

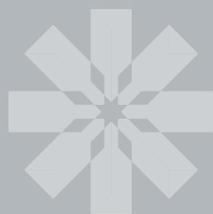


جهاز أبوظبي للمحاسبة
ABU DHABI ACCOUNTABILITY AUTHORITY

2015

ACCOUNTABILITY REPORT





ADAA Accountability
Report on the website



His Highness Sheikh Khalifa bin Zayed Al Nahyan
The President of the UAE

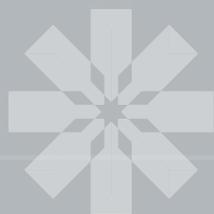




His Highness Sheikh Mohamed bin Zayed Al Nahyan
The Crown Prince of Abu Dhabi and Deputy Supreme Commander of
the UAE Armed Forces



Contents



FOREWORD

01

Part 01 About ADAA

1. ADAA History	04
2. Strategic Pillars	05
3. Overall Strategy	05
4. Objectives and Responsibilities	06
5. Outputs and Outcomes	06
6. Subject Entities	08
7. Governance Report	12

Part 02 ADAA Outputs

1. Introduction	18
2. ADAA Audit Methodology	19
3. Financial Audit and Examination	20
4. Performance and Risk Assurance	22
5. Supporting Accountability	25

18

Part 03 2014 Report and 2015 Plan

1. 2014 Achievements Highlights	30
2. Output Group 1: Financial Audit and Examination	33
3. Output Group 2: Performance and Risk Assurance	37
4. Output Group 3: Supporting Accountability	44
5. 2015 Work Plan	51

30

Part 04 Financial Statements together with Independent Auditor's Report for the year ended 31 December 2014

53

FOREWORD

IT GIVES ME GREAT PLEASURE TO BRING YOU THE “ACCOUNTABILITY REPORT 2015”, THE 7TH ISSUE OF THE ANNUAL REPORT OF ABU DHABI ACCOUNTABILITY AUTHORITY (ADAA), THAT AFFIRMS OUR COMMITMENT TO THE HIGHEST STANDARDS OF TRANSPARENCY AND ACCOUNTABILITY, THE STANDARDS THAT HAVE BECOME A WAY OF LIFE UNDER THE LEADERSHIP OF OUR PRESIDENT HIS HIGHNESS SHEIKH KHALIFA BIN ZAYED AL NAHYAN.

This issue of the annual report arrives at a time when the Government Summit - Shaping Future Governments - has just been concluded. During the Summit, we learned about the ambitious vision of the future of the Government and what has been accomplished in all areas of government sectors.

One can't mention the Summit without stopping at the keynote speech of His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces. A speech that cited the history, witnessed the present and shaped the future... Sheikh Mohamed bin Zayed said every successful government treats its citizens as a national asset. He added that state-building doesn't only depend on governments, but also on every citizen and resident of this blessed land. He quoted a saying by the late Sheikh Zayed bin Sultan Al Nahyan that "the new generation should be aware of the suffering of its ancestors. This awareness will provide them with drive, firmness and solidity in order to complete the epic of construction and development initiated by our fathers and ancestors."

We at ADAA, under the direction of His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces and the support of His Highness Sheikh Hazza bin Zayed Al Nahyan, National Security Advisor and Vice Chairman of the Abu Dhabi Executive Council, are proud that we have developed and sponsored the "Auditor Development Program" designed 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. Since the inception of the Program, more than fifty UAE nationals have joined.

This Report illustrates a number of ADAA accomplishments during the past year including:

- 162 reports issued as outputs of the Financial Audit and Examination group and the Performance and Risk Assurance group.
- ADAA became a member of the Inspection Working Group of the International Forum of Independent Audit Regulators (IFIAR).
- Issuing the second edition of Statutory Auditors Appointment Rules (SAAR).
- Sharing Abu Dhabi experience in the World Congress of Accountants which was hosted by IFAC and attended by 4000 delegates from more than 100 countries.
- The accreditation of ADAA Training Center as a registered sponsor on the National Registry of CPE Sponsors of the United States of America.
- ADAA selection as a member of the "High-Level Advisory Council" of IFAC.

In conclusion, I would like to thank everyone who has contributed to these achievements including public entities and ADAA employees, praying to the Great and Almighty Allah to grant us success in serving our generous country.

Riyad Al Mubarak
ADAA Chairman



Part 01

About ADAA

1. ADAA History	04
2. Strategic Pillars	05
3. Overall Strategy	05
4. Objectives & Responsibilities	06
5. Outputs & Outcomes	06
6. Subject Entities	08
7. Governance Report	12



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.



One of the nature reserves in Abu Dhabi



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”

Our Values:



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:

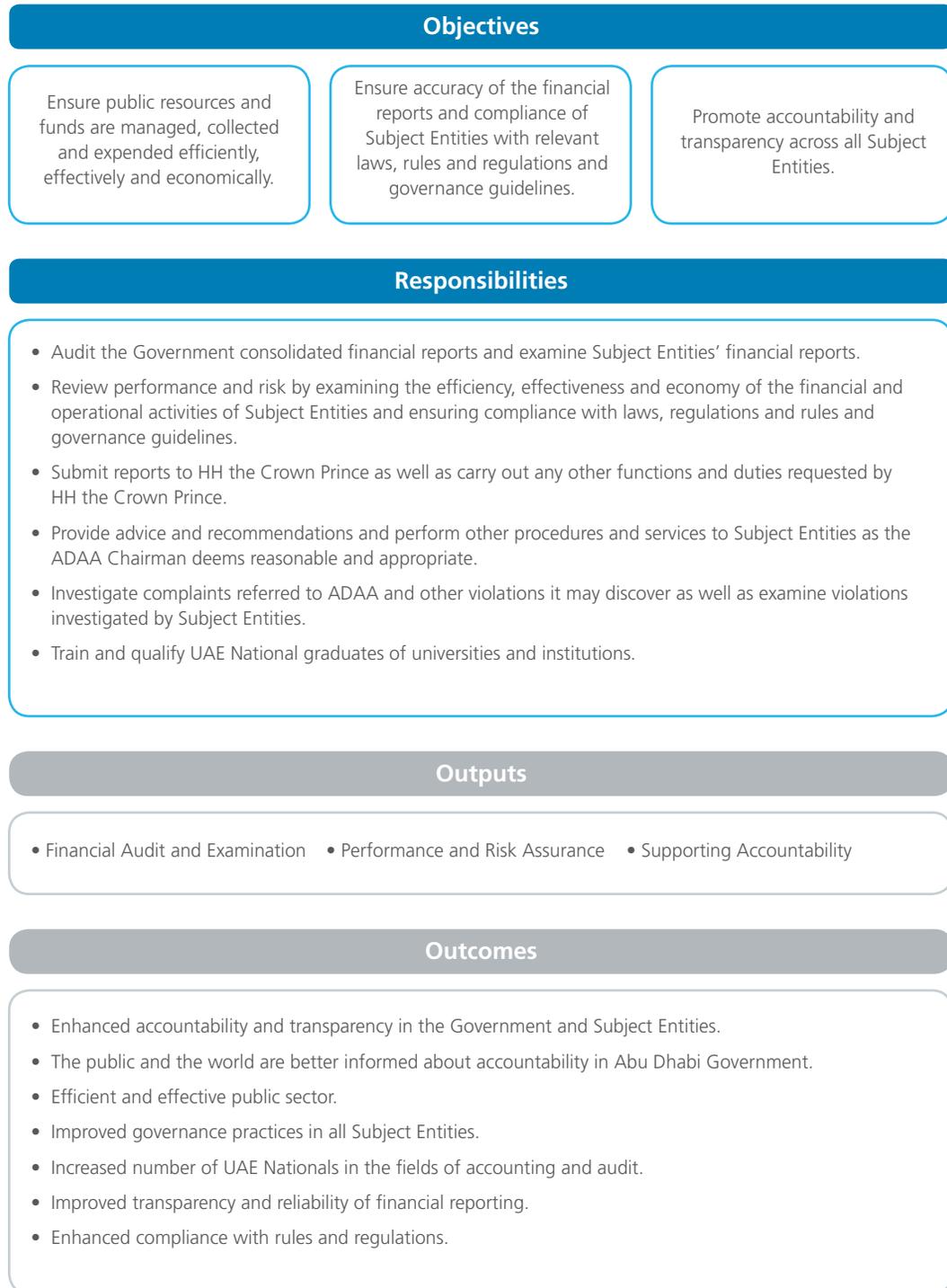
- Enhanced accountability and transparency in the Government and Subject Entities.
- The public and the world are better informed about accountability in Abu Dhabi Government.
- Efficient and effective public sector.
- Improved governance practices in all Subject Entities.
- Increased number of UAE Nationals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



One of the golf courses in Abu Dhabi



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



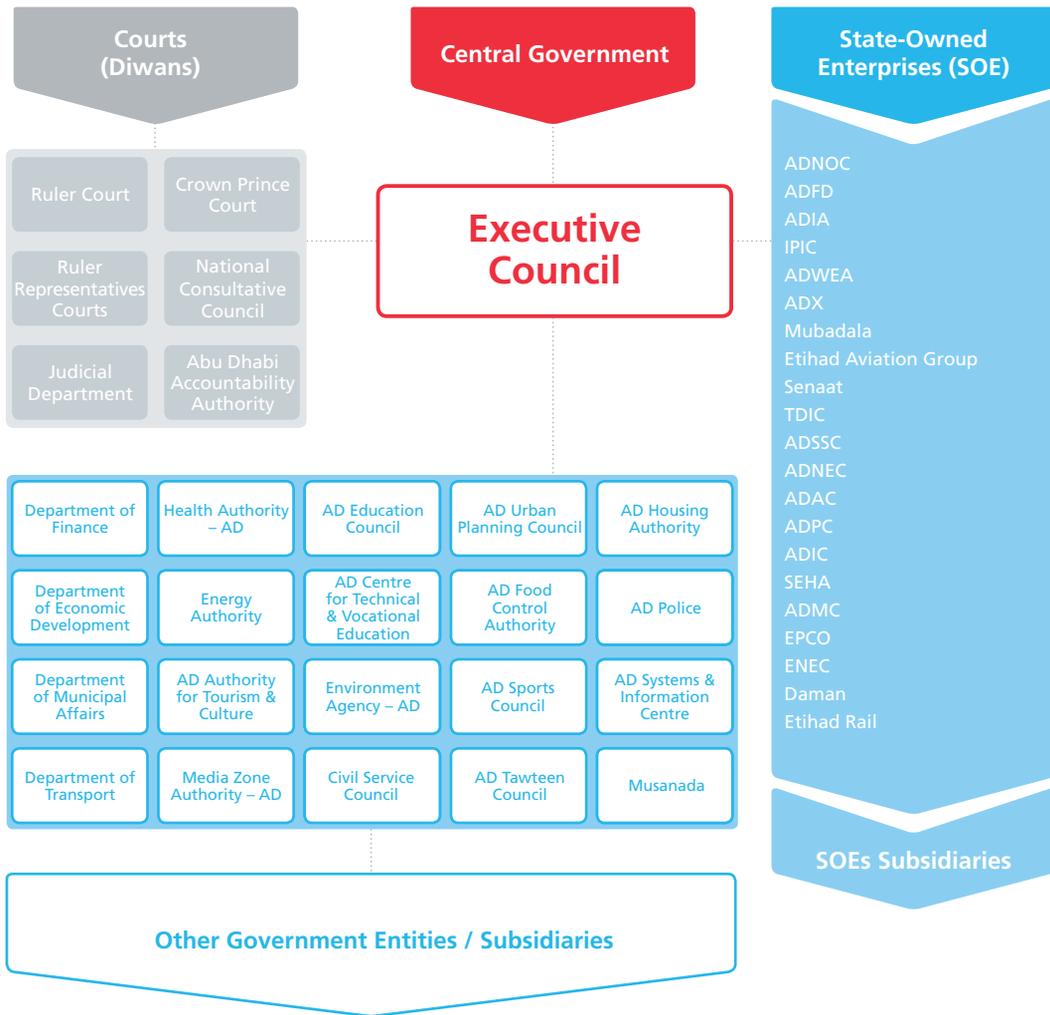


6. SUBJECT ENTITIES

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:





