operating procedures for the management of cash and cash equivalents and obtain the necessary approvals.
• Develop and approve inspection procedures for trucks and containers to be implemented in all customs centers.
• Develop and implement approved grievance handling procedures related to customs valuation.
• Ensure all requirements are met prior to licensing customs clearance offices and brokers and develop adequate controls to ensure the completeness of the documentation.
• Implement risk management across all customs centers and develop specific criteria and weights in line with the nature of risks prevalent in each customs center.
• Develop procedures to guide the inspection of the selected samples on a statistical basis and develop a methodology to identify the basis to be followed when selecting a sample of customs data instead of using random samples and / or professional judgment.
• Develop audit procedures across all customs centers to improve the quality of auditing and limit the rate of non-compliance.
• Develop and approve procedures to reconcile revenues in the Dhabi system with those included in the trial balance and develop a mechanism to verify the accuracy of performance reports and statistics sent by the various customs centers.

SME Support and Development Review

ADAA conducted a review of the services and outputs related to Small and Medium Enterprises (SME) support and development with the objective of verifying the existence of and compliance to an approved governance framework and assessing its alignment with leading practices.

ADAA recommendations included:

Recommendations
• Intensify the efforts by working with legislative entities to develop the regulatory framework so that it includes all the legal components necessary to support and develop small and medium enterprises (SMEs).
• Review the current strategic priorities, programs and outputs in light of its mandated responsibilities and ensure their alignment with the Abu Dhabi Policy Agenda 2030 with the goal of empowering the private sector and diversifying the economic activity towards knowledge-based activities.
• Develop, approve and implement a financial and funding strategy that establishes clear funding options for the three groups of expenditure: projects funding expenditures; projects technical support expenditures; and the operational expenditures. This would help sustain the Fund's support activities and operations and ensure their continuity and improve the selection criteria of projects to be supported.
• Develop and implement a cost analysis and allocation system.
• Update the bylaws to include a definition of small, medium and developing projects, a financial / funding strategy, eligibility criteria for financial and technical support, as well as other relevant controls.
• Update the annual plan templates to incorporate the improvement opportunities and establish adequate document management and approval mechanisms and controls, including those relating to the official approval of the annual operational plans.
• Consider offering training programs that fit the different socio-economic backgrounds of applicants for support.
• Activate other financial support options such as loan guarantees.
• Review and strictly apply the eligibility criteria (pertaining to age, sex, employment status, education level and geographic location) through which both mandated economic development goals and the social responsibility expected can be achieved by targeting specific socio-economic groups.
• Identify the complete inventory of the services and outputs that could be offered as well as the expected outcomes, and develop key performance indicators to measure their performance.





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Rail project Review

ADAA conducted a review of the rail project with the objective of verifying the following:

- Project management's commitment to the approved budget and schedule.
- Existence of an approved funding program for the project.
- Alignment of project management activities with leading practices.
- Compliance of procurement practices with applicable rules and regulations.

ADAA recommendations included:

Recommendations
• Address the duplicative roles present within existing business units.
• Develop "Continuity Binders" for each significant position that document the work done to date within that function along with capturing issues and upcoming plans.
• Take into account the lessons learned from the contracting process for the first stage in the transition to the second and third stages.
• Set long term financial targets as well as short term targets that measure the ability to acquire and retain customers with the purpose of allowing Shareholders to monitor the performance along all stages of the project.
• Review existing cost and revenue estimating exercises whereby the financial model is updated based on changes in the operating environment and stakeholders are provided with more accurate and updated project information.
• Enhance the existing performance management system by identifying goals, objectives, and priorities based on a comprehensive assessment of the strategy.
• Develop a clear Pricing Strategy that defines long term and short term objectives.
• Ensure that all potential commercial opportunities are considered rather than focusing on specific customers only.
• Take necessary steps to communicate with stakeholders and understand their needs and develop a strategy to manage their expectations.
• Develop a procurement strategy that defines all objectives and associated policies of the organization's procurement activities.
• Establish a risk management system that allows the identification and classification of all enterprise risks.

Classification of Contractors, Consultants and Registration of Engineers Review

ADAA conducted a review of the services and outputs related to registration of engineers with the objective of verifying the existence of and compliance to an approved governance framework for classification of contractors, consultants and registration of engineers and assessing its alignment with leading practices.

ADAA recommendations included:

Recommendations
• Develop an approved strategy addressing the objectives, initiatives, goals and the main outputs and outcomes relating to the classification of contractors, consultants and engineers, in order to establish the appropriate action plans that ensures the implementation of such strategy.
• Conclude Engineers Registration Instructions and issue it in the Official Gazette.
• Develop a classification and registration procedure manual for the documentation and standardization of the procedures that must be followed, and for ensuring the application of regulations, decrees and decisions issued in this regard.
• Develop an inspection related strategy and risk-based methodology to ensure commitment to the classification requirements and provisions, and accordingly commence inspection activities.
• Develop mechanisms to help detect violations related to the classification of contractors, consultants and engineers, and set proper procedures for investigations, disciplines and complaints.
• Abide to the decree of the Executive Committee No. (8/c 2010/34), issued on 11 November 2010; related to the collection of nominated fees.
• Initiate the process of "Registering of Engineers" and document all relevant data.
• Sign agreements for information exchange with agencies that regulate the classification of contractors, consultants and register engineers both inside and outside the Country.
• Tie Classification Office System to that of Municipalities Buildings Permits for the purpose of accessing number of construction permits, contractors and consultants projects' values and sizes, as well as, the violations being imposed.
• Explore the list of disciplines to include all specialties associated with the building and construction sector, such as acts of demolition, excavation and piling etc.
• Develop links between classification technical requirements and size of projects being constructed, requiring minimum number of labor, technicians, equipment, etc.
• Develop a mechanism to verify the engineers' certificates through requesting a statement of equivalency from the concerned authorities, or by contracting with a specialized organization in this respect.





