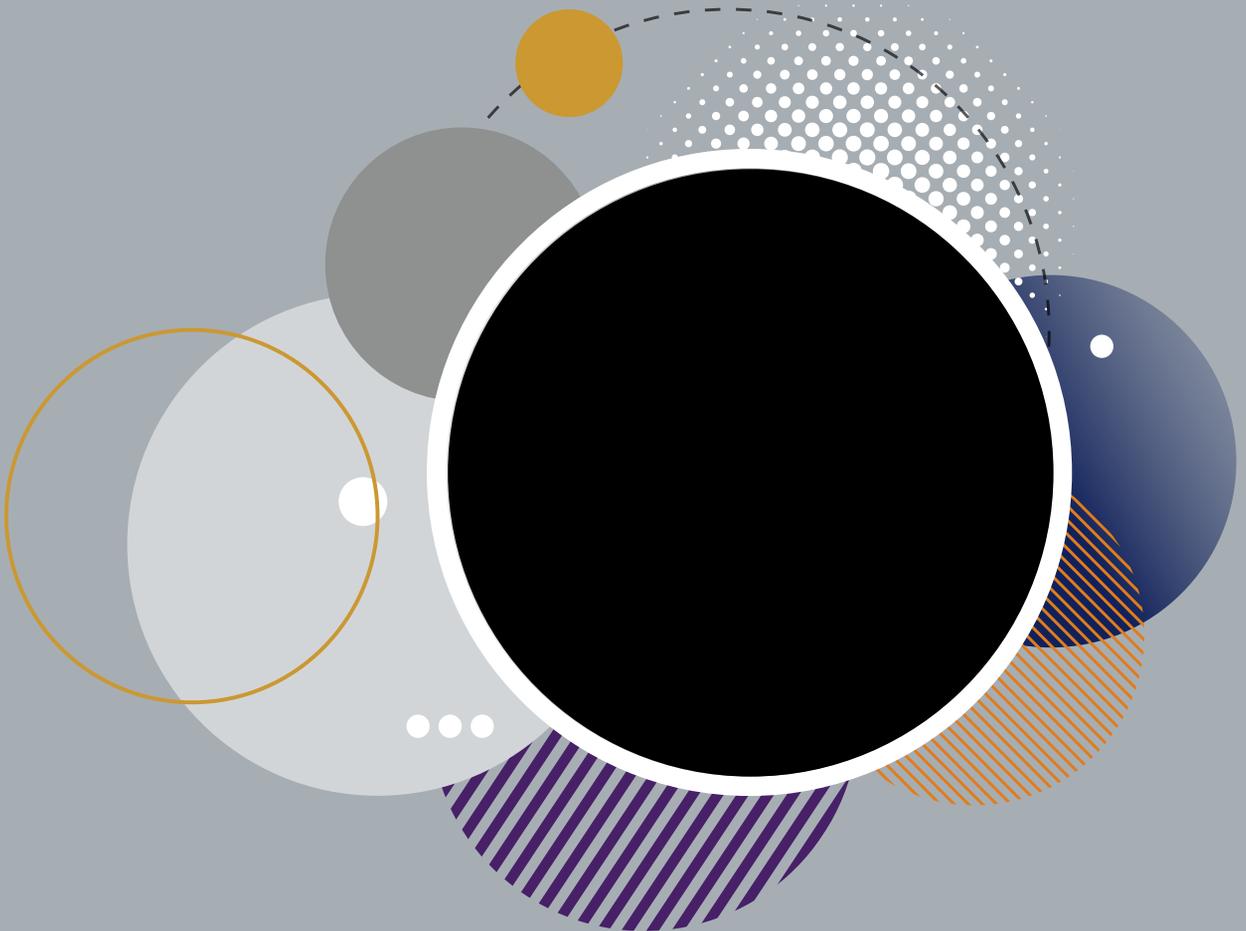




جهاز أبوظبي للمحاسبة
ABU DHABI ACCOUNTABILITY AUTHORITY

2016

ACCOUNTABILITY REPORT





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ADAA Accountability
Report on the website

“Since God, bestows His graces on us providing us with wealth, it is our role to use this wealth for the benefit and prosperity of our country and our people as an expression of gratitude to our Lord.”

The late Sheikh Zayed bin Sultan Al Nahyan
(may God have mercy upon him)





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

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FOREWORD

It gives us great pleasure to bring you the “Accountability Report 2016”, the 8th issue of the annual report of Abu Dhabi Accountability Authority (ADAA), that affirms our commitment to the highest standards of transparency and accountability as adopted by the UAE and the Emirate 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 UAE has achieved a number of unique successes accredited by key international reports and indicators. The Country ranked 23rd globally in the Corruptions Perceptions Index issued by Transparency International in 2015 whereas it ranked 35th in 2008, which reflects the great achievement in this respect. The UAE attained top four ranking in a number of indicators in the Global Competitiveness Report issued by the World Economic Forum (Davos). The UAE was also ranked the happiest Arab Country and the 20th globally in the World Happiness report published by the United Nations. Further, the Country was ranked 1st regionally in the “Ease of doing business” category according to a report issued by the World Bank.

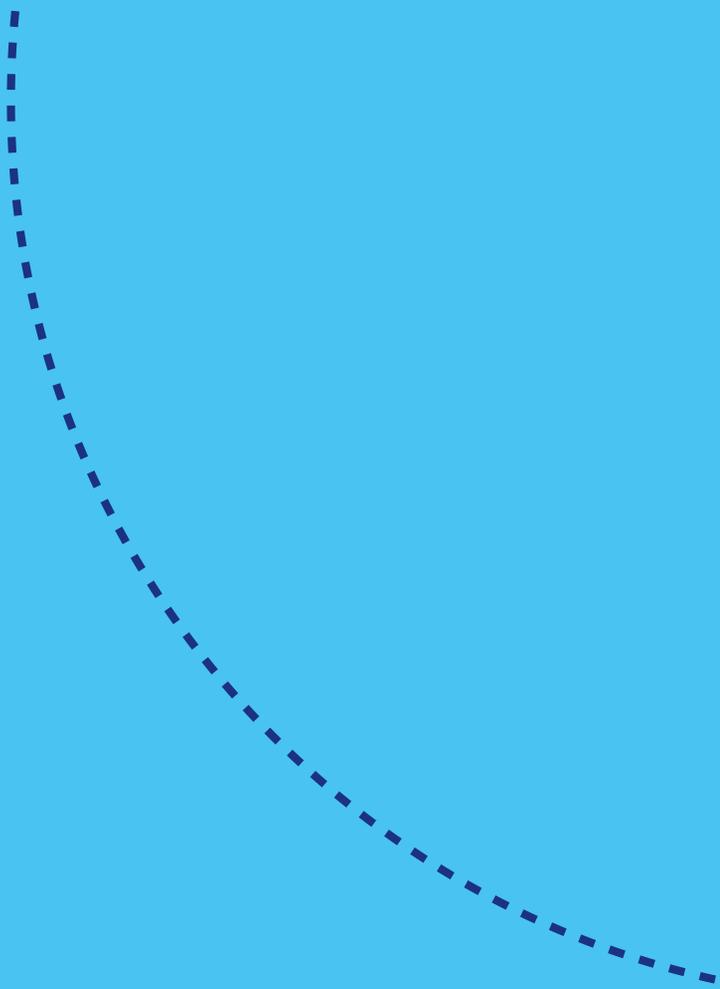
We at ADAA, under the direction of His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces and the support of His Highness Sheikh Hazza bin Zayed Al Nahyan, Vice Chairman of the Abu Dhabi Executive Council, are proud that we have 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:

- 159 reports issued as outputs of the Financial Audit and Examination group and the Performance and Risk Assurance group.
- Hosting the 2015 meeting of the Public Interest Oversight Board (PIOB) in Abu Dhabi, for the first time in the Middle East.
- Hosting the MENA Public Sector Leadership Summit in collaboration with the International Federation of Accountants (IFAC), in Abu Dhabi, for the first time in the Middle East.
- Participating in the 9th Inspection Workshop of the IFIAR, held in London, United Kingdom alongside more than 147 audit inspectors from around 43 international jurisdictions.
- ADAA’s Chairman continued as a member in the “High-Level Advisory Group” of IFAC.
- The accreditation of ADAA Knowledge Centre as an approved training provider by the UK Institute of Leadership and Management.