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 and 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- Higher Corporation for Specialized Economic Zones
		6- Media Zone Authority - Abu Dhabi
		7- Global Marketplace Abu Dhabi
	Energy	8- Supreme Petroleum Council
		9- Energy Authority
		10- Regulation and Supervision Bureau
	Tourism and Culture	11- Abu Dhabi Tourism and Culture Authority
		12- Emirates Heritage Club
		13- Zayed House for Islamic Culture
		14- Public Institution Zoo and Aquarium in Al Ain
Social Development	Justice	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 and Agriculture	20- Abu Dhabi Food Control Authority
		21- Abu Dhabi Farmers Services Centre
		22- Abu Dhabi Farmer Financial Support Fund
	Social Inclusion	23- Family Development Foundation
		24- Zayed Higher Organization For Humanitarian Care and Special Needs
		25- Social Care and Minors Affairs Foundation
		26- Zayed bin Sultan Al Nahyan Charitable and Humanitarian Foundation
		27- Khalifa Bin Zayed Al Nahyan Foundation
		28- Emirates Foundation
	Housing	29- Abu Dhabi Housing Authority



Subject Entities Classification by Sector

SECTOR	POLICY AREA	ENTITY NAME
Human Capital Development	Education	30- Abu Dhabi Education Council
		31- Khalifa University for Science, Technology and Research
		32- Emirates College for Advanced Education
		33- Paris-Sorbonne University - Abu Dhabi
		34- Mohammed V University - AGDAL - Abu Dhabi
		35- Abu Dhabi Centre for Technical and Vocational Education and Training
		36- Abu Dhabi Vocational Education and Training Institute
		37- Institute of Applied Technology
		38- Petroleum Institute
	39- Rabdan Academy	
	Labour	40- Abu Dhabi Tawteen Council
		41- Civil Service Council
		42- Abu Dhabi Retirement Pensions and Benefits Fund
Sports	43- Abu Dhabi Sports Council	
Infrastructure and Environment	Urban Planning and Municipal Affairs	44- Abu Dhabi Urban Planning Council
		45- Department of Municipal Affairs
		46- Municipality of Abu Dhabi City
		47- Municipality of Al Ain City
		48- Western Region Municipality
		49- The Center of Waste Management - Abu Dhabi
	Transport	50- Abu Dhabi General Services Company - Musanada
		51- Department of Transport
		52- The Center for Regulation of Transport by Hire Cars (Trans Ad)
	Environment	53- Compensations Fund for Owners of Taxi Licenses
		54- Environment Agency - Abu Dhabi
		55- International Fund for Habara Conservation
		56- Mohamed bin Zayed Species Conservation Fund



Subject Entities Classification by Sector

SECTOR	POLICY AREA	ENTITY NAME
Government Administration	Government Administration	57- Ruler Court
		58- Crown Prince Court
		59- Ruler Representative in the Eastern Region Court
		60- Ruler Representative in the Western Region Court
		61- National Consultative Council
		62- Abu Dhabi Accountability Authority
		63- Executive Affairs Authority
		64- Vice Chairman of the Executive Council Office
		65- General Secretariat of the Executive Council
		66- Department of Finance
		67- Statistics Centre - Abu Dhabi
		68- Presidential Flight Authority
		69- Abu Dhabi Systems & Information Centre
Public Investments	Public Investments	70- Abu Dhabi National Oil Company – ADNOC
		71- Abu Dhabi Fund for Development – ADFD
		72- Abu Dhabi Investment Authority – ADIA
		73- International Petroleum Investment Company – IPIC
		74- Abu Dhabi Water & Electricity Authority – ADWEA
		75- Abu Dhabi Securities Exchange – ADX
		76- Mubadala Development Company – Mubadala
		77- Etihad Aviation Group
		78- General Holding Corporation – Senaat
		79- Tourism Development & Investment Company – TDIC
		80- Abu Dhabi Sewerage Services Company – ADSSC
		81- Abu Dhabi National Exhibitions Company – ADNEC
		82- Abu Dhabi Airports Company – ADAC
		83- Abu Dhabi Ports Company – ADPC
		84- Abu Dhabi Investment Council – ADIC
		85- Abu Dhabi Health Services Company – SEHA
		86- Abu Dhabi Media Company – ADMC
		87- Emirates Palace Company – EPCO
		88- Emirates Nuclear Energy Corporation – ENEC
		89- National Health Insurance Company – Daman
		90- 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:

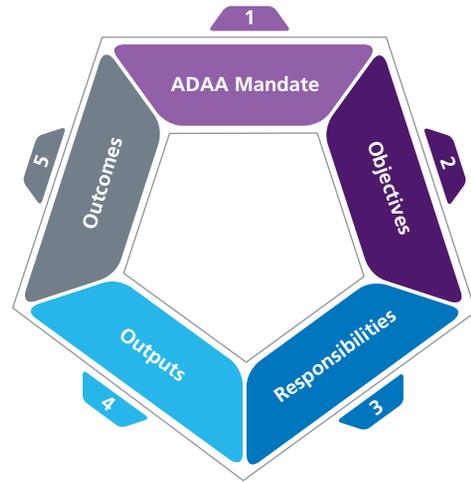
- Leadership
- Institutionalization
- Performance Management
- Control
- External Reports

Leadership

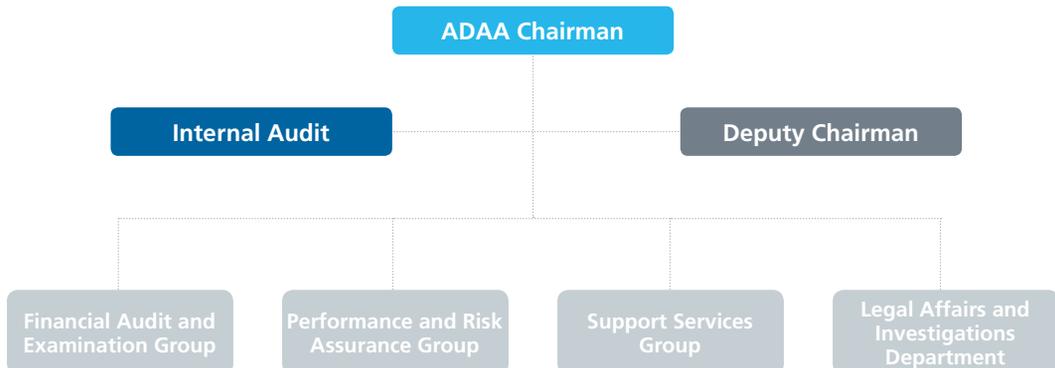
ADAA ensures that all its processes and operations adhere to the utmost principles of transparency whereby its Chairman has welcomed and adopted various channels of communication with the employees providing adequate communication relating to the overall strategy, ADAA's yearly plan and its performance through events such as the Annual Meeting held at the beginning of every year as well as the periodic 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:





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 has 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.

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 "

External Audit:

ADAA's financial statements are reviewed and audited by an external auditor. For the year 2014, KPMG was appointed in accordance with Statutory Auditors 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.



Sheikh Zayed Grand Mosque in Abu Dhabi



Part 02

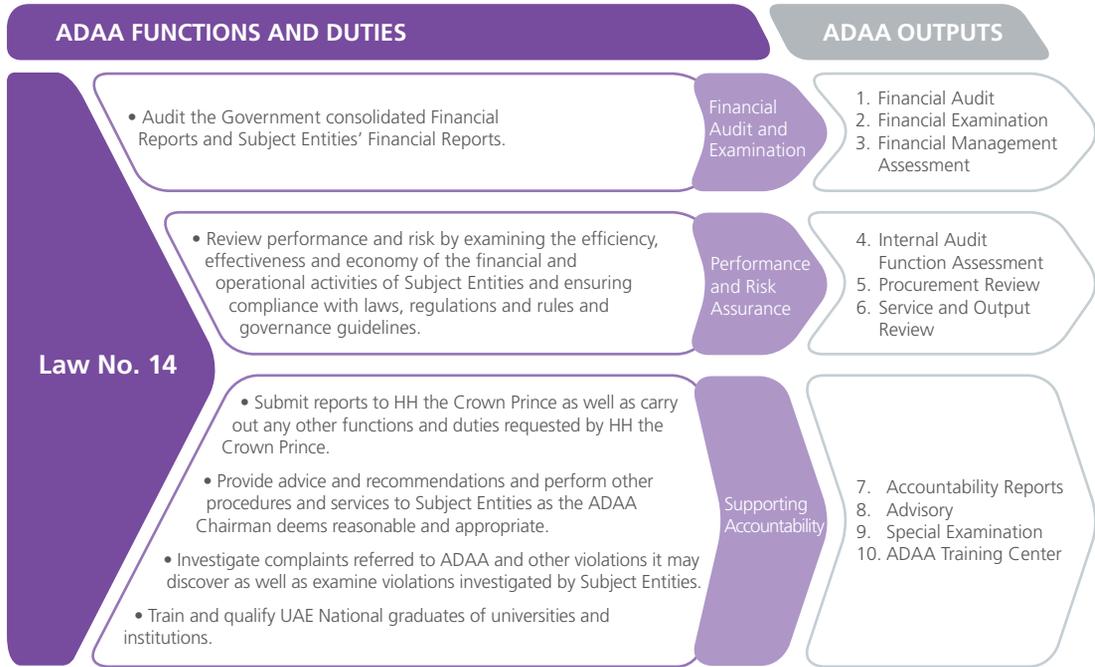
ADAA Outputs

1. Introduction	18
2. ADAA Audit Methodology	19
3. Financial Audit and Examination	20
4. Performance and Risk Assurance	22
5. Supporting Accountability	25



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:



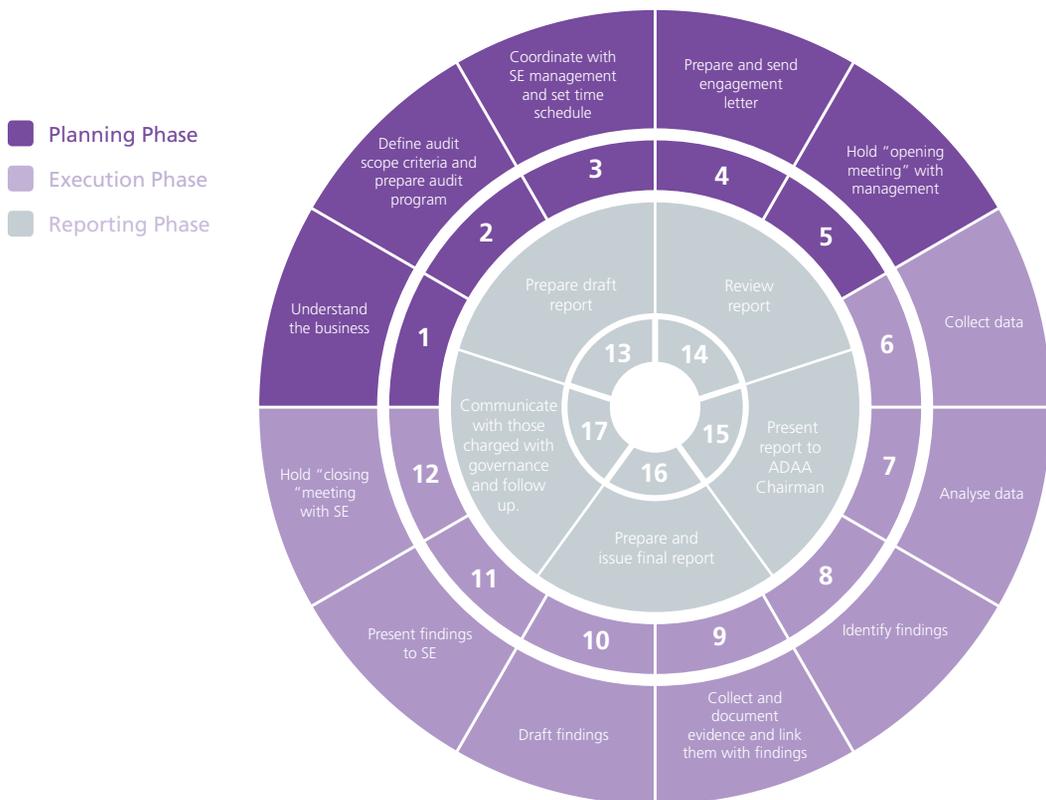
Fishing activities in Abu Dhabi



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 and Examination and Performance and 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.