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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

4-1 Accountability Reports

In 2013, 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 that ADAA completes in the first quarter of each year. ADAA also prepared a draft for the "Governance Code" and presented feedback and comments on similar governance codes submitted by the concerned parties.

4-2 Advisory

ADAA provides advice, in the areas that fall within its expertise and do not conflict with its independence, upon receiving requests from Subject Entities and after the approval of the Chairman of ADAA. Below are examples of such advisory work provided during 2013:

Accounting Technical Advice

ADAA publishes accounting technical papers to provide 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. During 2013, seven technical papers have been published covering: Leases, Fair Value Measurement, Investment Property, IFRS Disclosures, Investment Entities, Related Party Disclosures and Depreciation.

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 2013, ADAA completed 6 installations of the e-Governance Portal along with the necessary training required and setting the methodology.

4-3 Special Examination

In 2013, ADAA received 12 complaints that were examined as per the "Special Examination Methodology" outlined by ADAA.

Based upon the investigations conducted by ADAA in 2013, 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 2013 were generally identified as violations related to the following:

- Abuse of power and conflict of interest.
- Violation of procurement laws, regulations and procedures.

- Mismanagement and Negligence in managing public money.
- Breaching code of conduct.

It is worth mentioning that during 2013, ADAA continued to encourage Subject Entities to establish a "Compliance Officer" role within the Internal Audit Function, and whose main tasks include the following:

- Handle the receipt of complaints related to suspected breach of any laws, regulations or code of conduct.
- Examine the complaints received to obtain further information and evidence.
- Prepare a memo on 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 an annual log where all complaints received are registered.
- Inform ADAA as soon as any violation is discovered or any incident that results in a violation and refer the results of their investigations to ADAA supported with the investigation reports and decisions to be taken in accordance with Law number 14 of 2008 pertaining to the establishment of Abu Dhabi Accountability Authority.

Below is a summary of some of ADAA examinations and investigations conducted during 2013:

Case 1

The case relates to what was attributed to a number of staff and officials of a Subject Entity who concluded several contracts with several consulting firms with an amount of AED 2,136,000 in violation of laws. ADAA formed a work team to conduct an examination of these contracts whereby the examination concluded that:

- Several contracts have been concluded prior to obtaining their budget appropriations and also the related disbursements were made from consultancy services budget, noting that the above mentioned contracts were not included within the contracts listed under such budget.
- There are no standards for qualifying consultants.
- Sending requests for proposals and determination of scope of work are carried out without referring to the concerned department and contracts are concluded without referring to the procurement department.
- No tendering process was conducted and the proposals received and related technical and financial evaluation reports have not been submitted to the tendering committee to seek their recommendations, despite that the value of the contract exceeded the financial threshold. Also, there were no procedures adopted to ensure the confidentiality upon receiving and opening the proposals.

Accordingly, the Subject Entity was notified with the examination results to take the necessary actions in light of such results.

2013 REPORT AND 2014 WORK PLAN

Case 2

The case could be summarized in what was referred to ADAA concerning an official in one of the Subject Entity's offices overseas who established a private company and registered it under the name of one of the former employees of the office. He subsequently transferred its license to the name of another person. In addition, a number of the office employees were transferred to the company to perform the exact duties performed at the office, as well as assigning several tasks and services to the company as that used to be executed by the office in order to maximize the company's profit. ADAA formed a work team to conduct an examination of these claims and concluded that there was a significant deficiency in the system of the internal controls, policies, procedures and practices at the office. Accordingly, ADAA recommended to take immediate actions to remedy the deficiencies noted to ensure that the office budget which exceeds AED 1 billion annually is disbursed efficiently, effectively and economically and in line with the applicable laws and regulations.

Case 3

A Subject Entity reported to ADAA that it is undertaking an administrative investigation with a manager of one of its departments responsible for suppliers' registration for receiving a sum of money from one of the companies supplying and contracting with the Subject Entity, where he acknowledged, at the beginning, that he received the sum of money from that company, justifying that the amount is against a rent of a land owned by him in a Gulf country that is leased to another company which is owned by the same owner of the company, then he refused to complete such investigation. Based on the documents examined; ADAA recommended the Subject Entity completes the administrative investigation regardless of the appearance of the defendant before the administrative investigation committee after being notified of the date and place of the investigation, where his non-appearance before the investigation committee does not relieve him from disciplinary action as long as he has been notified. Also his non-appearance is considered a waiver of his right to defend himself. ADAA also recommended referring the case to relevant public prosecutor office to take the necessary action if the investigation indicated the existence of a suspected punitive crime.

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.