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

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1. ADAA HISTORY

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

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

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

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



2. STRATEGIC PILLARS

Our Vision

“To be one of the top 5 accountability authorities in the world”

Our Mission

“To help improve performance and promote accountability and transparency across Abu Dhabi Government and Public Entities by providing independent and objective assurance and advisory services”

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.

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

Objectives

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

Responsibilities

1. Audit the Government consolidated financial reports and examine Subject Entities' financial reports.
2. 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.
3. Submit reports to HH the Crown Prince as well as carry out any other functions and duties requested by HH the Crown Prince.
4. Provide advice and recommendations and perform other procedures and services to Subject Entities as the ADAA Chairman deems reasonable and appropriate.
5. Investigate complaints referred to ADAA and other violations it may discover as well as examine violations investigated by Subject Entities.
6. Train and qualify UAE National graduates of universities and institutions.

Outputs

1. Financial Audit and Examination
2. Performance and Risk Assurance
3. Supporting Accountability

Outcomes

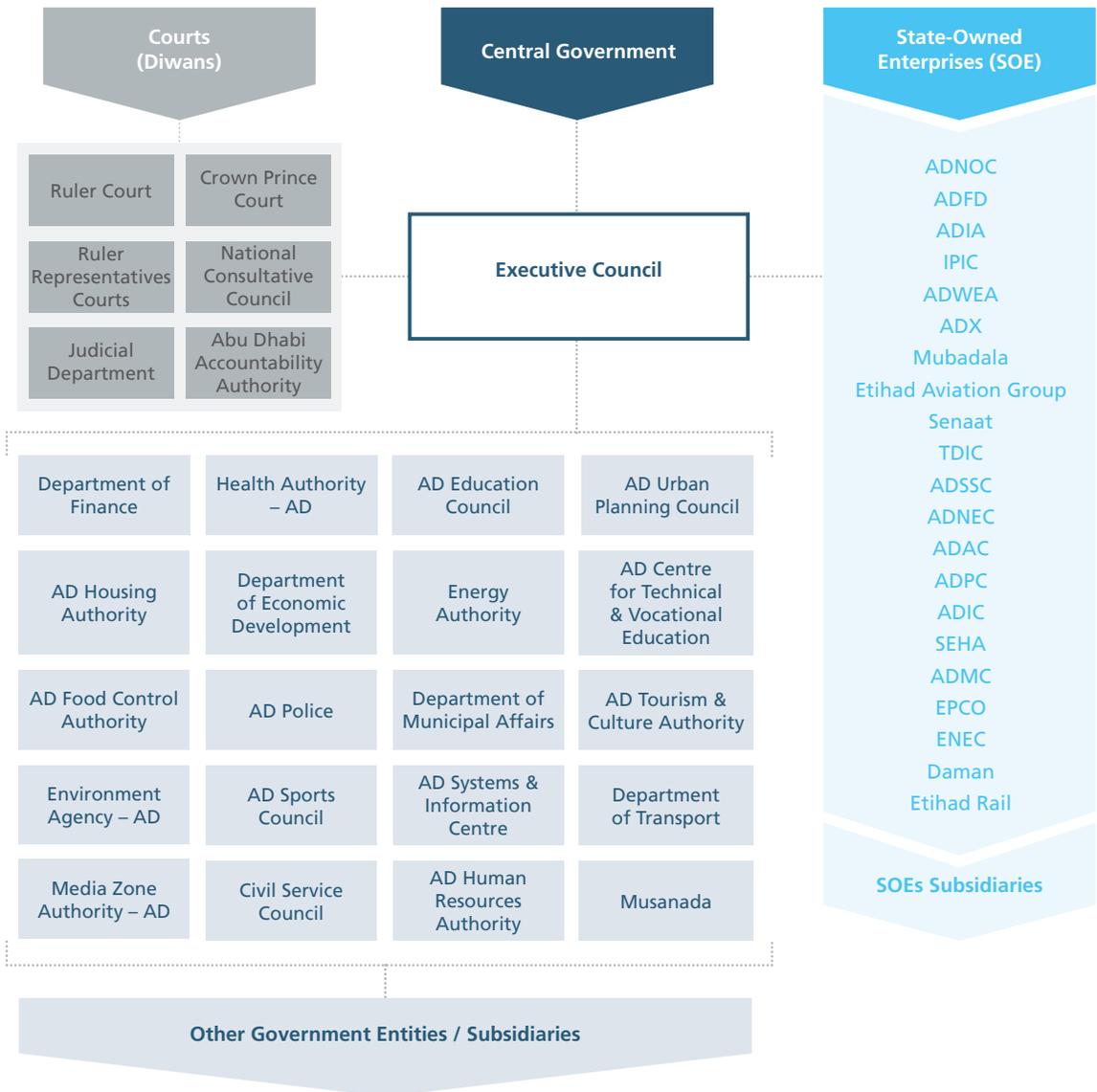
1. Enhanced accountability and transparency in the Government and Subject Entities.
2. The public and the world are better informed about accountability in Abu Dhabi Government.
3. Efficient and effective public sector.
4. Improved governance practices in all Subject Entities.
5. Increased number of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

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
		29. Zayed House for Family Care
Housing	30. Abu Dhabi Housing Authority	

Subject Entities Classification by Sector

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

Subject Entities Classification by Sector

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

7. GOVERNANCE REPORT

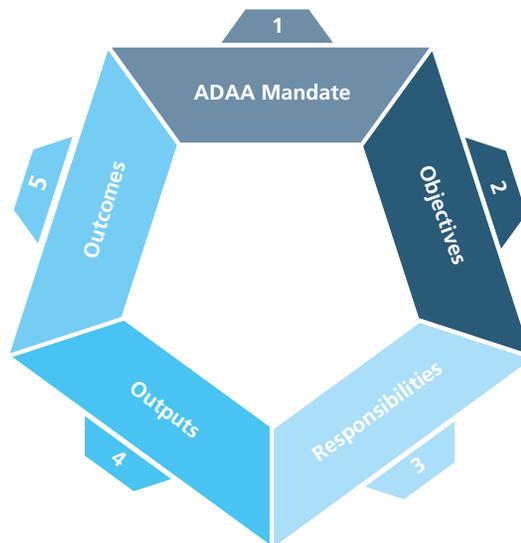
ADAA aims to earn the trust of its stakeholders and sustaining it through adopting and implementing the highest standards of accountability and transparency and issues its Governance Report accordingly.

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

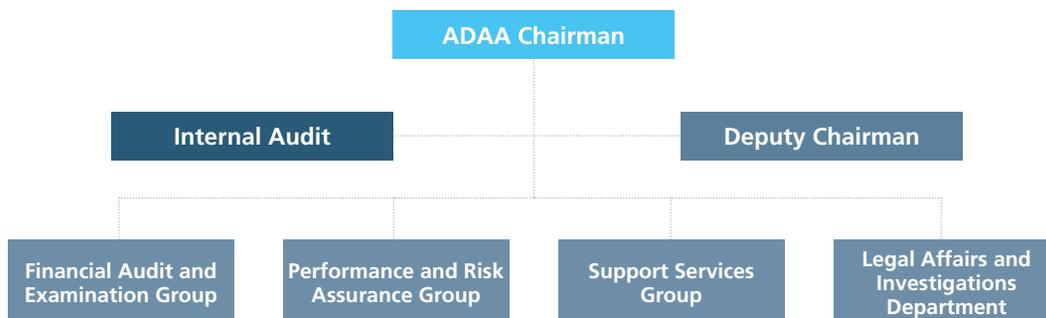
ADAA ensures that all its processes and operations adhere to the utmost principles of transparency whereby its Chairman has welcomed and adopted various channels of communication with the employees providing adequate communication relating to the overall strategy, ADAA's yearly plan and its performance 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 framework and 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 as shown in the figure below:



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.