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 Auditors 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 and Standards for Financial Examination

Auditor Appointment	Audit Execution	Audit Conclusion and reporting
<ol style="list-style-type: none"> 1. Auditor Independence 2. Expertise in the business of the entity 3. Technical resources and quality 4. Technical and financial proposals evaluation 	<ol style="list-style-type: none"> 8. Test of controls 9. Perform analytical procedures 10. Significant balances and transactions 11. Applied accounting framework 12. Accounting estimates 13. Related parties transactions 14. Subsequent events 15. Going concern 16. Management representations 17. Use of expert work 18. Legal cases 	<ol style="list-style-type: none"> 19. Conclude the assignment and evaluate result 20. Form the opinion and prepare the report
Audit Planning <ol style="list-style-type: none"> 5. Audit planning memorandum 6. Understand the entity business and environment 7. Assess risk of significant misstatement due to fraud or error 		Legal, Regulatory and Other Requirements <ol style="list-style-type: none"> 21. Compliance with relevant laws and regulations

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

- Statutory Auditors 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:

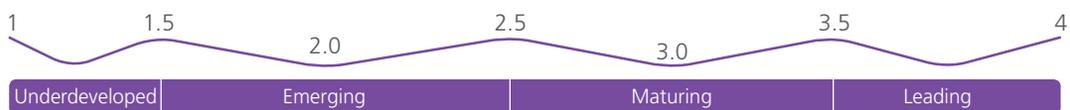
- Securing stewardship,
- Supporting performance and
- Enabling transformation.



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.





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:

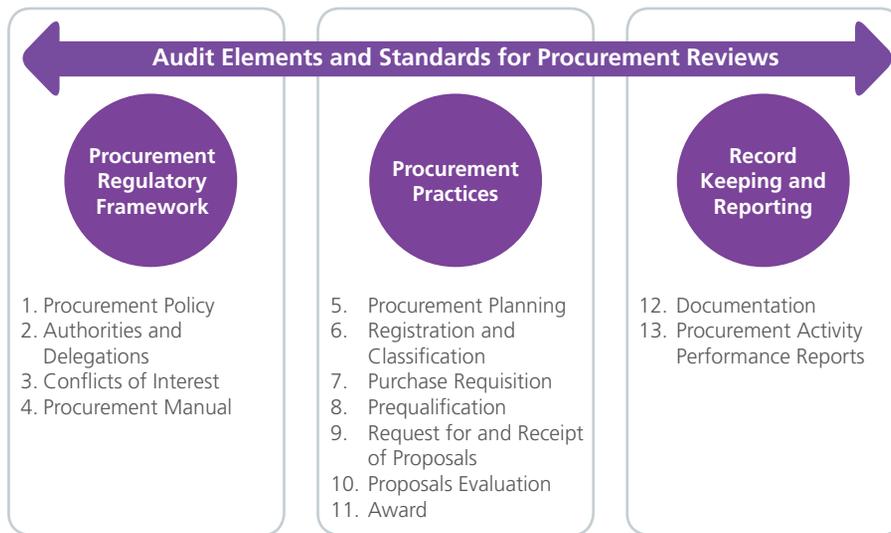
Category	Score	Description
Tier 1	Over 89%	Minor or no improvement opportunity to meet leading practices
Tier 2	75% to 89%	Specific or minor improvement opportunities to meet leading practices
Tier 3	50% to 74%	Significant improvement needed to meet leading practices



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 74 audit criteria to review the Procurement spread over 13 standards within three main elements: Procurement Regulatory Framework, Procurement Practices and Record 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.

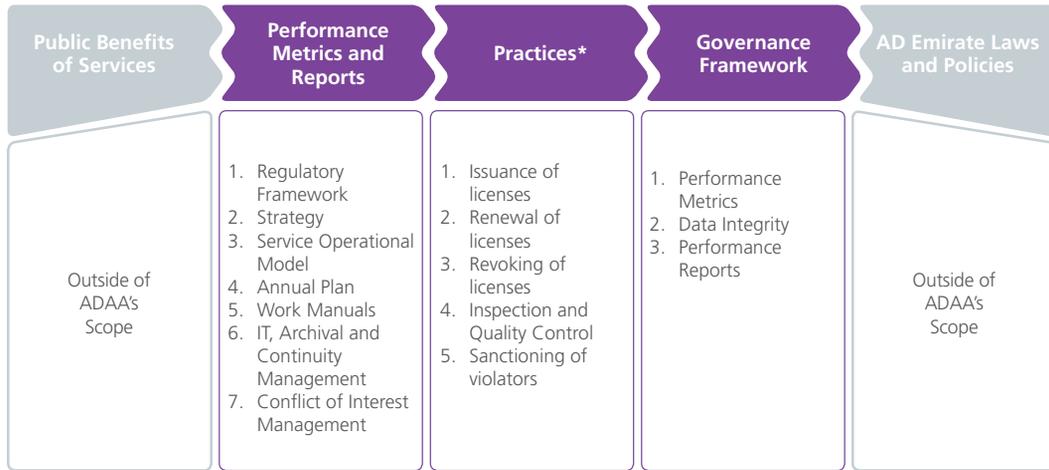


4.3 Service and Output Review

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 and 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		
<ol style="list-style-type: none"> 1. Program Governance 2. Program Planning and Standardization 3. Program Monitoring and Reporting 		
Project Management		
Planning	Execution and Monitoring	Closeout
<ol style="list-style-type: none"> 1. Project Funding 2. Project Planning 3. Design Management 4. Procurement Management 	<ol style="list-style-type: none"> 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 	<ol style="list-style-type: none"> 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.

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.

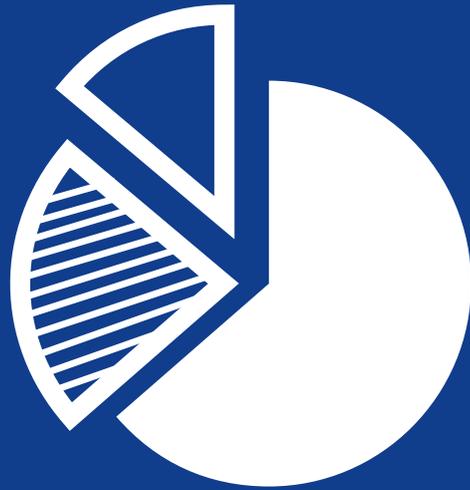
Abu Dhabi Technical Forum (ADTF):

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.



Arab camel caravan in Bida Zayed - Abu Dhabi



Part 03

2014 Report and 2015 Plan

1. 2014 Achievements Highlights	30
2. Output Group 1: Financial Audit and Examination	33
3. Output Group 2: Performance and Risk Assurance	37
4. Output Group 3: Supporting Accountability	44
5. 2015 Work Plan	51



1. 2014 ACHIEVEMENTS HIGHLIGHTS

The following is a summary of ADAA's achievements during 2014:

- Audited the financial statements of the Government of Abu Dhabi in accordance with international standards and issued the independent audit report with an "unqualified" opinion.
- Performed 73 Financial Examinations (FE) and ensured Subject Entities' compliance with their budgets and the requirements of international standards regarding the issuance of the financial statements and continued monitoring the compliance of Subject Entities with Statutory Auditors Appointment Rules (SAAR).
- Assessed the Internal Audit function of 52 Subject Entities to ensure the efficiency and effectiveness of Internal Audit activities.
- Reviewed Procurement functions and issued 22 reports.
- Reviewed services and outputs related to the Sheikh Khalifa Medical City, the program for the construction of Nuclear Power Plants, the programs for the construction of public housing and the provision of public housing, and the programs for Al Ain Roads, in addition to the Government Performance System review.
- Conducted 5 Financial Management Assessments (FMA) to support and strengthen the financial management function within Subject Entities.
- Participated in International Forum of Independent Audit Regulators (IFIAR) general meetings and its Advisory Council meetings.
- ADAA joined the "Inspection Workshop Working Group" alongside other members from France, Germany, Japan, UK and USA. The Inspection Workshop Working Group is responsible for organising an annual workshop for the IFIAR members to share knowledge and best practices pertaining to audit regulatory activities, recent inspections findings and audit quality observations.
- Issued the second edition of the Statutory Auditors Appointment Rules (the Rules). The objectives of the Rules are to regulate the process of appointing the statutory auditors across all Subject Entities and to ensure that the statutory auditors fulfil their professional duties in accordance with the highest standards of quality and performance.
- Participated in the 19th World Congress of Accountants (WCOA), at the invitation of the President of the International Federation of Accountants (IFAC), held in Rome, Italy under the auspices of the IFAC alongside other professionals from more than 100 countries.
- Participated in the panel discussion held at the College of Government Administration - Oxford University at the invitation of the College's Dean, which was hosted to discuss the direct and indirect effects of the advanced economies' monetary policies and regulations on emerging and developing economies.
- Participated in the World Bank annual Exchange conference titled "Strengthening Financial Management Institutions - MENA" in Abu Dhabi.
- ADAA Training Center was approved as a registered sponsor on the National Registry of CPE Sponsors of the United States of America.
- ADAA's Chairman was appointed as a member of the High-Level Advisory Group of the International Federation of Accountants (IFAC).
- ADAA obtained ISO 27001:2005 certification, accredited by Lloyd's Register Quality Assurance (LRQA) in UK.
- Continued monitoring the outputs of "Auditors Development Program" related 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 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 continued to chair the Abu Dhabi Technical Forum (ADTF) unifying accounting interpretations between ADAA, audit firms and accounting and auditing professionals in the UAE.



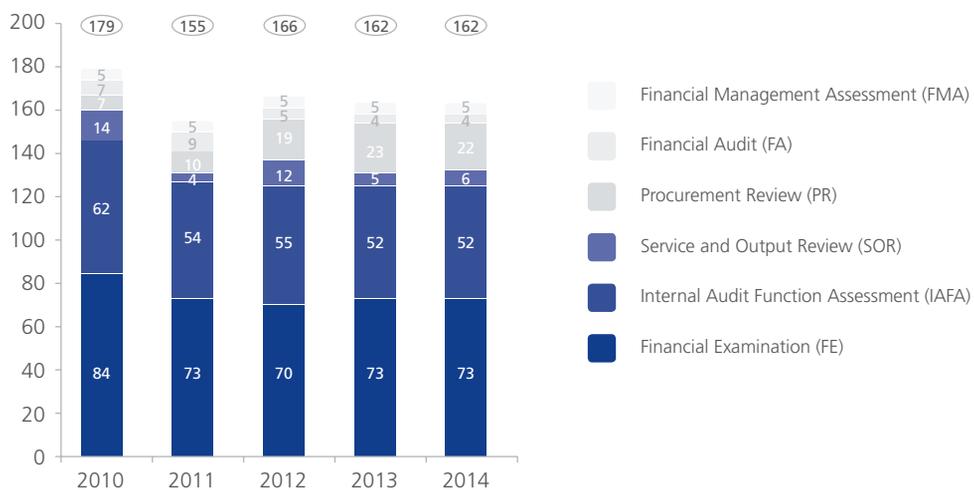
- Issued technical papers that addressed complex accounting matters and unified accounting interpretations.
- Submitted a number of accountability reports on important issues and examined and investigated complaints received or violations discovered and issued Special Examination Reports.
- Continued 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 50 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 548 members across 94 entities of Abu Dhabi Government.
- Participated in efforts that led to UAE being selected as an exclusive centre for Qualification in Internal Audit Leadership (QIAL) exams until 2020.