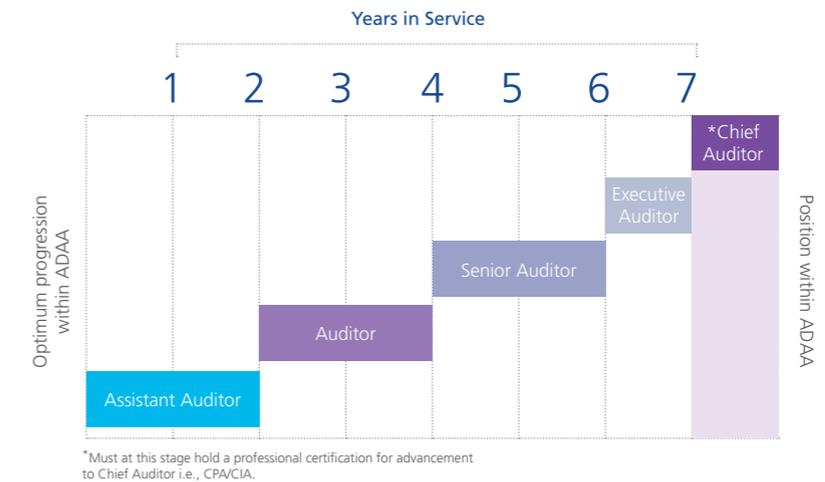
The outputs defined under this group are:

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

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 acquire the necessary skills and knowledge to advance and excel in their careers. ADAA developed the "Auditors 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 "Auditors Development Program":



In 2013, ADAA recruited 10 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 profession such as the Certified Public Accountant (CPA) examination preparation course and the Certified Internal Auditor (CIA) examination preparation course.

And as an initiative, the Chairman of ADAA joined, voluntarily, in 2013 the faculty members at Zayed University in Abu Dhabi, where he lectured "Auditing" for the University students as a visiting lecturer. This initiative is accomplished with the objective of participating in the training and development of the future leaders and ADAA's consideration of its social responsibility.

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 2013, the Research and Knowledge Management (RKM) function at ADAA completed research papers on topics such as 'Audit Governance Models' and 'Electricity Subsidy'. The RKM function also undertook several international benchmarking studies on a variety of topics ranging from "Career Development Programs at State Audit Institutions" to "Government Support Programs for SMEs". Additionally the RKM function conducted more than 40 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 financial reporting 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.



2013 REPORT AND 2014 WORK PLAN

ADAA issues 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.

ADAA publishes illustrative consolidated and entity financial statements for IFRS and IPSAS reporters. The AASD provides comment letters to the IPSASB on their exposure drafts of new international public sector accounting standards and international financial reporting guidelines.

Topics covered include: Conceptual Framework: Elements and Recognition in Financial Statements, Conceptual Framework: Measurement of Assets and Liabilities.

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.

By the end of 2013 the e-maarifa reached 529 members from the Internal Audit Community in Abu Dhabi across 91 Subject Entities.

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.

International Forum of Independent Audit Regulators

ADAA became the first organization in the Middle East and North Africa to acquire membership of the International Forum of Independent Audit Regulators (IFIAR) in early 2009 and to host the IFIAR Plenary Meeting in Abu Dhabi in 2010.

During 2013, ADAA participated in the Plenary Meeting of the IFIAR, held in Noordwijk, Netherlands over the period from 14 to 17 April 2013. The meeting covered many topics including the announcement of the new IFIAR Chair Mr. Lew Ferguson, board member of the United States Public Company Accounting Oversight Board (PCAOB) and the election of Mrs. Janine Van Diggelen, head of Audit Firm Oversight at the Netherlands Authority for the Financial Markets as IFIAR Vice-Chair.

ADAA also participated in the IFIAR interim meeting held in Paris, France as a member of the IFIAR Advisory Council as ADAA was elected to be a member of the IFIAR Advisory Council during the 9th meeting of IFIAR held in Berlin, Germany in April 2011 becoming the first organization in the Middle East and North Africa to be elected to the Advisory Council. The interim meeting was held in the attendance of the IFIAR Chair, Vice Chair, Advisory Council members and Working Groups chairs to discuss the progress of the Working Groups projects and other internal matters related to the work of IFIAR in preparation of the IFIAR's Plenary Meeting to be held in the United States in April 2014.

The annual meeting of International Public Sector Accounting Standards Board "IPSASB"

ADAA hosted the annual meeting of International Public Sector Accounting Standards Board "IPSASB" in Abu Dhabi during the period from 11 to 14 March 2013, making the UAE the first Arab country to host this meeting. ADAA was very keen on hosting the IPSASB meeting as it enhances its efforts to improve the quality and basis of preparation of the financial statements at the level of the Emirate of Abu Dhabi. In 2008, Abu Dhabi Government approved applying the International Public Sector Accounting Standards as a formal basis of accounting when preparing the Abu Dhabi Government Consolidated Financial Statements and the Financial Statements of all Government entities in Abu Dhabi.

"The Emirate of Abu Dhabi is spearheading the improvement of government accounting, in the Gulf region and beyond, with the implementation of the standards set by our Board. I'm very proud of the key role ADAA is playing in this development."

Dr. Bergmann, Chair of the Board

The meeting has been attended by all IPSAS Board Members as well as representatives and observers from international bodies such as the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), and the International Organization of Supreme Audit Institutions (INTOSAI), the International Federation of Accountants (IFAC), the World Bank, etc...