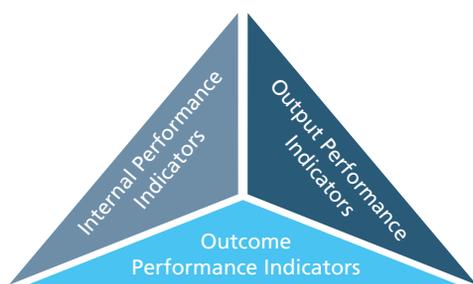
ADAA is committed to develop and attract Emiratis to the Accounting and Audit profession. The Authority has equally defined career paths and growth plans for all employees and promotes the success of ADAA as one team.

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.

Performance Standards Sets



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 2015, KPMG was reappointed in accordance with Statutory Auditors Appointment Rules issued by ADAA to review and audit the interim and annual financial statements of ADAA. KPMG was reappointed 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.





Part 02

ADAA OUTPUTS

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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:

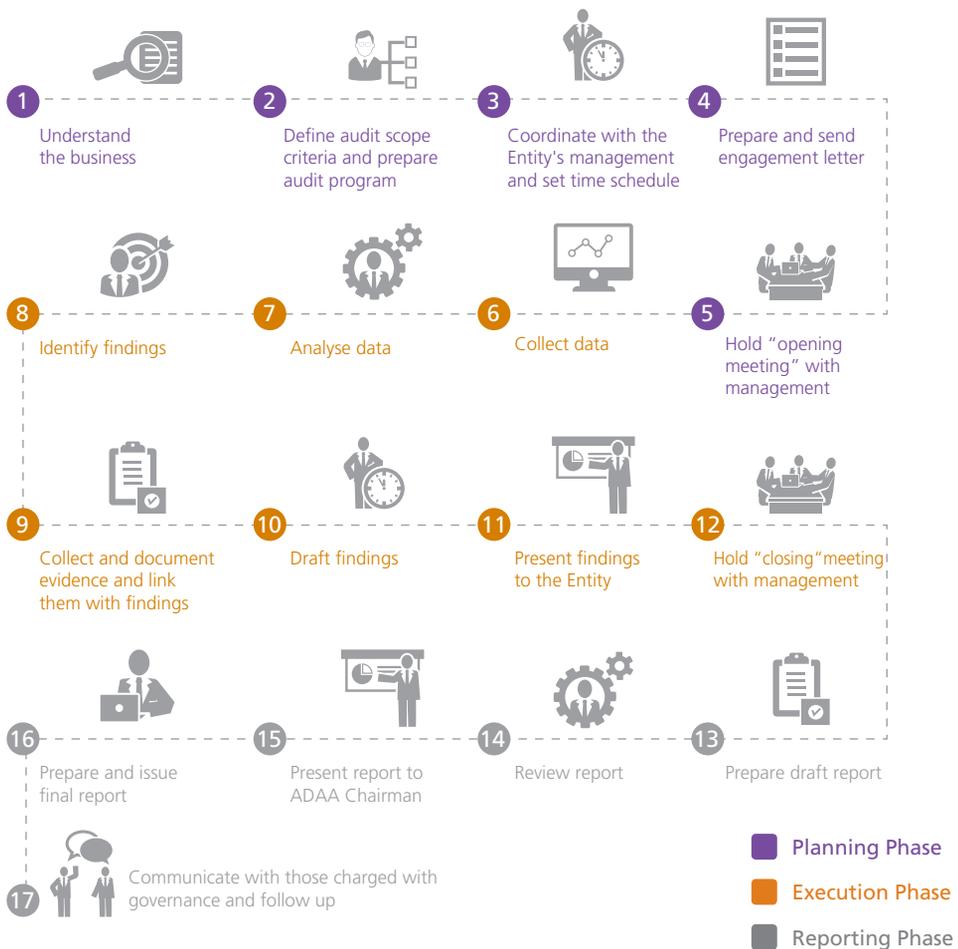


ADAA Law

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 performance 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 performance 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. Litigations and claims 	<ol style="list-style-type: none"> 19. Conclude the assignment and evaluate result 20. Form the opinion and prepare the report
Audit Planning		Legal, Regulatory and Other Requirements
<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 		<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

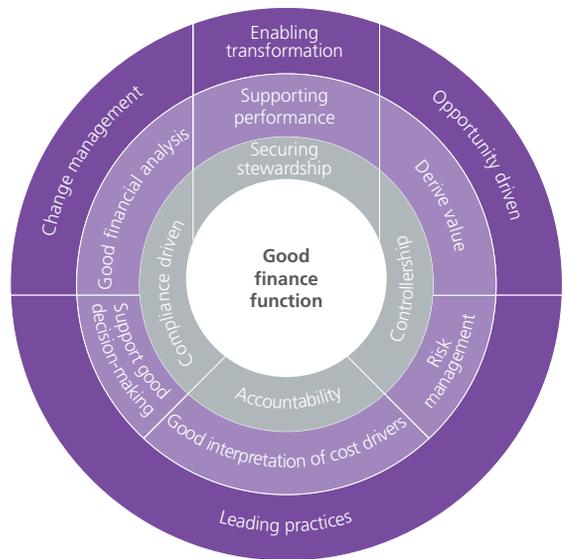
3.3 Financial Management Assessment

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

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:

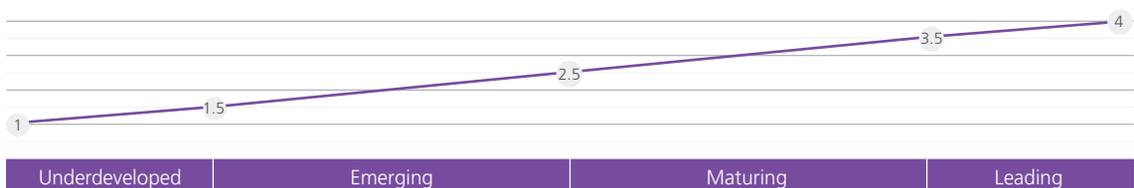
- Securing stewardship,
- Supporting performance and
- Enabling transformation.



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.



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:

<p>Independence and Objectivity</p> <ol style="list-style-type: none"> 1. Organizational Independence 2. Aspects of Organizational Independence 3. Impairment to Independence or Objectivity 4. Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards 5. Direct Interaction with the Board 	<p>Organization and Emiratization</p> <ol style="list-style-type: none"> 6. Developing the Internal Audit Strategic Plan 7. Internal Audit Function Charter 8. Organizational Structure and Resource Capabilities 9. Career Development Plans 10. Emiratization Plans 	<p>Methodology</p> <ol style="list-style-type: none"> 11. Internal Audit Methodology and Manual 12. Methodology and Technology Interface 13. Methodology Awareness
<p>Operations</p> <ol style="list-style-type: none"> 14. Resource Management: Time and Money 15. Audit Planning and Risk Assessment 16. Audit Execution Process 17. Communication and Reporting Process 18. Follow-up Process 19. Advisory Services 20. Annual Audit Plan Coverage 21. Management of 3rd Party Service Providers 	<p>Technology</p> <ol style="list-style-type: none"> 22. Use of Technology 23. Security, Maintenance and Upgrade 	<p>Value</p> <ol style="list-style-type: none"> 24. Acceptance and Perception of the Internal Audit Function within the Organization 25. Expectation Management and Value Add 26. Promotion of Better Governance Practices

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

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 improvement opportunity to meet leading practices
Tier 2	75% to 89%	Specific 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 their efficiency, effectiveness and economy and ensure their compliance with applicable regulations and procedures.