The following table provides an overview of 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
	2010	2011	2012	2013	2014	2014
Financial Audit and Examination Group	96	87	80	82	82	82
Performance and Risk Assurance Group	83	68	86	80	80	80
Total Number of Reports	179	155	166	162	162	162

The following figure shows the 824 reports issued during the past five years by output:

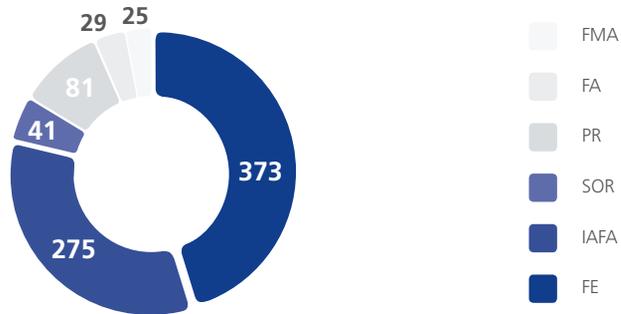
Number of reports during the past five years by output





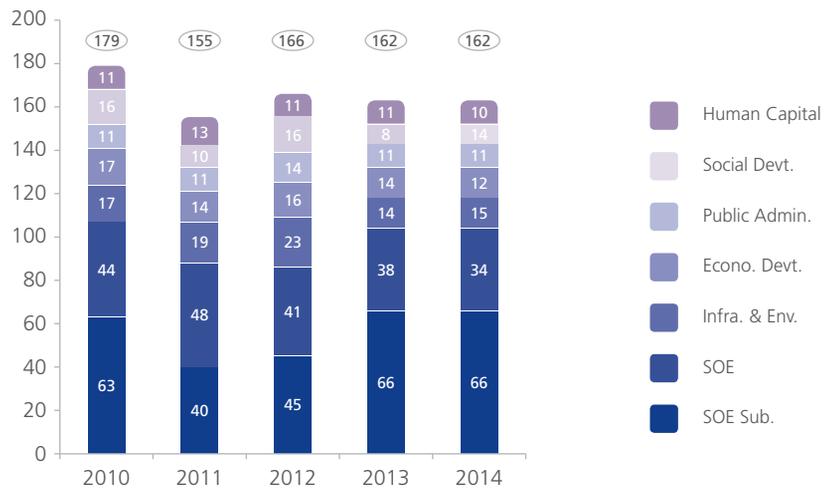
The following figure provides the total number of reports issued during the past 5 years by output:

Total number of reports during the past five years by output



ADAA reports have covered all public sectors. The following figure provides the number of reports during the past five years by sector:

Number of reports during the past five years by sector



Further, the following figure provides the total number of reports during the past 5 years by sector:

Total number of reports during the past five years by sector



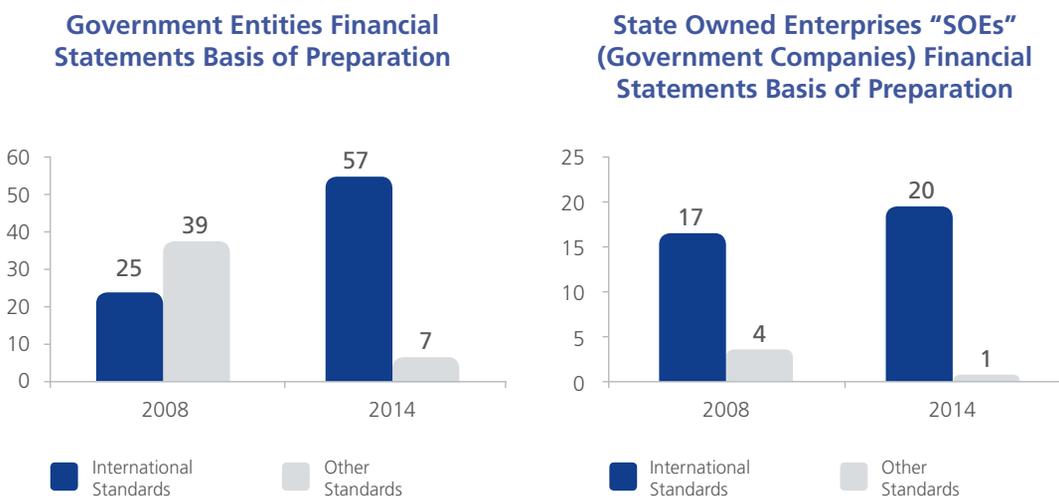


2. OUTPUT GROUP 1: FINANCIAL AUDIT AND EXAMINATION

This output group is 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 on how to improve the quality of their financial reporting and specifically in relation to the basis of preparation of their financial statements which varies 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 to the basis of preparation of the financial statements of the Subject Entities since 2009.

The following figures demonstrate the change in Government Entities and State Owned Enterprises (Government Companies) financial statements basis of preparation as recommended by ADAA:



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 2013 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 the audit in accordance with International Standards on Auditing (ISA).

2.2 Financial Examination

During 2014, ADAA examined 73 independent audit reports and the work of statutory auditors, appointed by Subject Entities. The financial statements and audits covered in 2014 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 examination and sends it to those charged with governance at the Subject Entity and to the statutory auditor for future improvement, implementation, and follow up.

The Financial Examinations continue to highlight a number of areas where improvements are required including the following:

- Issuing timely financial statements in accordance with relevant circulars and best practice.
- Impairment testing of goodwill and intangible assets in accordance with IFRS/IPSAS.
- Impairment testing of assets if external or internal indications of impairment exist.
- Recognizing revenue in the financial periods to which they relate in accordance with IFRS/IPSAS and relevant sectors' best practice.
- Depreciating assets over useful lives in which the assets' future economic benefits are expected to be consumed.
- Eliminating profits from transactions with entities under control at the group level in accordance with IFRS/IPSAS.
- Classification of sale and leaseback transactions as operating or finance leases based on the substance of transactions and not form.
- Not utilizing a government grant surplus to finance other items they are not designated for.
- Obtaining the necessary approvals to make transfers of appropriations between different budget sections.
- Recognition of all assets legally owned and controlled by Subject Entities in their financial statements.
- Recognition of all assets that generate revenue to Subject Entities in their financial statements.
- Recognition of all assets related to projects and capital initiatives that are financed by the Government of Abu Dhabi and under the control of Subject Entities in their financial statements.
- Recognition of transactions with the owners in their capacity as owners in the owners' equity statement in the financial statements in accordance with IFRS guidelines.
- Presentation of government grants in the financial statements in accordance with final approved budgets.
- Issuing financial statements in Arabic language in accordance with the relevant decrees.
- Estimation of the fair value of investment properties in accordance with the applicable international standards.
- Sufficiency of provision for doubtful debts.
- Payment of annual bonuses and incentives for employees in accordance with relevant resolutions issued.
- Assessing the recoverability of financial facilities and loans provided to subsidiaries and affiliates that have indicators of inability to repay.
- Assessing significant differences between generated cash flows from operating activities and profits recognized in the income statement that are not supported by IFRS.
- Recognition of accumulated losses from foreign investments in accordance with IFRS.
- Presentation of a statement of comparison between budget and actual amounts in the financial statements in accordance with the relevant resolutions issued.
- Recording amounts as "Due from the Government of Abu Dhabi" in the statement of financial position only where there is support that the Subject Entities are entitled to receive such amounts.
- Eliminating limitation of liability in the engagement letter of the audit engagement in accordance with respective laws.
- Audit procedures performed by the statutory auditor to assess the appropriateness of the going concern for Subject Entities where events or conditions exist that cast doubt about going concern in accordance with International Standards on Auditing.



- Audit procedures performed by the statutory auditor to ensure the validity of assumptions, including the discount rate, used in the preparation of the estimated cash flows for the valuation of investments and the calculation of the assets' fair value.
- Audit procedures to test the existence and completeness of revenue and the presentation of government grants and funding.
- Audit procedures performed by the independent quality review partner.
- Audit procedures performed by IT audit specialists.
- Fraud risk assessment procedures.
- Audit procedures performed by the statutory auditor to test and rely on the internal controls and understand the work of internal auditors.
- Audit procedures over compliance with relevant laws and regulations.
- Audit procedures performed in respect of group audits and related party transactions.
- Communication by the statutory auditor with those charged with governance throughout the audit phases.
- Ensuring that Management, rather than the statutory auditor, is responsible for the preparation of the financial statements and accounting treatments.
- Active participation of the UAE national audit team member in all stages of the audit engagement.
- The statutory auditor's commitment to the number of engagement hours they provided in their audit proposal.
- The extent of the statutory auditor's independence, in mind and in appearance, from any of the parties that have an interest in the financial statements in accordance with the Statutory Auditors Appointment Rules.

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.

ADAA's financial examination reports included 1,128 comments in 2014 classified as follows:

Significant improvement required

412 comments in 2014 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 580 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.



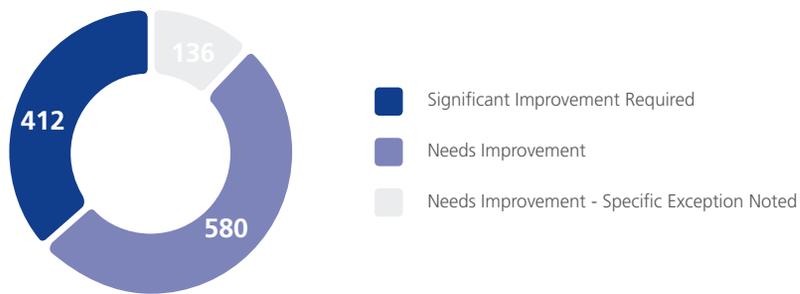
Needs improvement – specific exception noted

136 comments in 2014 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 are the results of the financial examination reports in 2014:

2014 Classification of Financial Examination (1128 comments)



Below is an analysis of independent audit reports examined by ADAA in 2014, comments raised and their respective classification (excluding 354 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	25	45	148	47	240
Firm 2	21	69	152	46	267
Firm 3	13	36	82	21	139
Firm 4	13	45	56	19	120
Firm 5	1	2	5	1	8
Grand Total	73	197	443	134	774

Implementation of SAAR

The objectives of Statutory Auditors Appointment Rules “SAAR” are to regulate the process of appointing the statutory auditors across all Subject Entities, which includes all Abu Dhabi Government public entities and state owned enterprises, and to ensure that the statutory auditors fulfil their professional duties in accordance with the highest standards of quality and performance. The SAAR also aims at developing the skills and expertise of the UAE Nationals in the audit and accounting fields by requiring statutory auditors of the Subject Entities to include, as a minimum, one UAE National in the audit team.

During 2014, ADAA continued monitoring the Subject Entities implementation of SAAR. ADAA’s Financial Examination reports included 131 comments related to the application of statutory auditors’ appointment and re-appointment procedures.



During September 2014, ADAA issued the second edition of SAAR. According to the second edition of SAAR, Subject Entities shall appoint statutory auditors through circulating requests for audit services proposals to at least four statutory auditors. Statutory auditors may be reappointed for additional periods, up to a maximum of three consecutive years, subject to an annual evaluation by the Subject Entity on the quality of audit services provided and the competence of the audit team while taking into consideration comments raised by ADAA.

Statutory auditors cannot be retained for a period exceeding four consecutive years, and Subject Entities can only appoint the same statutory auditor or the audit engagement partner after a cool off period of four years from the date of the last audit services provided by either of them.

2.3 Financial Management Assessment

In 2014, 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.

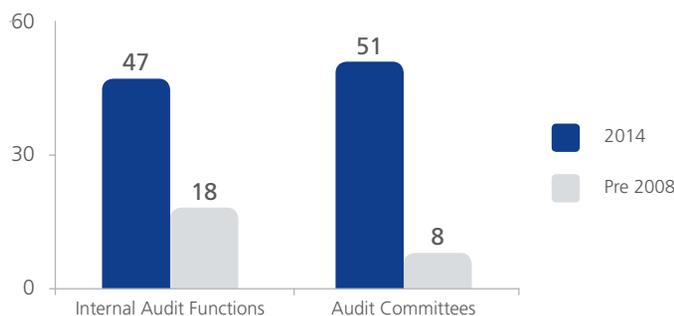
After conducting the 5 FMAs, ADAA found that financial management at 1 Subject Entity was at a “Maturing” stage, while 4 Subject Entities were at an “Emerging” stage based on the assessment methodology followed by ADAA.

3. OUTPUT GROUPS 2: PERFORMANCE AND RISK ASSURANCE

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

ADAA aims through this group to enhance Governance practices at Subject Entities since its establishment; ADAA has urged Subject Entities to establish Audit Committees and Internal Audit Functions. The following figure demonstrates the development of Audit Committees and 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 2014, 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 Subject Entities.