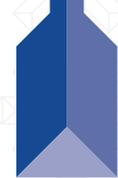
The meeting aims at discussing important topics in relation to methods of preparing financial statements and development of sustainable financial systems for the governments. The meeting also addressed proposals to improve the frameworks and concepts of accounting in the public sector and discussed accounting standards, the results of their application in addition to challenges and gaps arising from their application, if any.

The European Commission recognizes ADAA's Audit Oversight System

During 2013, the European Commission announced its decision number 288 to grant ADAA's audit oversight system "equivalent status" with European Union (EU) member states.

The Commission decision came as a result of the assessments of ADAA's audit oversight, quality assurance and investigation and penalty systems, carried out by the Commission, with the assistance of the European Group of Auditors' Oversight Bodies. Based on these assessments, the Commission considered the audit oversight system carried out by ADAA as equivalent with those of the EU member states.





2013 REPORT AND 2014 WORK PLAN

"We are very pleased with the Commission Decision and proud to be the only accountability authority in the world to achieve this status, and this Decision is a testament of our distinctive operational model that was developed by ADAA. This would not have been possible without the guidance and support given to ADAA by our leadership to go beyond the existing best practices at that time."

ADAA Chairman, on the occasion of the Commission's recognition

On the basis of this decision, individual EU member states audit regulators may enter co-operative agreements with ADAA with the view of relying on each other's work on the supervision of auditors and audit firms.

Receiving delegation from Ministry of Finance of the Kingdom of Bahrain

ADAA received during October 2013 at its headquarters a delegation from the Ministry of Finance of the Kingdom of Bahrain which conducted a visit to Abu Dhabi to get an overview of ADAA practices and internal audit systems implemented by the Government of Abu Dhabi as well as the latest best practices in the field.

ADAA introduced an overview of its strategy, scope of work, services and outputs offered to promote transparency and accountability. The delegation has been introduced to internal audit assessments' methodology applied upon reviewing internal audit functions in the government entities, where ADAA issues more than 50 reports annually to improve the quality of internal audit work. ADAA also presented its future plans in relation to internal audit governance that aims to develop principles, regulations, ideal fundamentals and processes that enable boosting internal audit governance.

World Economic Forum

ADAA participated in the "Summit on the Global Agenda" during the period from 18 to 20 November 2013 that was jointly hosted by the federal government of the UAE and Abu Dhabi government in collaboration with World Economic Forum for the consecutive sixth year at the Country. The summit was held under the theme "Driving Change Through Collaboration", with the participation of about 900 experts from 80 countries to exchange views and ideas and discuss solutions to current global challenges.

ADAA participated in this global event through membership by its Chairman of "the Global Agenda Council on Institutional Governance Systems" of the World Economic Forum in response to the official invitation of Professor Klaus Schwab, the founder and Executive Chairman of the Forum.

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 that fall within its area of expertise.

ADAA's Head of Accounting and Auditing Standards Desk (AASD) chairs Abu Dhabi Technical Forum (ADTF), comprising ADAA and the accounting and audit technical partners of the audit firms.

The ADTF has met twenty four times since inception in 2010 and reviewed more than 160 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, common control transactions, leases, provisions, investment property, onerous contracts, and professional accountants' code of ethics.

5 2014 Workplan

Below are some of the highlights of ADAA's 2014 annual plan:

- Audit the financial statements of the Government of Abu Dhabi in accordance with International Standards and issue the audit report 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 of more than 50 Subject Entities and continue to provide support to improve the role of internal audit.
- Conduct Capital and Non-capital Procurement Reviews on more than 20 subject entities.
- Conduct a number of Service and Output Reviews with high priorities.
- 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 issue Financial Management Assessments reports.
- Continue to provide advice to Subject Entities, when requested.
- Enhance the role of the Research and Knowledge Management function at ADAA and continue engagement with national and international auditing bodies through seeking memberships in appropriate organizations.
- Prepare regulations and guidelines of the "Governance Code", such as: Audit Committee charter, Internal Audit standards of the Government of Abu Dhabi, Internal Audit Methodology, Compliance Officer Charter.
- Participate in the International Forum of Independent Audit Regulators (IFIAR) general meetings for year 2014 in addition to the meetings of the IFIAR Advisory Council.
- Monitor the outputs of the "Auditors Development Program" and continue the secondment of Emirati employees joining the program to the big audit firms.
- Participate in "2014 World Congress of Accountants" which will be held in Rome, Italy, based on the invitation of the president of International Federation of Accountants (IFAC).
- Supervising ADAA head office building project.



Part 4

2013 AUDITED FINANCIAL STATEMENTS

Independent auditors' report addressed to H.E. Chairman of Abu Dhabi Accountability Authority