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 impact as follows:

! **Observation with medium risk exposure**
Observation that refers to a weakness in the procurement process that requires corrective action(s).

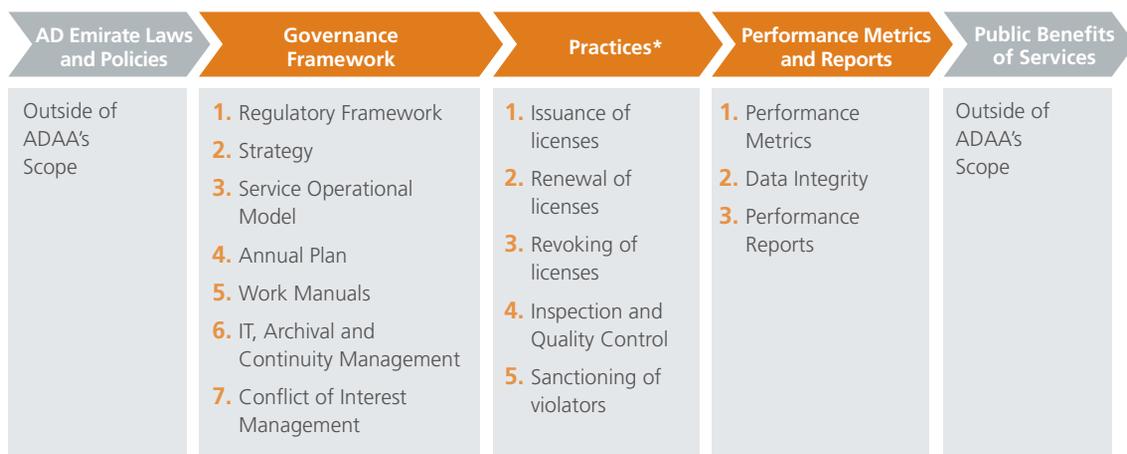
! **Observation with significant risk exposure**
Observation of a significant effect on the procurement process that requires immediate action to ensure non-recurrence.

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 for which these projects represent one of their outputs.

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 of applied practice differ from audit to another based on the audit subject.

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

Program Management

1. Program Governance
2. Program Planning and Standardization
3. Program Monitoring and Reporting

Project Management

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

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 Knowledge Centre

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 Knowledge Centre

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 such as:

Abu Dhabi Technical Forum (ADTF): This Forum brings together the UAE based accounting and audit technical professionals of the international audit firms. Discussions focus on current and expected problematic accounting treatments. The aim of the forum is to eliminate the local inconsistency in application of accounting standards by building consensus on the interpretation of accounting standards and the acceptability (or not) of accounting treatments, thereby improving the comparability and quality of financial reporting in Abu Dhabi.

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





Part 03

2015 REPORT & 2016 PLAN

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1. 2015 ACHIEVEMENTS HIGHLIGHTS

The following is a summary of highlights of ADAA's Achievements during 2015:

- Audited the financial statements of the Government of Abu Dhabi in accordance with international standards and issued the independent audit report with "unqualified" opinion.
- Performed 70 Financial Examinations 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 Auditor 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 licensing of private schools, the THIQA program, the licensing process by the Media Zone Authority, the construction of the Midfield Terminal Building, the minors' assets management and the family development.
- Conducted 4 Financial Management Assessments (FMA) to support and strengthen the financial management function within Subject Entities.
- Submitted a number of accountability reports on important issues, examined and investigated complaints received or violations discovered and issued Special Examination reports.
- Participated in the 9th Inspection Workshop of the IFIAR, held in London, United Kingdom alongside more than 147 audit inspectors from around 43 international jurisdictions.
- Hosted the 2015 meeting of the Public Interest Oversight Board (PIOB) in Abu Dhabi during March 2015, for the first time in the Middle East.
- Held workshops for the board of directors of the government entities and companies introducing latest best practices in collaboration with UK Institute of Directors (IoD).
- Participated alongside more than 50 countries and jurisdictions in the plenary meeting of the International Forum of Independent Audit Regulators (IFIAR).
- ADAA's Chairman participated as a key speaker in the Future Challenges in Audit Oversight Seminar in Madrid, Spain - at the invitation of the Chair of the Public Interest Oversight Board (PIOB) - alongside other members of the international audit oversight bodies, professional institutes and standard setting boards.
- Hosted the MENA Public Sector Leadership Summit in collaboration with the International Federation of Accountants (IFAC), in Abu Dhabi during November 2015, for the first time in the Middle East.
- ADAA's Chairman continued as a member in the High-Level Advisory Group of IFAC.
- ADAA obtains OHSAS 18001:2007 certification, demonstrating a recognised occupational, health and safety management system from the Lloyd's Register Quality Assurance.
- ADAA has been awarded the International Standard Organization (ISO) 20000:2011 Certification in Service Management from the Lloyd's Register Quality Assurance.
- ADAA's Human Resources and Communications Department, has been awarded the Investors in People Standard, demonstrating their commitment to realising the potential of their people.
- ADAA has been awarded the International Standard Organization (ISO) 27001:2013 Certification in Information Security Management Systems from the Lloyd's Register Quality Assurance.

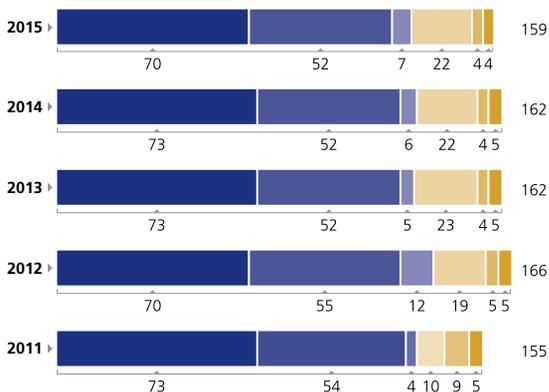
- ADAA Knowledge Centre has achieved recognition as an approved training provider by the UK Institute of Leadership and Management.
- Continued monitoring the outputs of “Auditors Development Program” related to the training and development of Emirati Auditors and continued the secondment of Emirati employees joining the “Auditors Development Program” to the big audit firms.
- ADAA continued to chair the Abu Dhabi Technical Forum (ADTF) unifying accounting interpretations of International Financial Reporting Standards and International Standards on Auditing between ADAA, audit firms and accounting and auditing professionals in the UAE.
- Issued technical papers that addressed complex accounting matters and helps in unifying accounting interpretations.
- 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, 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 550+ members from 95 Abu Dhabi Government Entities.