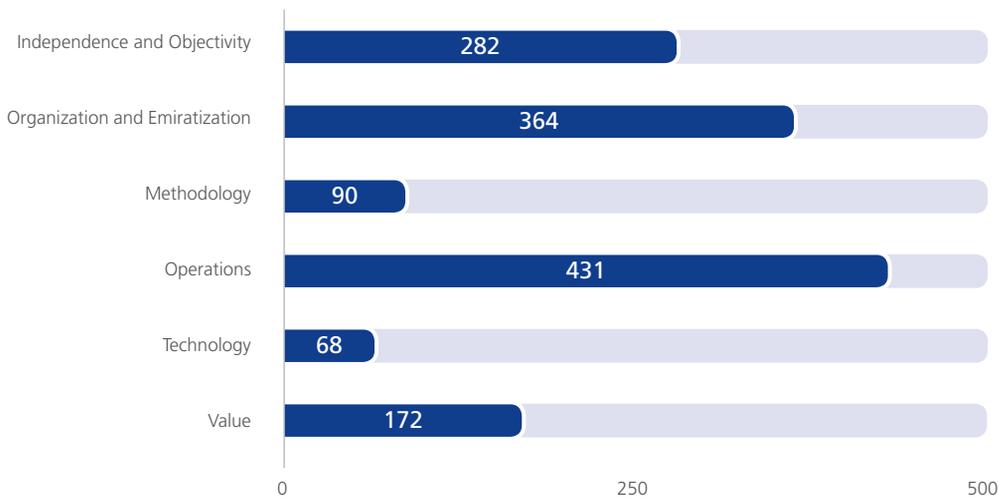
Internal Audit functions were assessed on a series of 6 elements: Independence and Objectivity, Organization and Emiratization, Methodology, Operations, Technology and Value.

Internal Audit Function Assessment Reports Summary

During 2014, ADAA issued 1,407 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.

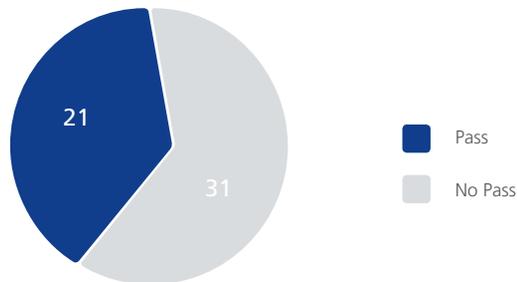
The figure below recaps the distribution of recommendations by each of the element:



Out of 52 Subject Entities, 21 met pass requirements based on the criteria established by ADAA, while 31 did not.

The following figure shows the results of the internal audit function assessments conducted in 2014:

Results of Internal Audit Function Assessment



3.2 Procurement Reviews

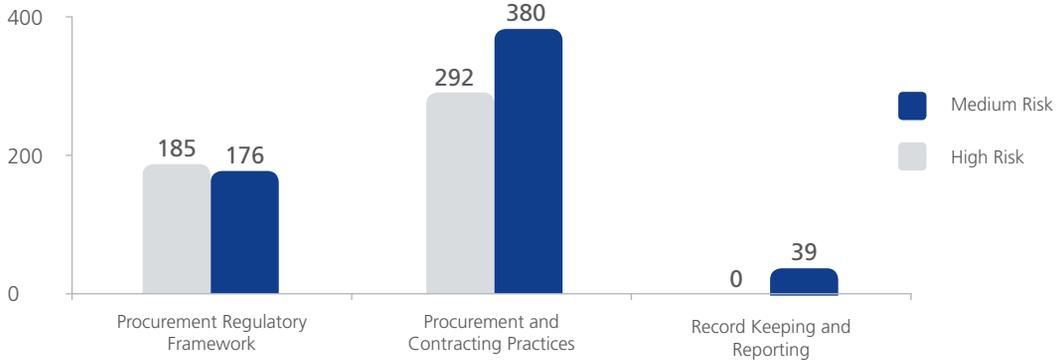
During 2014, ADAA reviewed capital and operational procurement at Subject Entities and issued 22 reports.

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 measure 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 figure illustrates the classification of observations within the three elements of a procurement review:

Classification of Procurement Review Observations (1,072 observations)



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

3.3 Services and Output Review

The Service and Output Review deliverables during 2014 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 2014 with a brief description of the scope of the review and recommendations by ADAA:



Emirates Palace in Abu Dhabi



Sheikh Khalifa Medical City Review

ADAA conducted a review of the services and outputs of the Sheikh Khalifa Medical City in order to:

- Ensure that an approved governance system for Sheikh Khalifa Medical City is in place and is aligned with best practices.
- Assess and review the extent of compliance with the implemented governance system, and the efficiency, effectiveness and economic practices through which the services and outputs of Sheikh Khalifa Medical City are provided, and their alignment with related best practices.

ADAA's recommendations included the following:

Recommendations

- Establish a mechanism for reviewing and providing assurance regarding the compliance with legislations, regulations and requirements of the Ministry of Health and the Health Authority Abu Dhabi, and for reporting on such matters periodically to concerned parties.
- Develop mechanisms to address the key challenges such as providing required clinical staff within reasonable timeframes through formal and diligent coordination with the concerned authorities.
- Review the agreement signed with the Hospital's management and address related concerns.
- Establish a committee to review and analyze the medical cases submitted from different Government's hospitals for referring patients for treatment abroad and determine the availability of such medical services within such hospitals prior to submitting those cases to the medical committee in charge of the treatment abroad.
- Set a time-bound action plan that includes the current carrying capacity for emergency facilities compared with the targeted capacity along with the related milestones, and develop a mechanism to measure the level of completion on a periodic basis.
- Perform detailed analysis to determine the reasons behind the discrepancies between actual costs and the amounts of claims from insurance providers according to the available system applied, to ensure the accuracy of the costing system and to highlight areas for improvement along with potential solutions to enhance the oversight over such expenses.
- Unify the classification of non-clinical complaints, and assure the centralization of all data related to such complaints.
- Prepare comprehensive periodic studies recapping the various complaints and their distribution by facility and by specialization/service, where the studies would highlight the root causes of such complaints based on the outcome of the related investigations. Accordingly, prepare comprehensive action plans to address these instances and implement the controls that would ensure the optimal application of those action plans.
- Ensure that complaints reports include the numbers and ratios of patients who have filed complaints in comparison to the total number of patients, in addition to highlighting the complaints by patient and by medical specialty.



Nuclear Stations Construction Program Review

ADAA conducted a review of the services and outputs related to the program for the construction of Nuclear Stations in order to:

- Ensure that an approved governance system for the program for the construction of Nuclear Stations is in place and aligned with best practices.
- Assess and review the extent of compliance with the implemented governance system, and the efficiency, effectiveness and economic practices through which the services and outputs of the program for the construction of Nuclear Stations are provided, and their alignment with related best practices.

ADAA recommendations included the following:

Recommendations
<ul style="list-style-type: none"> • Execute the transformation plan with regard to the list of new committees and assess their efficiency and effectiveness in light of the responsibilities assigned to each, and of the clear delineation of those responsibilities versus those of the departments/divisions that support them. This will help improve the corporate decision making process and accountability.
<ul style="list-style-type: none"> • Ensure that any future plans to construct additional units (on site at Barakah or elsewhere in the country) are supported by a time frame that encompasses all the factors that could affect the successful execution of the project.
<ul style="list-style-type: none"> • Work closely with the project sponsor (the Shareholder) to obtain the approval of the final version of the structure and strategy for financing.
<ul style="list-style-type: none"> • Define and analyze the circumstances that lead to financial surplus for each financial year, along with the processes for financial planning and the preparation of the annual budget, and engage actions to improve these processes.
<ul style="list-style-type: none"> • Ensure that matters related to changes to the scope of the work are addressed on a timely basis, and that they are not used to perform works outside the scope of the current contract.
<ul style="list-style-type: none"> • Ensure that the role of managing and overseeing the principal contract is independent from the projects' team and management.
<ul style="list-style-type: none"> • Develop a strategy to mitigate the risk of foreign currency fluctuations and implement it promptly to help reduce the related risks and consequently the overall cost of the project.
<ul style="list-style-type: none"> • Review the risk register and ensure that it includes all the key risks and conduct quantitative analysis to gauge the actual impact of such risks.
<ul style="list-style-type: none"> • Track independently probable/likely accidents.



Housing Projects Program Review

ADAA conducted the Housing Projects Program review in order to:

- Ensure that an approved governance system for the program for constructing Housing Projects is in place and aligned with best practices.
- Assess and review the extent of compliance with the implemented governance system, and the efficiency, effectiveness and economic practices through which the services and outputs of the program for the construction of Housing Projects are provided, and their alignment with related best practices.

ADAA recommendations included the following:

Recommendations

- Develop a strategy for the Housing Program that specifies and defines the criteria for “successful projects delivery”.
- Consider the establishment of a sound governance system to manage decision making through a clear and precise approach. This includes the establishment of a Portfolio Management Committee at the level of Building Project Management Services for the sake of the shuffling of resources across the various management programs. ADAA also recommends the establishment of a Program Committee at the level of Housing and Infrastructure Function to deal with project issues such as change requests, before they are submitted to the decision maker(s).
- Establish a Memorandum of Understanding with the concerned authorities responsible for public housing that includes the operating model of the Housing projects.
- Prepare and approve policies and regulations to manage existing and potential conflicts of interest, which would provide an appropriate level of assurance that the decision-making process is not affected, in fact or in appearance, by any form of conflict of interest, and that the process is impartially conducted.
- Develop a detailed design document to be used in all housing projects, which in turn will improve controls over design and construction contracts.
- Set a reasonable timeframe for change requests to ensure they are resolved in a timely manner.
- Develop standard operating procedures for changes to the terms of payment.
- Design, develop and implement a program to emiratize technical functions, including a competency matrix and career development plan.
- Develop a portfolio approach to review the progress achieved on on-going capital projects on a periodic basis.

Public Housing Review

ADAA conducted a review of the service and outputs related to public housing in order to:

- Ensure that an approved governance system to provide the services and outputs related to public housing is in place and is aligned with best practices.
- Assess and review the extent of compliance with the implemented governance system, and the efficiency, effectiveness and economic practices through which the services and outputs related to public housing are provided, and their alignment with related best practices.



ADAA's recommendations included the following:

Recommendations
<ul style="list-style-type: none"> • Develop a better forecast of the housing needs in the Emirate of Abu Dhabi (the Demand) over the long term (at least for 25 years) with the objective of ensuring the provision of adequate housing in terms of quantity and quality.
<ul style="list-style-type: none"> • Improve the planning for housing programs by establishing a direct link with the expected demand for these programs, and prepare a forecast of the budget requirements and timeframes to verify the possibility to execute these projects.
<ul style="list-style-type: none"> • Define a "target unit" for each category of both beneficiaries and non-beneficiaries, where by the definition of the categories of beneficiaries is important and will render the planning for the offer and demand for the services and programs more achievable based on the different eligibility criteria to be established (age, status, income), along with the consideration of the demographic factors of the population of the Emirate of Abu Dhabi.

Roads Program Review – Al Ain Municipality

ADAA conducted a review of Al Ain Roads Program in order to:

- Ensure that an approved governance system for the Roads Program is in place and aligned with best practices.
- Assess and review the extent of compliance with the implemented governance system, and the efficiency, effectiveness and economic practices through which the services and outputs related to the Roads Program are provided, and their alignment with related best practices.

ADAA's recommendations included the following:

Recommendations
<ul style="list-style-type: none"> • Report changes made to the Organization Structure and obtain the necessary approvals.
<ul style="list-style-type: none"> • Develop a comprehensive plan for Roads Asset Management, along with a clear plan to fund the maintenance program.
<ul style="list-style-type: none"> • Implement the appropriate controls to avoid changes to the design after completing the planning stage.
<ul style="list-style-type: none"> • Review the policy for negotiation with bidders for capital projects, and compare the current policy with a policy for submitting final financial offers where there is no need to conduct any negotiations.
<ul style="list-style-type: none"> • Ensure that financial offers are evaluated by the employees of the Procurement Function instead of the consultant.
<ul style="list-style-type: none"> • Conduct a comprehensive review and update of the general specifications to ensure that the terms are applicable.
<ul style="list-style-type: none"> • Implement the General Conditions of the Abu Dhabi Construction Contract template clauses for Provisional Sums.
<ul style="list-style-type: none"> • Establish a mechanism to ensure that asset value of utility assets is accurately determined for their transfer from the Government entity implementing the project to the Service Utility Providers.