Statement of financial position

Statement of financial performance

Statement of changes in Government of Abu Dhabi account

Statement of cash flows

Statement of comparison of budget and actual amounts

Notes to the financial statements

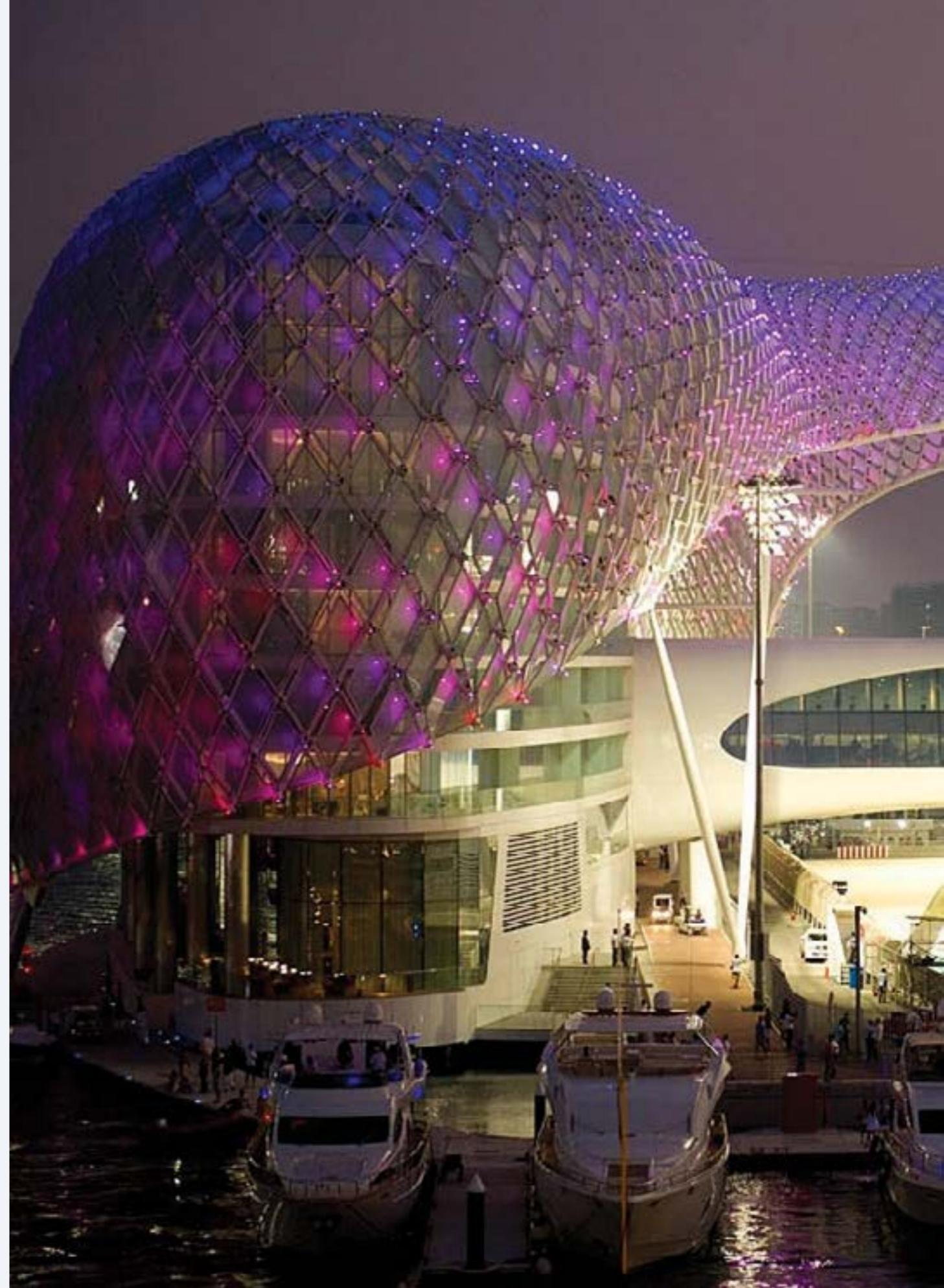
Abu Dhabi Accountability Authority

FINANCIAL STATEMENTS

For the year ended at 31 December 2013

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Independent auditors' report

The Chairman
Abu Dhabi Accountability Authority
Abu Dhabi
United Arab Emirates

Report on the Financial Statements

We have audited the accompanying financial statements of Abu Dhabi Accountability Authority ("the Authority"), which comprise the statement of financial position as at 31 December 2013, 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 notes, comprising a summary of significant accounting policies and other explanatory information.

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 ("IPSAS") 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 about 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Other Matter

The financial statements of the Authority for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those financial statements report on 21 March 2013.

Munther Dajani
Registration No. 268
Abu Dhabi

5 February 2014

Lower Gulf Limited, registered in the UAE and member firms of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Abu Dhabi Accountability Authority

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 AED	2012 AED
ASSETS			
Current assets			
Cash and cash equivalents	4	662,163	243,654
Government of Abu Dhabi account	5	12,596,961	12,886,218
Prepayments and other receivables	6	6,885,582	5,662,134
		20,144,706	18,792,006
Non-current assets			
Intangible assets	8	435,428	765,853
Property and equipment	7	36,310,723	14,778,423
		36,746,151	15,544,276
TOTAL ASSETS		56,890,857	34,336,282
LIABILITIES			
Current liabilities			
Accrued expenses and other payables	9	9,312,924	9,315,949
Deferred government grant related to assets	5	932,991	1,181,133
		10,245,915	10,497,082
Non-current liabilities			
Deferred government grant related to assets	5	26,678,040	7,220,607
Retention payables		1,285,967	654,205
Employees' end of service benefits	10	18,680,935	15,964,388
		46,644,942	23,839,200
TOTAL LIABILITIES		56,890,857	34,336,282

The financial statements were authorised for issue in accordance with a resolution of the Authority's Chairman on 5 February 2014.

Mohammad Al Mehairi
Director of Finance

Seham Al Hammadi
Executive Director Support Services

Riyad Al Mubarak
Chairman

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

The independent auditors' report is set out on page 1.