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

Description	Actual	Actual	Actual	Actual	Target	Actual
	2011	2012	2013	2014	2015	2015
Financial Audit and Examination Group	87	80	82	82	78	78
Performance and Risk Assurance Group	68	86	80	80	81	81
Total Number of Reports	155	166	162	162	159	159

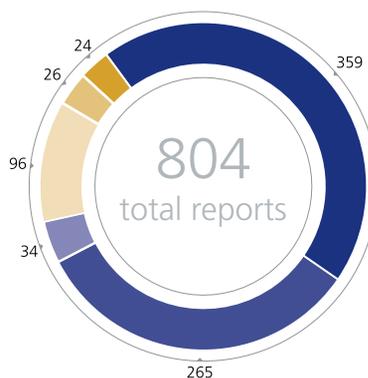
The following chart provides the number of reports issued by output during the past 5 years amounted to 804 reports:

Number of reports by output during the past 5 years



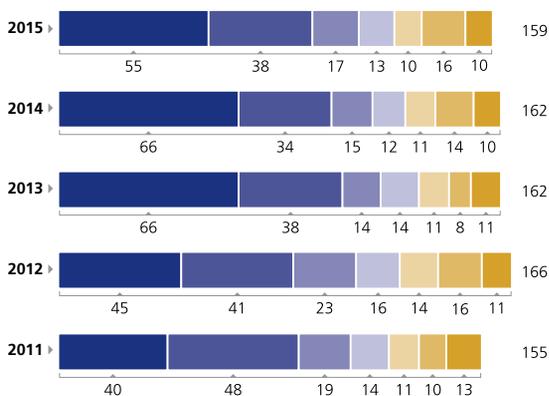
The following chart provides the total number of reports by output during the past 5 years:

Total number of reports by output during the past 5 years



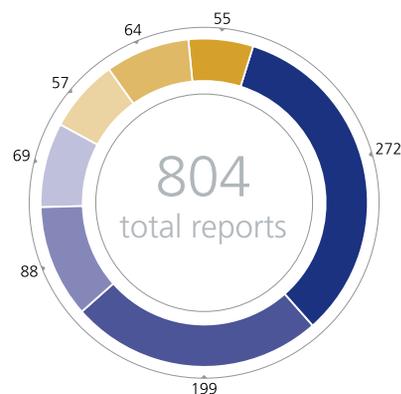
ADAA reports have covered all public sectors and the following chart provides the number of reports by sector for each of the past five years:

Number of reports by sector for each of the past five years



Further, the following chart provides the total number of reports for each sector during the past 5 years

Total number of reports by sector during the past five years



2. OUTPUT GROUP 1

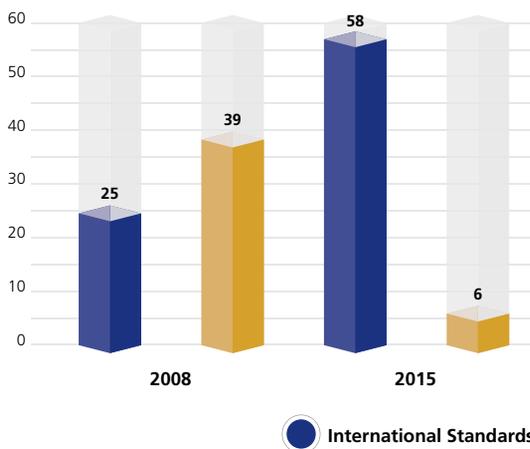
FINANCIAL AUDIT AND EXAMINATION

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

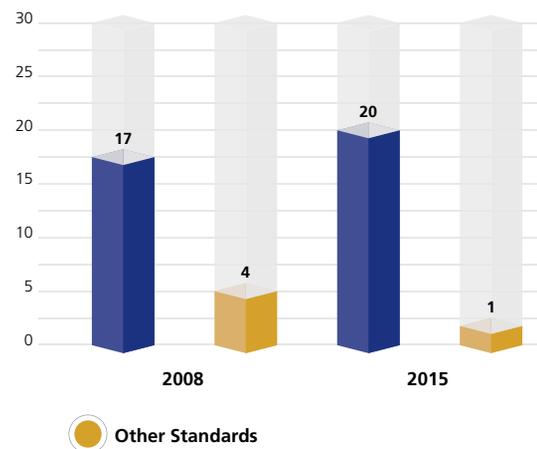
This group continues to advise Subject Entities how to improve the quality of their financial reporting and specifically in relation to their financial statements basis of preparation varying according to the Subject Entity's operations, with a focus on having all Subject Entities prepare their financial statements using IPSAS accrual basis of accounting or IFRS based on the nature of their activities. As a result, major changes have occurred as to the basis of preparation of the financial statements of the Subject Entities since 2009.

The following charts demonstrate the change in Subject Entities and State Owned Enterprises (Government Companies) financial statements basis of preparation:

Subject Entities (excluding SOEs) Financial Statements Basis of Preparation



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



The Financial Audit and Examination Group comprise the following outputs:

- Financial Audit
- Financial Examination
- Financial Management Assessment

2.1 Financial Audit

ADAA completed its audit of the financial statements of the Abu Dhabi Government for the year ended 31 December 2014 and issued an unqualified opinion. The financial statements were prepared on a cash basis in accordance with International Public Sector Accounting Standards (IPSAS). ADAA conducted its financial statements' audits in accordance with International Standards on Auditing (ISA).

2.2 Financial Examination

During 2015, ADAA examined 70 independent audit reports and work of statutory auditors, appointed by Subject Entities. The financial statements and audits were selected in accordance with the prioritization criteria developed by ADAA.

ADAA's Financial Examination Comments Summary

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

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

- Financial statements issuance timeliness in accordance with the relevant Circulars and best practices.
- Impairment testing of goodwill and intangible assets in accordance with IFRS.
- Impairment testing of assets if external or internal indications of impairment exist.
- Recognizing revenue in the financial periods to which they relate and in accordance with the requirements of IFRS and best practices in the relevant sector.
- Depreciating assets over the estimated useful lives during which these assets are expected to provide future economic benefits.
- Preparation of consolidated financial statements in accordance with the requirements of IFRS.
- Accounting treatment for finance and operating lease arrangements.
- Execution of annual budget in accordance with applicable laws and regulations.
- Recognition of all assets used by entities to generate revenue in their financial statements.
- Recognition of all assets related to projects and capital initiatives.
- Recognition of transactions with the owners in their capacity as owners in the owners' equity statement in the financial statements in accordance with guidance provided by IFRS.
- Presentation of government contributions in the financial statements in accordance with approved operational budgets and received contributions.
- Issuance of financial statements in Arabic language in accordance with the relevant decrees.
- Estimation of the fair value of investment properties in accordance with the requirements of IFRS.
- Payment of annual bonuses and incentives for employees in accordance with the relevant resolutions issued.
- Assessing the recoverability of financial facilities and loans.
- Consistency between cash generated from operating activities with profits recognised in the income statements taking into consideration IFRS requirements.
- Recognition of foreign investments' results of operations in accordance with the requirements of IFRS.
- Presentation of the comparison between budget and actual spending in the financial statements in accordance with the relevant resolutions issued.
- Validity of amounts recorded as due from the Government of Abu Dhabi in the statement of financial position.
- Limiting the statutory auditor's liability towards third party in the engagement letter of the audit engagement, which is not in accordance with the requirements of the relevant laws.
- Management's reliance on statutory auditors for financial reporting and accounting matters.
- Applying the second edition of SAAR issued in September 2014.

- Active participation of the UAE national audit team member in all stages of the audit engagement.
 - The statutory auditor commitment to the number of work hours 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 SAAR.
 - Communication by the statutory auditors with those charged with governance throughout the audit phases in accordance with the International Standards on Auditing.
 - Audit procedures performed by the statutory auditor on the following matters:
 - Assess the ability to continue as a going concern for some entities.
 - Ensure the validity of assumptions, including the discount rate used in the preparation of the estimated cash flows in investments valuation and calculating the fair value of assets.
- Test the existence and completeness of revenue and incorrect presentation of government grants and funding.
 - Involvement of independent quality review partner.
 - Sufficiency of work performed by IT audit specialists.
 - Fraud risk assessment procedures.
 - Test and rely on the internal controls and understand the work of internal auditors.
 - Compliance with relevant laws and regulations.
 - Group Audits and related parties transactions.