Government Performance System Review

ADAA conducted a review of the services and outputs related to the Government Performance System in order to:

- Ensure that an approved governance system for Government Performance is in place and is aligned with best practices.
- Assess and review the extent of compliance with the implemented governance system, and the efficiency, effectiveness and economic practices through which the services and outputs related to Government Performance system are provided, and their alignment with related best practices.

ADAA's recommendations included the following:

Recommendations

- Develop a comprehensive framework that identifies the desired objectives of the performance management system, and which determines the roles, responsibilities and authorities of both the management of the government performance systems and of the entities concerned.
- Mandate all government and state owned entities to prepare reports related to their targeted performance "expected", and to present them as part of their annual plans and budgets; also, mandate those entities to provide reports on their actual performance, that are audited by their statutory auditors, thus providing concerned stakeholders with the necessary validation and assurance on the information included in such reports.
- Establish a link between the operational framework for the financial system and the operational framework for the performance management system.
- Develop and adopt a classification of government and state owned entities according to the sectors they operate in, so that it can be used for the purposes of the preparation of financial and performance reports at the same time.
- Prepare and implement standards for the preparation of the targeted performance reports and for the preparation of actual performance reports for the Government, government entities, and state owned entities. Also, develop a formal methodology and approach for the preparation of government performance reports.
- Prepare reports on the targeted performance "expected" of the Government, government entities, and state owned entities, and prepare the "Government's Performance Report" according to approved accounting and performance standards that are auditable, noting that the report would encompass information related to the performance of all government and state owned entities.
- Include in the "Government Performance Report" a comparison between the actual performance and the targeted performances, and ensure that there is a clear distinction in the report between outputs and outcomes as it can be used to assess the feasibility of outputs (programs, projects and services) provided by an entity in achieving the outcomes and desired goals.
- Measure the efficiency, effectiveness and economy of actual performance based on the four parameters for performance (cost, quantity, quality, time).
- Request the preparation and presentation of the status of actual performance of the Government, government entities, and state owned entities, in the form of a predefined template in terms of its form, content, goal and scope of predetermined use, to be prepared in accordance with approved standards, and signed and endorsed by those charged with governance, instead of presenting just information and data.
- Link the government performance electronic system with government enterprise resources planning system.

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 2014, a number of reports were issued under this output on matters related to ADAA's work; among these reports are the reports submitted to His Highness the Crown Prince such as the Audit Report on the Consolidated Financial Statements of the Government of Abu Dhabi, the Accountability Report that ADAA completes in the first quarter of each year and the report showing the results of financial examinations of the State Owned Enterprises.

4.2 Advisory

ADAA provides advice, in the areas that fall within its expertise and when it does 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 2014:

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. To date 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 2014, ADAA completed 10 installations of the e-Governance Portal along with providing the necessary training and setting the methodology.

4.3 Special Examination

In 2014, ADAA received 15 complaints that were examined as per the "Special Examination Methodology" outlined by ADAA.

All examinations conducted by ADAA in 2014 were generally identified as violations relating 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.
- Imprest embezzlement.

During 2014, ADAA continued to encourage Subject Entities to establish a "Compliance Officer" role within the Internal Audit Function whose main tasks include the following:

- Handle the receipt of complaints related to suspected breaches of laws, regulations or code of conduct.
- Examine the complaints received to obtain further information and evidence.
- Prepare a memo on the outcome 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 significant examinations and investigations conducted during 2014:

Case 1

- The case relates to an accounting supervisor working for a government department who, taking advantage of his position, was embezzling sums of money from petty cash which was under his custody. The scheme involved pulling out the original invoice from its reimbursement attachments after being paid and claiming it for reimbursement for a second time and taking the cash for himself. Accordingly, it was recommended to the department to refer the case to the public prosecutor's office which began investigation and referred the case to the competent court. The court issued its decision against the defendant to return the embezzled sum of money and fined him an additional equal amount along with imprisonment for five years and deportation from the country.

Case 2

- The case concerned an employee in one of the government company's overseas offices who embezzled a sum of money and concealed the incident by posting false periodic journal entries in the entity's accounting system. The entity conducted an investigation and concluded the termination of the official's employment and referred him to the competent authorities.

4.4 ADAA Training Center

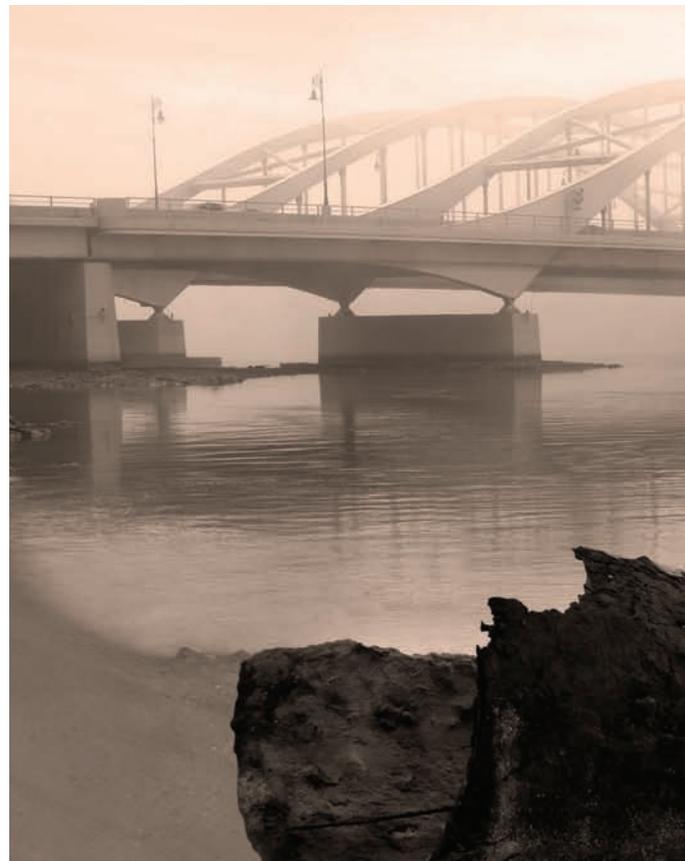
ADAA created an integrated approach to establishing this output group to fulfil its objective of training and developing UAE nationals and supporting sharing knowledge and leading practices.

The outputs defined under this group are:

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



Video: Emirati Auditors Development Program



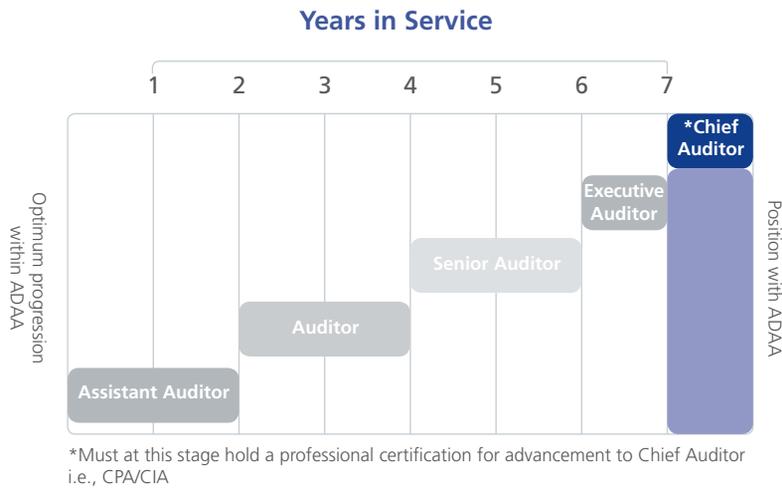
Al Maqta Bridge in Abu Dhabi



4.4.1 Qualifying Emirati Auditors

ADAA further developed specialized training programs with the objective of contributing to the training and development of Emirati Auditors and assisting them to acquire the necessary skills and knowledge in order to advance and excel in their careers. ADAA is managing the “Auditor Development Program” which is 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 “Auditor Development Program”:





During 2014, 13 Emirati graduates were recruited into the program bringing the total number of graduates to 59 since its inception. The program includes 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) and the Certified Internal Auditor (CIA). To help facilitate this development, ADAA has hired a full time lecturer to provide preparation courses in these subjects which has already proven beneficial with the Emirati Graduates obtaining a number of passes in various examinations.

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 2014, the Research and Knowledge Management (RKM) function at ADAA developed several international benchmarking studies and research papers on topics such as whistleblowing in the public sector and government performance management systems. Additionally RKM undertook 50+ other research assignments and issued 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.

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 and IASB on their exposure drafts of new international public sector accounting standards and international financial reporting standards. The comment letters are published on the IPSASB's and IASB's websites.

E-maarifa

ADAA launched the 'e-maarifa portal' in 2010 with the objective of creating a virtual community of like-minded Abu Dhabi Government employees with shared interests, knowledge and expertise. This platform allowed Abu Dhabi Government employees to share their knowledge and best practices across government entities and benefit from the rich repository of expert views and documents on several topics.

The Abu Dhabi Government Internal Audit Community on e-maarifa is one such community which now connects 548 Internal Audit professionals across 94 entities of Abu Dhabi Government.

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 2014, ADAA participated in the Plenary Meeting of the IFIAR, held in Washington DC, United States of America over the period from 7 to 10 April 2014. The highlight of the meeting this year was around the Members' approval to continue developing a proposal to establish an IFIAR permanent secretariat, a matter that was initially proposed by ADAA in 2011 and has been continuously promoted by it since. The meeting also discussed topics relevant to



audit regulations today including the evolving economic and business model of audit firms and audit quality indicators. Members also approved IFIAR communications policy to enhance external and internal communications and to facilitate IFIAR's ability to comment on standard setting projects and continued the ongoing exploration of the potential of a multi-lateral arrangement for information-sharing for investigation and enforcement activities.

After the meeting IFIAR issued its second Inspection Findings Survey which summarized key inspection results from audits of public companies, including systemically important financial institutions, submitted by IFIAR Members. The Survey reflected continued deficiencies in key areas of audit, and expressed concerns about the implications of the findings for audit quality. The survey resulted in 1,260 total findings from 989 inspected audits of listed public interest entities, or public companies, and highlighted the following deficiencies:

1. Auditing fair value measurements accounted for 17 percent of total findings;
2. 12 percent of the findings relates to internal control testing; and
3. Procedures to assess the adequacy of financial statements presentation and disclosures accounted for 9 percent of the findings.

"We, in the United Arab Emirates, can relate to the theme chosen for the Congress as our founding father always said: 'He who does not know his past will not have a present or a future.' "

ADAA's Chairman in the 19th World Congress of Accountants

The Congress is a planetary event for the accounting profession, taking place every four years and involving professionals from all over the world, who meet for four days and discuss the global future of the accounting profession. The theme chosen for the Congress "2020 VISION: Learning from the past – Building the future" perfectly summarizes the objective of the speakers – more than 200 from all over the world – through highlighting the status of the profession, but above all, what the future might bring and what the profession could achieve in the global society.

Participation in the panel discussion at the College of Government Administration - Oxford University

ADAA's Chairman, along with 28 scientists, academic experts and practitioners, participated in a panel discussion at the College of

During the year, ADAA also participated in the IFIAR interim meeting held in Toronto, Canada 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 Taipei in April 2015.

World Congress of Accountants

In November 2014, ADAA participated in the World Congress of Accountants (the Congress) in Rome, Italy. The Congress was held under the auspices of the International Federation of Accountants (IFAC), the worldwide organization for the accountancy profession. This was the 19th World Congress of Accountants and was attended by almost 4,000 professionals from more than 100 countries.