Abu Dhabi Accountability Authority

STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 December 2013

	Notes	2013 AED	2012 AED
Revenue			
Revenue from non-exchange transaction			
Contributions from Government of Abu Dhabi	5, 12	111,197,373	109,357,941
Revenue from exchange transaction			
Other income		<u>2,647,167</u>	<u>354,655</u>
Total revenue		<u>113,844,540</u>	<u>109,712,596</u>
Expenditures			
Employees' Salaries and other benefits		102,654,191	98,296,821
Depreciation and amortization		1,275,169	2,270,554
General and administrative expenses	11	9,915,180	9,145,221
Total expenditures		<u>113,844,540</u>	<u>109,712,596</u>

The attached notes 1 to 15 form part of these financial statements.
The independent auditors' report is set out on page 1.

Abu Dhabi Accountability Authority

STATEMENT OF CHANGES IN GOVERNMENT OF ABU DHABI ACCOUNT
For the year ended 31 December 2013

	Notes	2013 AED	2012 AED
Balance at 1 January	5	(12,886,218)	19,289,985
Funds received during the year related to operating and capital expenditures	5	131,918,762	114,222,716
Funds received during the year related to capital expenditures and transferred to deferred government grant	5	(20,484,460)	(7,481,200)
Refund to Government of Abu Dhabi during the year	5	(1,222,841)	(31,830,332)
Contribution related to operating expenditures recognized as revenue during the year	5	<u>(109,922,204)</u>	<u>(107,087,387)</u>
Balance at 31 December	5	<u>(12,596,961)</u>	<u>(12,886,218)</u>
The account is classified in the statement of financial position as follows:			
<u>Current Assets</u>			
Government of Abu Dhabi	5	<u>12,596,961</u>	<u>12,886,218</u>

The attached notes 1 to 15 form part of these financial statements.
The independent auditors' report is set out on page 1.

Abu Dhabi Accountability Authority

STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

	Notes	2013 AED	2012 AED
OPERATING ACTIVITIES			
Adjustments for:			
Depreciation and amortization		1,275,169	2,270,554
Provision for employees' end of service benefits	10	3,034,047	3,587,350
Gain on sale of property and equipment		(18,000)	(53,655)
Contribution related to operating expenditures recognized as revenue during the year		(109,922,204)	(107,087,387)
Deferred government grant related to assets		(1,275,169)	(2,270,554)
(Increase) / decrease in prepayments and other receivables		(1,223,448)	649,008
(Decrease) / increase in accrued expenses and other payables		(1,363,845)	685,833
Contribution received from Government, net of refund		130,695,921	82,392,384
Employees' end of service benefits paid	10	(317,500)	(2,693,142)
Net cash flows from (used in) operating activities		20,884,971	(22,519,609)
INVESTING ACTIVITIES			
Payments to purchase property and equipment		(11,306,586)	(7,185,956)
Payments to purchase intangible assets		(258,876)	(295,244)
Advance to related party		(8,919,000)	-
Proceeds from sale of property and equipment		18,000	53,655
Net cash used in investing activities		(20,466,462)	(7,427,545)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS			
		418,509	(29,947,154)
Cash and cash equivalents at the beginning of the year		243,654	30,190,808
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	662,163	243,654
The principal non cash transactions excluded from the cash flow statement are:			
Purchase of intangible assets and property and equipment		1,992,582	7,142,537

The attached notes 1 to 15 form part of these financial statements.
The independent auditors' report is set out on page 1.

Abu Dhabi Accountability Authority

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 31 December 2013

Description	Final budget amounts AED	Actual amounts on comparable basis AED	Difference AED
RECEIPTS			
Contribution from Government of Abu Dhabi	212,584,000	131,918,762	80,665,238
Revenue from non-subject entities	-	1,617,900	(1,617,900)
Total receipts	212,584,000	133,536,662	79,047,338
Amounts returned to Department of Finance	-	(1,222,841)	1,222,841
Net receipts available for disbursement	212,584,000	132,313,821	80,270,179
EXPENDITURES			
Chapter one - Salaries and other benefits			
Basic salary and other allowances	97,026,000	90,041,000	6,985,000
Tuition allowance	4,044,000	3,623,579	420,421
Contributions to pension fund and retirements benefit plan	4,000,000	3,963,691	36,309
End of service benefits	2,650,000	317,500	2,332,500
Medical insurance	1,800,000	1,516,589	283,411
Staff training	1,620,000	1,158,227	461,773
Recruitment fees	180,000	152,305	27,695
Other expenses	1,415,000	114,806	1,300,194
Total salaries and other benefits	112,735,000	100,887,697	11,847,303
Chapter two - Other operating expenditure			
Consultancy fees	5,608,000	580,837	5,027,163
Office rent and other related expenses	4,390,000	4,074,668	315,332
Motor vehicles expenses (insurance, maintenance and fuel)	125,000	41,698	83,302
Operation and maintenance of computers, furniture and office equipment	2,567,000	1,276,529	1,290,471
Books and professional and scientific subscription	156,000	108,098	47,902
Advertising and corporate identity expenses	230,000	205,123	24,877
Business travel expenses	1,214,000	689,574	524,426
Educational Organizations Other than Government owned	720,000	599,704	120,296
Miscellaneous expenses	3,220,000	2,964,922	255,078
Total other operating expenditure	18,230,000	10,541,153	7,688,847
NET OPERATING RECEIPTS	81,619,000	20,884,971	60,734,029
Chapter three - Capital Expenditure			
Motor vehicles	210,000	(154,001)	55,999
Furniture and fixtures	150,000	(38,380)	111,620
Hardware & peripherals	1,826,000	(607,299)	1,218,701
Office equipment	210,000	-	210,000
Intangible assets	515,000	(258,876)	256,124
Capital work in progress (ADAA building)	76,347,000	(19,425,906)	56,921,094
System development & implementation costs	2,361,000	-	2,361,000
Proceeds from sale of property and equipment	-	18,000	18,000
Total Capital Expenditure	81,619,000	(20,466,462)	61,152,538
NET RECEIPTS	-	418,509	(418,509)