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 1,137 comments in 2015 classified as follows:

Significant improvement required

458 comments in 2015 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

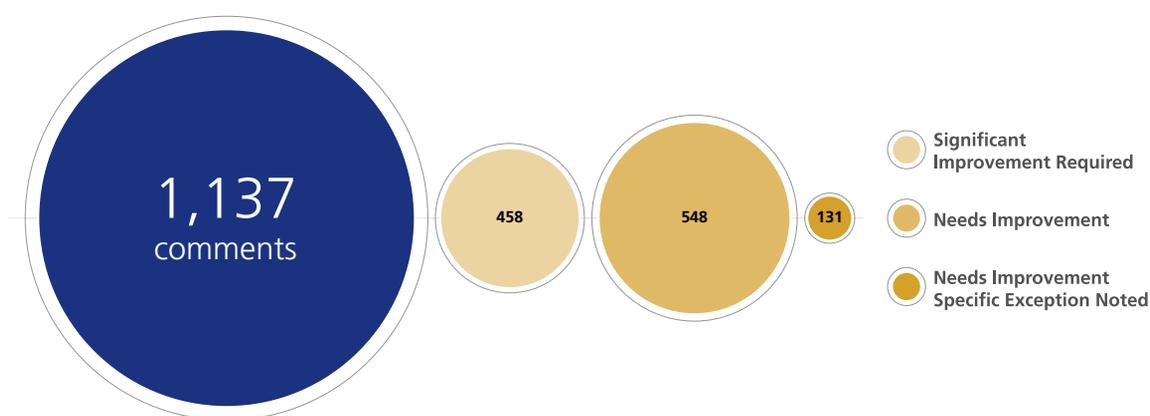
The majority of our 548 comments in this category focus on audit quality resulting from incomplete documentation of audit procedures performed. If such procedures were performed, as entailed in the International Standards on Auditing or other applicable standards, a potential adjustment to the Subject Entities' financial statements might have been noted.

Needs improvement – Specific exception noted

131 comments in 2015 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.

Classification of Financial Examination (1,137 comments)



Below is an analysis of independent audit reports examined by ADAA in 2015, comments raised and their respective classification (excluding 318 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 needed	
Firm 1	27	89	189	49	327
Firm 2	17	53	94	31	178
Firm 3	15	64	81	25	170
Firm 4	9	36	64	15	115
Firm 5	2	11	10	8	29
Grand Total	70	253	438	128	819

Implementation of SAAR

The objectives of 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 2015, ADAA continued monitoring the Subject Entities implementation of SAAR. ADAA's Financial Examination reports included 75 comments related to the application of statutory auditors' appointment and re-appointment procedures.

The second edition of SAAR was issued in September 2014. According to the 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 2015, ADAA conducted "Financial Management Assessments (FMAs)" in 4 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 4 FMAs, ADAA found that financial management at the 4 Subject Entities were at an "Emerging" stage based on the assessment methodology followed by ADAA.



3. OUTPUT GROUP 2

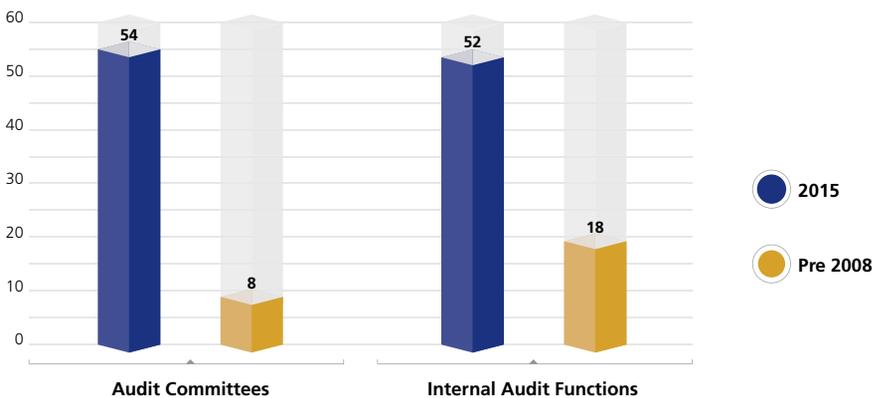
PERFORMANCE AND RISK ASSURANCE

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

ADAA has aimed through this group to enhance governance practices at Subject Entities since its establishment; ADAA has thus urged and supported Subject Entities in establishing Audit Committees and Internal Audit Functions.

The following chart 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 2015, 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 Functions in highlighting areas of risk exposure at Subject Entities.

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

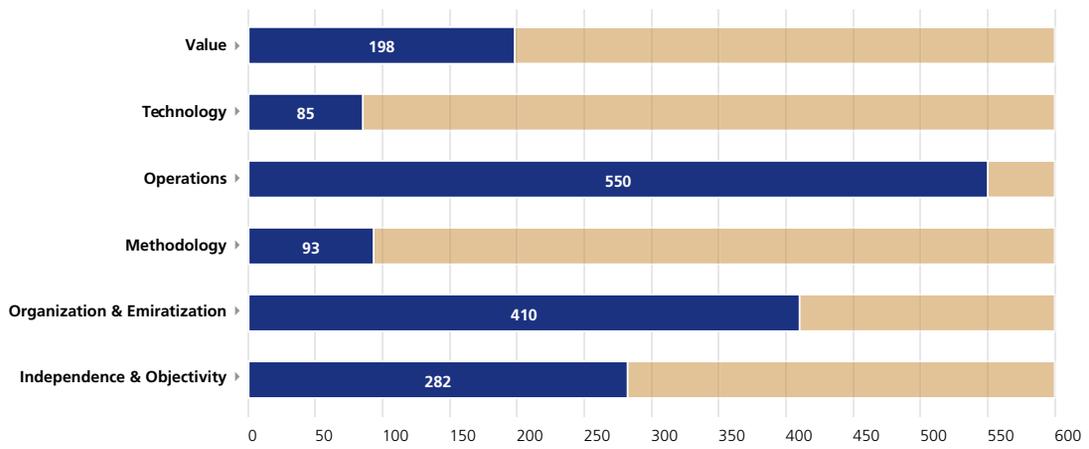
Internal Audit Function Assessment Reports Summary

During 2015, ADAA issued 1,618 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 those assessments of the Internal Audit Functions at Subject Entities were presented, when requested, to the Audit Committees.

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

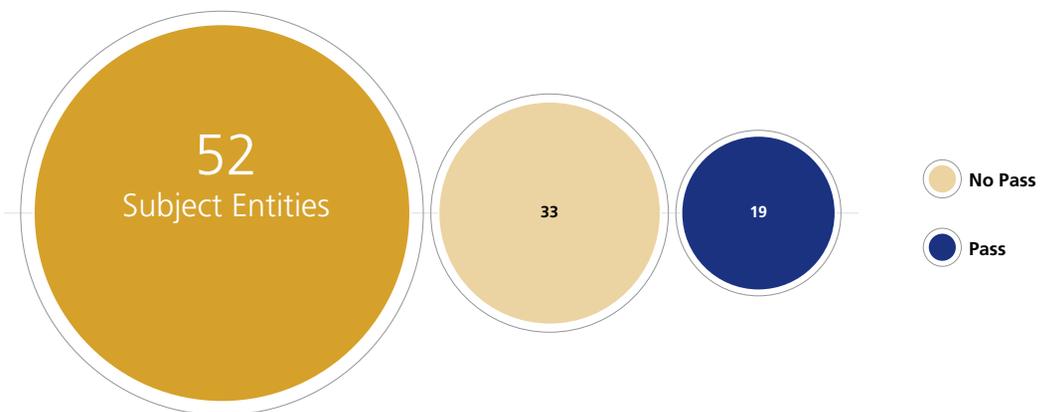
Number of recommendations by element



Out of 52 Subject Entities, 19 met pass requirements based on the criteria established by ADAA, while 33 did not.