Government Administration - Oxford University at the invitation of the College's Dean, which was hosted to discuss the direct and indirect effects of monetary policies and regulations in advanced economies on emerging and developing economies. The panel discussed the dilemmas posed by the monetary and regulatory policies and the various reaction methods of the emerging and developing countries in order to identify ways to improve the global financial system to better reflect the interests of these countries.

ADAA Training Center approved as a registered sponsor on the National Registry of CPE Sponsors of the USA

During 2014, ADAA Training Center was approved as a registered sponsor on the National Registry of Continuing Professional Education (CPE) Sponsors of the United States of America.



Obtaining such approval affirms ADAA's commitment to the delivery of high quality continuing professional education in compliance with the Statement of Standards for CPE Programs jointly published by the AICPA and NASBA as well as the program requirements of the National Registry of CPE Sponsors.

Appointing ADAA's Chairman as a member in the High-Level Advisory Group of IFAC

In 2014, International Federation of Accountants (IFAC) appointed ADAA's Chairman as a member of the High-Level Advisory Group of IFAC, alongside Mr. David Walker, former chair of the Government Accountability Office in the United States of America and a former presidential candidate, and Mr. Chegl Larson, an advisor for the Organization of Economic Cooperation and Development and the former Auditor General of Sweden. The Council leads the "Accountability Now" initiative launched recently by IFAC in order to encourage governments in developed and developing countries on the application of the highest transparency and accountability standards and promote awareness of the need to strengthen public sector management and public money reports due to the importance of financial management in the public sector in achieving the target of global growth and improve living standards and raise public confidence. The Group will urge these countries to apply high-quality accounting standards in the public sector that supports transparency and accountability which ensures Decision-makers management of public funds in a responsible manner. IFAC is comprised of over 179 members and associates in 130 countries and jurisdictions, representing approximately 2.5 million accountants in public and private sectors.

"The achievement of the Government of Abu Dhabi in developing the public policy of the Emirate in which our Leadership has adopted the highest standards of transparency and accountability was one of the main reasons why the government of Abu Dhabi is now an example to be followed. The application of International Public Sector Accounting Standards, which is part of executing the public policy of the Emirate, placed the Government of Abu Dhabi at the forefront of the world's governments in this field."

ADAA Chairman, on the occasion of the joining the IFAC's High-Level Advisory Group

Attending the UAE National Student Forum in the United States of America

For the third year in succession, ADAA attended the UAE National Student Forum in Washington DC, USA. This is an event hosted by the UAE Embassy in the United States of America for UAE National students resident there. It provides an opportunity for them to become familiar with potential employers. This exposure enables us to explain not only the role of ADAA but also the ADP program.

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 29 times since inception in 2010 and reviewed more than 190 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.

During 2014, ADTF hosted a Retreat attended by the Middle East Managing and Audit Partners of the big audit firms.



Jebel Hafeet in Al Ain - Abu Dhabi

5. 2015 WORK PLAN

Below are the highlights of ADAA's 2015 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.
- Prepare accountability reports and provide advisory with regards to the preparation of drafts for governance systems and regulations.
- Examine complaints referred to ADAA or discovered during its 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.
- Host the meeting of the Public Interest Oversight Board (PIOB) in Abu Dhabi during March 2015.
- Participate in the International Forum of Independent Audit Regulators (IFIAR) general meetings in 2015 in addition to the meetings of the IFIAR Advisory Council.
- Monitor the outputs of the "Auditor Development Program" and continue the secondment of Emirati employees joining the program to the big audit firms.
- Supervise ADAA's head office building project.



Part 04

Financial Statements
together with
Independent
Auditor's Report

For the year ended
31 December 2014

Table of Contents

Page

Independent auditor's report addressed to the Chairman of Abu Dhabi Accountability Authority	1
Statement of financial position	2
Statement of financial performance	3
Statement of changes in Government of Abu Dhabi account	4
Statement of cash flows	5
Statement of comparison of budget and actual amounts	6
Notes to the financial statements	8



KPMG Lower Gulf Limited
Abu Dhabi Branch
P. O. Box 7613
Abu Dhabi
United Arab Emirates

Telephone: +971 (2) 4014 800
Telefax: +971 (2) 6327 612
Website: www.ae-kpmg.com

Independent auditor's 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 2014, and the statement of financial performance, statement of changes in Government of Abu Dhabi Account, statement of cash flows, and the 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.

Auditor's 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 2014 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

KPMG Lower Gulf Limited
Tamer Ragheb
Registration No.: 797
Abu Dhabi, United Arab Emirates

25 January 2015

Abu Dhabi Accountability Authority

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 AED	2013 AED
ASSETS			
Current assets			
Cash and cash equivalents	4	246,452	662,163
Government of Abu Dhabi account	5,12	16,357,406	12,596,961
Prepayments and other receivables	6	5,734,484	6,885,582
		<u>22,338,342</u>	<u>20,144,706</u>
Non-current assets			
Intangible assets	8	1,232,699	435,428
Property and equipment	7	69,421,048	36,310,723
		<u>70,653,747</u>	<u>36,746,151</u>
TOTAL ASSETS		<u>92,992,089</u>	<u>56,890,857</u>
LIABILITIES			
Current liabilities			
Accrued expenses and other payables	9	7,249,061	9,312,924
Deferred government grant related to assets	5	735,640	932,991
		<u>7,984,701</u>	<u>10,245,915</u>
Non-current liabilities			
Deferred government grant related to assets	5	60,018,005	26,678,040
Retention payables		3,228,745	1,285,967
Employees' end of service benefits	10	21,760,638	18,680,935
		<u>85,007,388</u>	<u>46,644,942</u>
TOTAL LIABILITIES		<u>92,992,089</u>	<u>56,890,857</u>

The financial statements were authorised for issue in accordance with a resolution of the Authority's Chairman on 25 January 2015.



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 auditor's report is set out on page 1.

Abu Dhabi Accountability Authority

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 December 2014

	Notes	2014 AED	2013 AED
Revenue			
Revenue from non-exchange transaction			
Contributions from Government of Abu Dhabi	5, 12	125,285,836	111,197,373
Revenue from exchange transaction			
Other income		1,386,698	2,647,167
Total revenue		<u>126,672,534</u>	<u>113,844,540</u>
Expenditures			
Employees' salaries and other benefits		111,336,821	102,654,191
Depreciation and amortisation		1,008,968	1,275,169
General and administrative expenses	11	14,326,745	9,915,180
Total expenditures		<u>126,672,534</u>	<u>113,844,540</u>

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

The independent auditor's 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 2014

	Notes	2014 AED	2013 AED
Balance at 1 January	5	(12,596,961)	(12,886,218)
Funds received during the year related to operating and capital expenditures	5	157,158,565	131,918,762
Funds received during the year related to capital expenditures and transferred to deferred government grant	5	(34,151,582)	(20,484,460)
Refund to Government of Abu Dhabi during the year	5	(2,490,560)	(1,222,841)
Contribution related to operating expenditures recognised as revenue during the year	5	(124,276,868)	(109,922,204)
Balance at 31 December	5	<u>(16,357,406)</u>	<u>(12,596,961)</u>

The account is classified in the statement of financial position as follows:

Current Assets

Government of Abu Dhabi account	5	<u>16,357,406</u>	<u>12,596,961</u>
---------------------------------	---	--------------------------	-------------------

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

The independent auditor's report is set out on page 1.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 AED	2013 AED
OPERATING ACTIVITIES			
<i>Adjustments for:</i>			
Depreciation and amortisation		1,008,968	1,275,169
Provision for employees' end of service benefits	10	3,507,728	3,034,047
Gain on sale of property and equipment		(16,200)	(18,000)
Contributions related to operating expenditures recognised as revenue during the year	5	(124,276,868)	(109,922,204)
Deferred government grant related to assets recognised as revenue during the year	5	(1,008,968)	(1,275,169)
Decrease / (Increase) in prepayments and other receivables		1,151,098	(1,223,448)
(Decrease) in accrued expenses and other payables		(886,067)	(1,363,845)
Government contributions received during the year net of refund		154,668,005	130,695,921
Employees' end of service benefits paid during the year	10	(428,025)	(317,500)
Net cash flows from operating activities		<u>33,719,671</u>	<u>20,884,971</u>
INVESTING ACTIVITIES			
Payments to purchase property and equipment		(33,081,645)	(11,306,586)
Payments to purchase intangible assets		(1,069,937)	(258,876)
Advance to related parties		-	(8,919,000)
Proceeds from sale of property and equipment		16,200	18,000
Net cash used in investing activities		(34,135,382)	(20,466,462)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(415,711)	418,509
Cash and cash equivalents at the beginning of the year		662,163	243,654
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	<u>246,452</u>	<u>662,163</u>

The principal non cash transactions excluded from the statement of cash flows are:

Purchase of property and equipment	<u>4,796,435</u>	<u>1,992,582</u>
Advance to related parties	<u>4,031,453</u>	<u>-</u>

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

The independent auditor's 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 2014

Description	Original budget amounts	Final budget amounts	Actual amounts on comparable basis	Difference
	AED	AED	AED	AED
RECEIPTS				
Contribution from Government of Abu Dhabi	247,267,000	247,267,000	157,158,565	90,108,435
Revenue from non-subject entities	-	-	2,060,858	(2,060,858)
Total receipts	247,267,000	247,267,000	159,219,423	88,047,577
Refund to Government of Abu Dhabi during the year	-	-	(2,490,560)	2,490,560
Net receipts available for disbursement	247,267,000	247,267,000	156,728,863	90,538,137
EXPENDITURES				
Chapter one - Salaries and other benefits				
Basic salary and other allowances	109,689,000	109,689,000	93,376,774	16,312,226
Tuition allowance	4,660,000	4,813,000	4,812,267	733
Contributions to Retirements Pension and Benefits Fund	5,102,000	5,102,000	4,456,221	645,779
End of service benefits paid during the year	3,080,000	3,080,000	428,025	2,651,975
Medical insurance	1,951,000	1,767,000	1,605,269	161,731
Staff training	2,664,000	2,364,000	2,261,641	102,359
Recruitment fees	440,000	440,000	307,064	132,936
Staff events and activities	565,000	865,000	689,967	175,033
Other expenses	735,000	766,000	631,065	134,935
Total salaries and other benefits	128,886,000	128,886,000	108,568,293	20,317,707
Chapter two – Other operating expenditures				
Consultancy fees	4,945,000	4,245,000	2,199,070	2,045,930
Office rent and other related expenses	4,572,000	5,572,000	5,171,173	400,827
Motor vehicles expenses (insurance, maintenance and fuel)	118,000	125,000	70,273	54,727
Operation and maintenance of computers, furniture and office equipment	3,092,000	2,852,000	1,948,841	903,159
Books and professional and scientific subscriptions	76,000	106,000	93,570	12,430
Advertising and corporate identity expenses	200,000	200,000	161,100	38,900
Business travel expenses	2,299,000	2,127,000	1,684,110	442,890
Printing and publishing	1,240,000	1,255,000	1,252,964	2,036
Conferences	786,000	806,000	796,539	9,461
Miscellaneous expenses	428,000	468,000	462,827	5,173
Total other operating expenditures	17,756,000	17,756,000	13,840,467	3,915,533
Grants				
Grants to non profit organizations	610,000	610,000	600,432	9,568
NET OPERATING RECEIPTS	100,015,000	100,015,000	33,719,671	66,295,329

(continued)

Abu Dhabi Accountability Authority

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the year ended 31 December 2014

(continued)

Description	Original budget amounts	Final budget amounts	Actual amounts on comparable basis	Difference
	AED	AED	AED	AED
Chapter three - Capital expenditures				
Furniture and fixtures	50,000	50,000	-	50,000
Hardware & peripherals	2,346,000	2,346,000	(560,723)	1,785,277
Office equipment	296,000	296,000	-	296,000
Computer software (Intangible assets)	2,323,000	2,323,000	(1,069,937)	1,253,063
Proceeds from sale of property and equipment	-	-	16,200	16,200
Net capital expenditures	5,015,000	5,015,000	(1,614,460)	3,400,540
Capital development projects				
Capital work in progress (ADAA building)	95,000,000	95,000,000	(32,520,922)	62,479,078
Net capital payments	100,015,000	100,015,000	(34,135,382)	65,879,618
NET PAYMENTS	-	-	(415,711)	415,711

The budget and the financial statements are prepared using different basis. The actual amounts on comparable basis above were prepared on the same basis adopted for the budget: "cash basis". The changes between the original and final budget are a consequence of reallocations within the budget. 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 auditor's report is set out on page 1.