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 15 to the financial statements.

The attached notes 1 to 15 form part of these financial statements.
The independent auditors' report is set out on page 1.

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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 2013, the Authority had 146 employees (2012: 134 employees).

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with and comply 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.

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 IPSAS issued but not effective for the year ended 31 December 2013:

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

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

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.4 ESTIMATION UNCERTAINTY AND JUDGEMENT

There are no key assumptions concerning the future benefits and other key sources of estimation that are uncertain at the date of the financial statements, that have a significant risk of causing a material adjustment to the carrying amounts in the financial statements within the next financial year.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue recognition

Revenue from non-exchange transaction

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.

Revenue from exchange transaction

Other income

Other income is recognised 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.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are recoverable.

3.2 Expenses

Expenses comprise of general and administrative expenses, and salaries, and are recognised in the statement of financial performance as incurred unless they generate future economic benefits in which case these are recognised as an asset.

3.3 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.

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Capital work in progress

Capital work in progress related to the construction of the new Authority's 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 when construction of the asset is completed and commissioned. Advance to contractor represents 10% advance payment to the Authority's building contractor and shall be repaid through percentage deductions in Payment Certificates.

3.5 Intangible assets

Intangible assets represent computer softwares, 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.

3.6 Prepayments and other receivables

Other receivables are stated at original disbursed amount less a provision for any uncollectible amounts. No provision was required in 2013 (2012: nil) and no bad debts were written off during the year (2012: nil)

3.7 Accrued expenses and other payables

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

3.8 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.

3.9 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.

3.10 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.

Financial instruments are recognised initially at cost. Subsequent to initial recognition financial instruments are measured as described below.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and are subject to an insignificant risk of changes in their fair value, and are used by the Authority in the management of its short-term commitments.

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

Other payables

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

Other receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables.

4 CASH AND CASH EQUIVALENTS

	2013 AED	2012 AED
Bank balances	647,163	235,654
Cash in hand	15,000	8,000
	<u>662,163</u>	<u>243,654</u>

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

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.

Also, 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.

	Grant related to Capital expenditures AED	Contribution related to Operating expenditures AED	Total AED
Balance at 1 January 2012	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	(2,270,554)	(107,087,387)	(109,357,941)
Balance at 31 December 2012	8,401,740	(12,886,218)	(4,484,478)
Funds received during 2013	20,484,460	111,434,302	131,918,762
Refund to Government of Abu Dhabi during 2013	-	(1,222,841)	(1,222,841)
Contribution recognized as revenue during 2013	(1,275,169)	(109,922,204)	(111,197,373)
Balance at 31 December 2013	27,611,031	(12,596,961)	15,014,070

Classified in the statement of financial position as follows:

	2013 AED	2012 AED
<u>Deferred government grant related to assets</u>		
Non-current liabilities	26,678,040	7,220,607
Current liabilities	932,991	1,181,133
Balance at 31 December	27,611,031	8,401,740
<u>Contributions related to operating expenditures</u>		
	2013 AED	2012 AED
Government of Abu Dhabi account		
Current assets	12,596,961	12,886,218

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

6 PREPAYMENTS AND OTHER RECEIVABLES

	2013 AED	2012 AED
Prepaid expenses	2,529,376	2,279,679
Advances and loans to employees	3,344,939	3,382,455
Other Receivables	1,011,267	-
	6,885,582	5,662,134

7 PROPERTY AND EQUIPMENT

	2013 AED	2012 AED
Property and equipment	27,391,723	14,778,423
Advance to related party (note 12)	8,919,000	-
	36,310,723	14,778,423

	Motor vehicles AED	Furniture and fixtures AED	Leasehold -improve ments AED	Computers and office equipment AED	Capital work in progress AED	Total AED
2013 Cost:						
As at 1 January 2013	390,000	2,585,701	3,828,589	5,997,767	13,452,482	26,254,539
Additions	154,001	38,380	-	534,669	12,710,435	13,437,485
Disposals	-	-	-	(284,498)	-	(284,498)
As at 31 December 2013	544,001	2,624,081	3,828,589	6,247,938	26,162,917	39,407,526
Accumulated depreciation						
As at 1 January 2013	272,533	2,337,724	3,788,882	5,076,977	-	11,476,116
Depreciation for the year	79,146	170,042	21,387	553,610	-	824,185
Disposals	-	-	-	(284,498)	-	(284,498)
As at 31 December 2013	351,679	2,507,766	3,810,269	5,346,089	-	12,015,803
Net carrying amount	192,322	116,315	18,320	901,849	26,162,917	27,391,723
2012 Cost:						
As at 1 January 2012	501,000	2,574,921	3,825,879	5,505,477	-	12,407,277
Additions	-	10,780	2,710	682,521	13,452,482	14,148,493
Disposals	(111,000)	-	-	(190,231)	-	(301,231)
As at 31 December 2012	390,000	2,585,701	3,828,589	5,997,767	13,452,482	26,254,539
Accumulated depreciation						
As at 1 January 2012	332,533	1,750,698	3,058,352	4,671,272	-	9,812,855
Depreciation for the year	51,000	587,026	730,530	595,935	-	1,964,491
Disposals	(111,000)	-	-	(190,230)	-	(301,230)
As at 31 December 2012	272,533	2,337,724	3,788,882	5,076,977	-	11,476,116
Net carrying amount	117,467	247,977	39,707	920,790	13,452,482	14,778,423