The following figure shows the results of the internal audit function assessment conducted in 2015:

Results of the Internal Audit Function Assessments



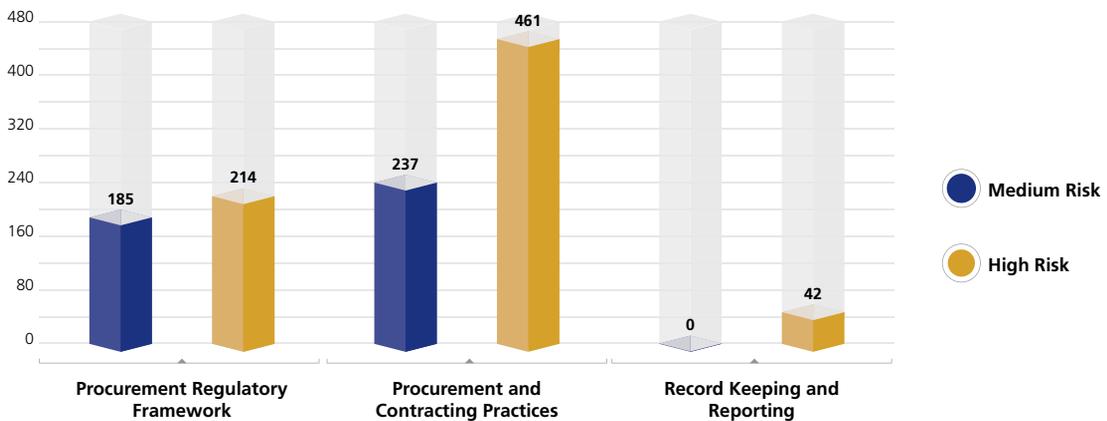
3.2 Procurement Reviews

During 2015, 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 consequently measure the compliance of the Subject Entities with the approved regulatory framework.

These procurement reviews identified observations that were rated as “High” or “Medium” Risk. The following chart illustrates the classification of observations within the three elements of a procurement review:

Classification of Procurement Review Observations (1,139 observations)



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

3.3 Services and Output Review

The Service and Output Review deliverables during 2015 were related to various sectors and covered reviews of activities, operations, business regulations, policies and procedures and best practices implemented upon the provision of their services and outputs.

Below are summaries of the Service and Output Reviews that were conducted in 2015 with a brief description of the scope of those reviews and of the recommendations made by ADAA:

Private Schools Licensing Review

ADAA conducted a review of the services and outputs of Private Schools licensing in order to verify that:

- An approved governance system to provide services and outputs related to Private Schools licensing 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 Private Schools licensing are provided, and their alignment with related best practices.



ADAA's recommendations included the following:

1. Review the "Organising the regulation of Private Schools in the Emirate of Abu Dhabi", and revise appropriate articles and clauses to address identified gaps and incorporate them into a revised draft of the regulations and obtain the required approvals.
 2. Review the licensing approach and make appropriate updates required to ensure that the licensing regime is practical and effective.
 3. Coordinate and work closely with the concerned entities to assess whether all students in age of attending school are doing so.
 4. Develop Standard Operating Procedures for all operational activities and correctly identify and link interdependencies with the other concerned sectors.
 5. Develop a comprehensive Conflict of Interest statement and a template for declaring potential conflicts, and oblige the third party inspection contractors to ensure that all inspectors read the Conflict of Interest statement and complete the template prior to conduct inspections.
 6. Ensure that Private School comply with all regulations before being issued a General Operating License.
 7. Update the inspection and monitoring practices related to setting a minimum and maximum notification period for inspection, reduce the maximum notification period before inspection and review whether the added value of the pre-inspection briefing outweighs the preparation time of how to hide performance shortfalls.
-

UAE Nationals Health Insurance Scheme

ADAA conducted a review of the services and outputs related to provision of the UAE Nationals health insurance scheme (THIQA program) in order to ensure that:

- An approved governance system to provide services and outputs related to the THIQA 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 of the THIQA Program are provided, and their alignment with related best practices.



ADAA's recommendations included the following:

1. Implement the necessary course of action to limit the increase in Government spending on health through monitoring closely and consistently the costs of the THIQA Program and querying its incremental trends, to undertake the necessary actions to control these costs, identifying the root causes behind the increase in the use of the THIQA insurance cards and address any non-compliances with the purpose of the THIQA Program.
 2. Revise the current mechanism implemented to define the tariffs for the services covered by the THIQA Program to ensure that they are based on the actual costs of the provided services and on criteria established to evolve the quality and availability of the Program in a financially sustainable manner.
 3. Improve the quality of the financial reporting in relation to Government Spending on health services.
 4. Implement the necessary measures to prevent any health insurance company from providing any health insurance program whose benefits represent partial or full duplication with those provided under THIQA program.
 5. Establish the necessary mechanisms to ensure that all the Program's beneficiaries are bona fide in line with the stipulations of Resolution no. (83) of 2007, and instil the adequate procedures to govern the issuance and renewal of the THIQA cards.
-

Media Zone Licensing Review

ADAA conducted a review of the services and outputs of the licenses of the Media Zone's operating entities in order to verify that:

- An approved governance system to provide services and outputs related to licensing Media Zone's operating entities 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 licensing Media Zone's operating entities are provided, and their alignment with related best practices.



ADAA's recommendations included the following:

1. Segregate the regulatory mandate from operational activities.
 2. Define the geographical location and boundaries of the Media Free Zone and obtain the necessary resolutions.
 3. Develop and implement a comprehensive plan for the automation of the activities and tasks to facilitate the related procedures and to enhance the accuracy and completeness of information and data.
 4. Revise the implemented incentives and investment mechanisms through the development of a comprehensive and detailed approach that depicts the different types of incentives that may be granted, along with the detailed conditions to be met by the entities candidate for investment or incentives, in a manner to link the provided incentives with the expected performance of such entities.
 5. Identify all inactive entities and follow-up periodically on their status to ensure they are changed in line with the applicable regulations and take the necessary actions required by the governing regulations.
 6. Perform a comprehensive analysis of the registration and licensing fees in addition to the capital requirements and benchmark against leading practices including those applies by other Media Zones within the United Arab Emirates.
-

Midfield Terminal Building Project Review

ADAA conducted a review of Midfield Terminal Building Project review in order to ensure that:

- An approved governance system to provide services and outputs related to the Midfield Terminal Building Project 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 Midfield Terminal Building Project are provided, and their alignment with related best practices.



ADAA's recommendations included the following:

1. Identify all required critical decisions that will impact the planned opening date and ensure that a proper system is in place to discuss and evaluate the decisions, inputs of all related functions, costs and challenges.
2. Ensure that an updated and relevant Program Management Plan (given that significant work has been completed) is in place including the program organisation structure, responsibilities, objectives, expectations, risks and challenges.
3. Conduct comprehensive project planning, using the following steps (as a guide) to help determine realistic dates for completing the Midfield Terminal Building Project:
 - Review the current project status by reviewing the outstanding design issues, Requests for Information, and any other construction-related issues and claims.
 - All potential changes currently under review should be identified, such as stakeholder requested scope changes and the potential early release of Piers.
4. Establish a Contract Administrator position independent from the program manager with administrative authority to ensure active management and resolution of all contractual issues.
5. Develop an assessment of the risks associated with the revised schedule and ensure that concerned leadership accepts these risks before approving.
6. Perform a thorough assessment of the near misses to understand the causes and trends, and put in place controls and training to significantly reduce these incidents from occurring.
7. Ensure that comprehensive manpower planning is conducted and relevant strategy and plans (both recruitment and training) are prepared and approved in a timely manner.

Minors' Assets Management Review

ADAA conducted a review of the service and outputs related to the Minors' Assets Management in order to ensure that:

- An approved governance system to provide the services and outputs related to Minors' Assets Management 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 Minors' Assets Management are provided, and their alignment with related best practices.