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, 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 public entities with the relevant laws, rules, regulations and governance guidelines.
- Promote accountability and transparency principles across all public entities.

All of the 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.

As at 31 December 2014, the Authority's manpower of 155 employees comprised 73 UAE nationals and 82 other nationalities (31 December 2013: 146 employees comprised 62 UAE nationals and 84 other nationalities).

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, except for the following new IPSAS effective as of 1 January 2014:

The Authority has applied, for the first time, IPSAS 32 – Service Concession Agreements: Grantor. This standard is effective as of 1 January 2014 and prescribes the accounting and disclosures for service concession arrangements by the grantor, a public sector entity.

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

2.3 ESTIMATION UNCERTAINTY AND JUDGEMENT

There are no key assumptions concerning future benefits or other key sources of estimation uncertainty at the date of the financial statements, that may 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 contribution is recognised as revenue in the statement of financial performance equivalent to the extent of the expenses incurred for the year less other income. Where the contribution relate to capital expenditures, it is recognised as revenue in the statement of financial performance on a straight line basis over the estimated useful lives of the related assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 lease period as follows:

Motor vehicles	4 Years
Furniture and fixtures	4 Years
Computers	3 Years
Leasehold improvements	4 Years
Machinery and office equipment	3 Years

The carrying amounts are reviewed for impairment when events or changes in circumstances indicate that 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 recognised as an impairment loss in the statement of financial performance.

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 is available for its intended use. An advance payment was made to a related party representing 10% of the amount of the construction contract and is being settled through percentage deductions from Progress Payment Certificates.

3.5 Intangible assets

Intangible assets represent computer software, and are carried at cost less accumulated amortisation. Intangible assets are amortized on a straight line basis over their estimated useful life 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 recognised as an impairment loss in the statement of financial performance.

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 2014 (2013: nil) and no bad debts were written off during the year (2013: nil).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Accrued expenses and 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.

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 services in the current and prior periods and to make estimates about employees' 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.

Cash and cash equivalents

Cash and cash equivalents are subject to an insignificant risks of changes in their fair values, and are used by the Authority in the management of certain short-term liabilities.

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 recognised 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

	2014 AED	2013 AED
Bank balances	231,452	647,163
Cash in hand	15,000	15,000
	<u>246,452</u>	<u>662,163</u>

5. GOVERNMENT OF ABU DHABI ACCOUNT

Government of Abu Dhabi contributes funds to Abu Dhabi Accountability Authority for the operating expenditures incurred during the year. Accordingly, the Authority does not incur any surplus or deficit and the results of its financial performance is Nil. Government of Abu Dhabi contributes part of these funds in the form of cash and the remaining amount in the form of receivables against incurred expenditures not yet paid such as the employees' 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 estimated useful lives of the related assets.

	Grant related to Capital expenditures AED	Contribution related to Operating expenditures AED	Total AED
Balance as at 1 January 2013	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 recognised as revenue during 2013	<u>(1,275,169)</u>	<u>(109,922,204)</u>	<u>(111,197,373)</u>
Balance as at 31 December 2013	<u>27,611,031</u>	<u>(12,596,961)</u>	<u>15,014,070</u>
Funds received during 2014	34,151,582	123,006,983	157,158,565
Refund to Government of Abu Dhabi during 2014	-	(2,490,560)	(2,490,560)
Contribution recognised as revenue during 2014	<u>(1,008,968)</u>	<u>(124,276,868)</u>	<u>(125,285,836)</u>
Balance as at 31 December 2014	<u>60,753,645</u>	<u>(16,357,406)</u>	<u>44,396,239</u>

Classified in the statement of financial position as follows:

<u>Grant related to capital expenditures</u>	2014 AED	2013 AED
Deferred government grant related to assets		
Current liabilities	735,640	932,991
Non-current liabilities	60,018,005	26,678,040
Balance as at 31 December	<u>60,753,645</u>	<u>27,611,031</u>

<u>Contributions related to operating expenditures</u>	2014 AED	2013 AED
Government of Abu Dhabi account		
Current assets	16,357,406	12,596,961

6. PREPAYMENTS AND OTHER RECEIVABLES

	2014 AED	2013 AED
Prepaid expenses	2,653,773	2,529,376
Advances and housing loans to employees	2,761,804	3,344,939
Other Receivables	318,907	1,011,267
	<u>5,734,484</u>	<u>6,885,582</u>

7. PROPERTY AND EQUIPMENT

	2014 AED	2013 AED
Property and equipment	64,533,501	27,391,723
Advance to related parties (note 12)	4,887,547	8,919,000
	<u>69,421,048</u>	<u>36,310,723</u>

Property and equipment details are as follows:

	Motor Vehicles AED	Furniture and fixtures AED	Leasehold improvements AED	Computers and office equipment AED	Capital work in progress AED	Total AED
2014						
Cost:						
As at 1 January 2014	544,001	2,624,081	3,828,589	6,247,938	26,162,917	39,407,526
Additions	-	-	-	482,873	37,395,207	37,878,080
Disposals	-	(9,980)	-	(703,729)	-	(713,709)
As at 31 December 2014	<u>544,001</u>	<u>2,614,101</u>	<u>3,828,589</u>	<u>6,027,082</u>	<u>63,558,124</u>	<u>76,571,897</u>
Accumulated depreciation:						
As at 1 January 2014	351,679	2,507,766	3,810,269	5,346,089	-	12,015,803
Depreciation for the year	89,404	88,935	13,749	544,214	-	736,302
Disposals	-	(9,980)	-	(703,729)	-	(713,709)
As at 31 December 2014	<u>441,083</u>	<u>2,586,721</u>	<u>3,824,018</u>	<u>5,186,574</u>	-	<u>12,038,396</u>
Net carrying amount as at 31 December 2014	<u>102,918</u>	<u>27,380</u>	<u>4,571</u>	<u>840,508</u>	<u>63,558,124</u>	<u>64,533,501</u>
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	<u>544,001</u>	<u>2,624,081</u>	<u>3,828,589</u>	<u>6,247,938</u>	<u>26,162,917</u>	<u>39,407,526</u>
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	<u>351,679</u>	<u>2,507,766</u>	<u>3,810,269</u>	<u>5,346,089</u>	-	<u>12,015,803</u>
Net carrying amount as at 31 December 2013	<u>192,322</u>	<u>116,315</u>	<u>18,320</u>	<u>901,849</u>	<u>26,162,917</u>	<u>27,391,723</u>

8. INTANGIBLE ASSETS

	Computer Software	
	2014 AED	2013 AED
Cost:		
As at 1 January	5,555,098	5,434,539
Additions	<u>1,069,937</u>	<u>120,559</u>
As at 31 December	<u>6,625,035</u>	<u>5,555,098</u>
Accumulated amortisation:		
As at 1 January	5,119,670	4,668,686
Amortisation for the year	<u>272,666</u>	<u>450,984</u>
As at 31 December	<u>5,392,336</u>	<u>5,119,670</u>
Net book value:		
As at 31 December	<u><u>1,232,699</u></u>	<u><u>435,428</u></u>

9. ACCRUED EXPENSES AND OTHER PAYABLES

	2014 AED	2013 AED
Due to related parties (note 12)	6,577,202	7,433,575
Other payables	342,233	1,169,992
Accrued expenses	<u>329,626</u>	<u>709,357</u>
	<u>7,249,061</u>	<u>9,312,924</u>

10. EMPLOYEES' END OF SERVICE BENEFITS

	2014 AED	2013 AED
Balance as at 1 January	18,680,935	15,964,388
Charge for the year	3,507,728	3,034,047
End of service benefits paid during the year	<u>(428,025)</u>	<u>(317,500)</u>
Balance as at 31 December	<u>21,760,638</u>	<u>18,680,935</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 contributions in 2014 amounted to AED 4,456,221 (2013: AED 3,963,691) which have been contributed directly to Abu Dhabi Retirement Pensions and Benefits Fund.

11. GENERAL AND ADMINISTRATIVE EXPENSES

	2014 AED	2013 AED
Rent	3,173,239	2,892,835
Consultancy fees	2,431,658	600,697
Computer maintenance	1,740,402	1,318,345
Business travel	1,609,406	769,150
Telephone, air condition and electricity	1,568,693	647,179
Printing and publishing	1,139,490	432,655
Conferences	709,039	1,525,398
Grant to non profit organisations	600,432	599,704
Recruitment fees	307,064	152,310
Other expenses	<u>1,047,322</u>	<u>976,907</u>
	<u>14,326,745</u>	<u>9,915,180</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.

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

a) Related parties balances:

	2014 AED	2013 AED
Due from Government of Abu Dhabi	<u>16,357,406</u>	<u>12,596,961</u>
Payable to Abu Dhabi General Services Company - Musanada	<u>6,577,202</u>	<u>7,433,575</u>
Advance to Abu Dhabi General Services Company - Musanada	<u>4,887,547</u>	<u>8,919,000</u>

b) Transactions with related parties:

	2014 AED	2013 AED
Revenue from non-exchange transaction - Contribution from Government of Abu Dhabi	<u>125,285,836</u>	<u>111,197,373</u>
Payments to Abu Dhabi General Services Company - Musanada during the year	<u>32,520,922</u>	<u>19,350,704</u>

12. RELATED PARTIES (continued)

Compensation of key management personnel

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

	2014 AED	2013 AED
Salaries and other benefits	<u>15,526,433</u>	<u>14,854,950</u>
Employees' end of service benefits	<u>980,785</u>	<u>785,875</u>
Number of key management personnel	<u>10</u>	<u>10</u>

13. COMMITMENTS AND CONTINGENCIES

As at 31 December 2014, the Authority had unrecognised contractual capital commitments amounting to AED 49,732,593 (2013: AED 79,171,657).

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

14.1 Currency risks

The foreign currency risks are the risks of fluctuations in 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 significant currency risks.

14.2 Interest rate risks

Interest rate risks arise 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 exposed to interest rate levels; therefore, management believes that the Authority has no exposure to interest rate risks.

14.3 Credit risks

Credit risks arise from the possibility that one party to a financial instrument will fail to discharge this party's obligations and cause the other party to incur a financial loss.

The Authority is exposed to insignificant credit risks in respect of prepayments and other receivables which comprise the prepaid expenses, advances and housing loans to employees, and other receivables (note 6). The Authority monitors its exposure to credit risks by limiting amounts lent to the employees' to the extent of their accrued benefits, and monitoring existing outstanding debtors' balances.

14.4 Liquidity risks

The Authority is exposed to insignificant liquidity risks as it ensures the availability of the necessary appropriation of funds prior to any commitments in accordance with the prevailing laws and regulations.

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 which is the same period of the annual 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 Chairman of the Executive Council Resolution number 2 for the year 2014 issued on 4 March 2014.

15.2 The Authority's budget and financial statements are prepared using 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 to be on the same basis as the final approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the final approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

15.4 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 2014 as follows:

2014	Net operating receipts AED	Net investing payments AED	Net payments AED
Actual amount on comparable basis as presented in the statement of comparison of budget and actual amounts	33,719,671	(34,135,382)	(415,711)
Differences	-	-	-
Actual amount in the statement of cash flows	<u>33,719,671</u>	<u>(34,135,382)</u>	<u>(415,711)</u>

15.5 Explanation of material differences between actual amounts and budget

The total budget difference amount of AED 90 million is due to the following:

Capital Expenditures

The underspent amount of AED 65.9 million is primarily attributable to rescheduling the Authority's building project plan due to delays in construction works as a result of issues encountered in the soil, foundation and excavation works and postponing the purchase of other assets.

Operating Expenditures

The underspent amount of AED 24 million is mainly due to deferral of certain operational activities and deferral of the manpower plan in respect of filling certain vacant positions due to delays in the recruitment procedures and reliance on internal resources / promotions for certain positions without filling the vacated positions, in addition to postponing the awarding of a number of consultancy contracts to the following year.