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

8 INTANGIBLE ASSETS

	Computer Software	
	2013 AED	2012 AED
Cost:		
As at 1 January	5,434,539	4,959,295
Additions	120,559	475,244
As at 31 December	<u>5,555,098</u>	<u>5,434,539</u>
Accumulated amortization:		
As at 1 January	4,668,686	4,362,623
Amortization for the year	450,984	306,063
As at 31 December	<u>5,119,670</u>	<u>4,668,686</u>
Net book value:		
As at 31 December	<u>435,428</u>	<u>765,853</u>

9 ACCRUED EXPENSES AND OTHER PAYABLES

	2013 AED	2012 AED
Other payables	1,169,992	386,027
Accrued expenses	709,357	3,068,114
Due to a related party (note 12)	7,433,575	5,861,808
	<u>9,312,924</u>	<u>9,315,949</u>

10 EMPLOYEES' END OF SERVICE BENEFITS

	2013 AED	2012 AED
Balance as at 1 January	15,964,388	15,070,180
Charge for the year	3,034,047	3,587,350
End of service benefits paid during the year	(317,500)	(2,693,142)
Balance as at 31 December	<u>18,680,935</u>	<u>15,964,388</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 2013 amounted to AED 3,963,691 (2012: AED 3,164,018) which have been contributed directly to Abu Dhabi Retirement Pension and Benefits Fund.

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

11 GENERAL AND ADMINISTRATIVE EXPENSES

	2013 AED	2012 AED
Business travel	769,150	1,163,434
Recruitment fees	152,310	387,266
Consultancy fees	600,697	654,814
Rent	2,892,835	2,606,825
Computer maintenance	1,318,345	1,341,730
Other expenses	4,181,843	2,991,152
	<u>9,915,180</u>	<u>9,145,221</u>

12 RELATED PARTIES

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

Transaction with related parties represent transactions with governmental institutions which the Authority transacted with in their consistent normal operating cycle on terms and conditions that are normal for such transactions.

a) Related parties balances:

	2013 AED	2012 AED
Due from Government of Abu Dhabi	12,802,316	12,886,218
Payable to Abu Dhabi General Service company- Musanada	7,433,575	5,861,808

b) Transactions with related parties:

	2013 AED	2012 AED
Contribution from Government of Abu Dhabi	111,197,373	109,357,941
Payments to Abu Dhabi General Service company- Musanada during the year	19,350,704	6,321,573

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 numbers are as follows:

	2013 AED	2012 AED
Salaries and other benefits	14,854,950	15,615,379
Employees' end of service benefits	785,875	722,479
Number of key management personnel	10	11

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

13 COMMITMENTS AND CONTINGENCIES

As at 31 December 2013, the Authority had capital commitments, which are contracted but not provided for amounting to AED 79,171,657 (2012: AED 4,622,484).

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 financial assets and financial liabilities which are imposed to 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 lent to the employees' accrued benefits and monitoring existing outstanding debtor balances.

15 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

15.1 The Authority's budget is prepared on a cash basis using a classification based on the nature of expenses and covers the period from (1 January to 31 December) as the financial statements. The budget was approved by His Highness the Crown Prince of Abu Dhabi and Chairman of the Abu Dhabi Executive Council and was included in the Government budget in accordance with the Executive Council resolution Number 1 meeting 1/2013 issued on 13 January 2013.

15.2 The Authority's budget and financial statements are prepared using a different basis. The financial statements are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were reallocated from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

15.3 As required under IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences.

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

15 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (continued)

15.4 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 2013 as follows.

2013	Operating	Investing	Net Payments
	AED	AED	AED
Actual amount on comparable basis as presented in the statement of budget and actual amounts	20,884,971	(20,466,462)	418,509
Differences	-	-	-
Actual amount in the cash flow statement	20,884,971	(20,466,462)	418,509

15.5 Explanation of differences between actual amounts and budget

The total budget difference amount of AED 80,688,688 is due to the following:

Capital Expenditure

Underspend of AED 61.1 million primarily attributable to rescheduling of the Authority building project plan; due to unexpected delays in construction works as a result of unforeseen issues encountered in the soil, foundation and excavation works.

Operating Expenditure

Underspend of AED 19.5 million is mainly due to deferral of certain operational activities which resulted in postponing awarding a number of consultancy contracts to the following year. In addition to deferring the requirement to fill certain manpower position due to delays in recruitment procedures and rely on internal resources / promotion of certain position without back filling the effected position.