ADAA's recommendations included the following:

1. Develop an investment policy related to the management of the minors' assets and funds, in addition to the other necessary policies.
 2. Define and implement procedures to identify and manage instances of conflict of interest.
 3. Establish Service Level Agreements with the parties contracted to manage the real estate portfolio to ensure that the necessary updated information is available.
 4. Identify all the instances of discrepancies between rental values related to similar units owned by beneficiaries, study the reasons of such discrepancies and take necessary remedy actions.
 5. Identify of all industrial plots to determine the ones that are not rented out, update its information regularly and perform studies on vacant plots for a specific period of time.
 6. Perform a comprehensive analysis of units requiring maintenance and demolition to establish priorities for the necessary actions based on the status of those units, in addition to identifying the sources of funding for the required course of action.
 7. Establish formal agreements and memoranda of understanding with the concerned parties in the UAE to identify assets and investments outside the United Arab Emirates.
-

Family Development Service and Outputs Review

ADAA conducted a review of the service and outputs of the Family Development in order to ensure that:

- An approved governance system to provide services and outputs related to family development 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 Family Development are provided, and their alignment with related best practices.



ADAA's recommendations included the following:

1. Develop a 5 year strategy to align with the new Abu Dhabi Emirate plan.
2. Assess current human capital capabilities to identify current and future needs including new specialized roles.
3. Refocus and re-energize program portfolio to align with the new Abu Dhabi Emirate Plan.
4. Prioritize partners by planned programs and services to be rendered, and establish service level agreements with strategic partners.
5. Establish a comprehensive channel strategy based on beneficiaries' needs and preferences, and planned programs and services to be rendered.
6. Upgrade and integrate program KPIs in portfolio decision making, and develop KPIs to measure the results of the programs. For government KPIs, agree on baseline, targets, owners and methodology for measurement.

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 Knowledge Centre

4.1 Accountability Reports

In 2015, a number of reports were issued under this output on matters related to ADAA's work; among these important reports are the reports submitted to His Highness the Crown Prince under this output 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 examination reports issued on SOEs.

4.2 Advisory

ADAA provides advice, in the areas that fall within its expertise and do not conflict with its independence, upon receiving requests from Subject Entities and after the approval of the Chairman of ADAA. Below are examples of such advisory work provided during 2015:

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 2015, ADAA completed 9 installations of the e-Governance Portal along with the necessary training required and setting the methodology.

4.3 Special Examination

In 2015, ADAA received 7 anti-corruption complaints and 12 violations that were examined as per the “Special Examination Methodology” outlined by ADAA.

Based upon the investigations conducted by ADAA in 2015, it was noted that some cases were referred to the relevant public prosecutor office to take the necessary action as related violations indicated the existence of a suspected punitive crime.

All examinations conducted by ADAA during the year were generally identified as violations related to the following:

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

It is worth indicating that during 2015, ADAA continued to receive suspected financial violations and the violations that were examined by the subject entities in light of the directives issued by His Highness the Crown Prince of Abu Dhabi for the creation of an anti-corruption unit within ADAA with the role of investigating all financial and administrative irregularities and instances of corruption. Under the directives, ADAA shall draft the appropriate legislations to enable performing this critical role in accordance with the legal system of the Emirate and to serve the public interest.

Below is a summary of some of ADAA’s examinations and investigations conducted during the year:

Case 1:

The case could be summarized in what was attributed to a director of human resources in one of the government entities who had contracted with a recruitment agency to occupy the entity’s vacant positions some of which are outside the approved entity’s organization structure, based on the sole delegation of the entity’s Director General, while overriding the normal chain of authorities within the entity. Moreover, a conflict of interest was noted between the government entity and the Director General as a result of having business relationship between the government entity and an advisory company owned by him which has been introduced to the government entity through the same recruitment agency. The investigation concluded the responsibility of the mentioned key persons and recommended the disciplinary actions in accordance with the applicable rules at the entity. This led to the termination of the Director General and the retribution of the director of human resources.

Case 2:

The case could be summarized in what has been referred to Public Prosecution concerning an official whose responsibility is cash collections in one of the government entities, whereas he received sums of money of more than three and a half million dirhams from the entity’s customers against payment receipts which have not been recorded in the entity’s records, while the sums have been concealed and embezzled by himself. This scheme has occurred as a result of weaknesses in the internal controls of the entity.

4.4 ADAA Knowledge Centre

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

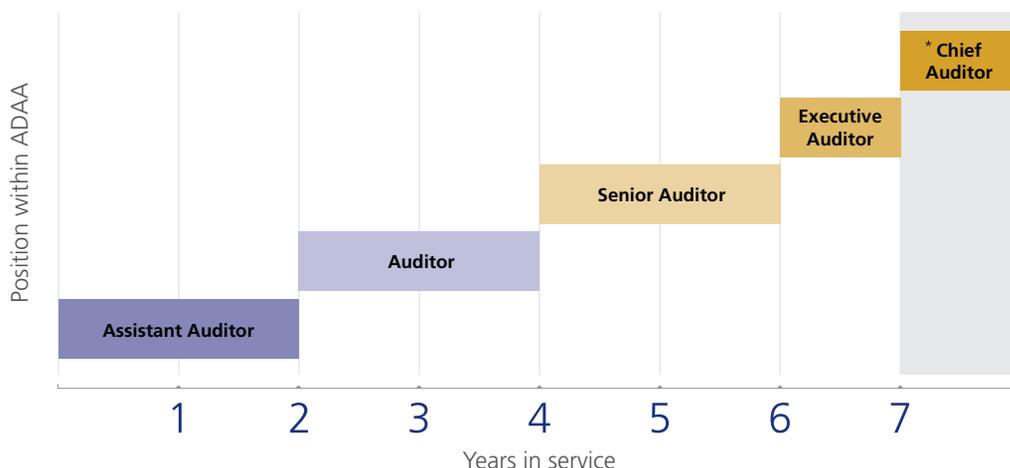
ADAA Further defined and enhanced our offerings under this output group and to further pursue its objective of training and developing UAE Nationals in Accounting and Audit related activity.

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 “Auditors 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 “Auditors Development Program”:

Optimum progression within ADAA



* Must at this stage hold a professional certification for advancement to Chief Auditor, i.e., CPA/CIA.

In 2015, ADAA recruited 11 Emirati graduates into the program that included on-the-job training, secondments to the big 4 audit firms as well as simultaneously offering professional certifications in the accounting and audit profession such as the Certified Public Accountant (CPA) and the Certified Internal Auditor (CIA). To help facilitate this development, ADAA has a full time lecturer that provides 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

The twenty first century is driven by knowledge economies. Developing, capturing and sharing knowledge is going to be critical for the success of any organization. With this objective, ADAA has established a range of capabilities that will help institutionalize creation and dissemination of knowledge not only to professionals within ADAA but also to professionals across the Abu Dhabi Government.

Key initiatives that have been launched by ADAA with this objective are:

The Research and Knowledge Management function

ADAA's outputs are informed by global trends, benchmarks and research across a range of topics. ADAA's Research and Knowledge Management function focuses on bringing insights across a wide variety of industries, functions and topics to keep our professionals up to date on the latest developments and best practices. The Research and Knowledge Management team has, this year, delivered multiple research outputs on topics ranging from the structure and role of anti-corruption agencies, to benchmarking public health insurance practices, licensing practices in the media free zones and education sectors, learnings from mega construction projects such as airports and museums and reporting service performance across entities. The team continued to publish a monthly newsletter which focuses on key issues in accountability and transparency being highlighted globally.

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 an IFRS Digest, an IPSAS Bulletin and an Audit Committee Update. The publications feature ADAA's hot accounting and financial reporting topics, what is new from the IASB, the IPSASB and the accounting profession.

ADAA publishes illustrative consolidated and entity financial statements for IFRS and IPSAS reporters which includes guidance on Management Commentary and Reporting Service Performance.

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

E-maarifa

In today's knowledge driven economy, it is essential to bring together communities of interest and ensure more effective and timely sharing of insights and information. E-maarifa is an online community of like-minded professionals within the Abu Dhabi Government with a common interest and the desire to share their knowledge, expertise and best practices with a broader group of colleagues. This platform allows Abu Dhabi Government employees to share their knowledge and best practices across government entities and benefit from the rich repository of expert views, insights and documents available elsewhere within the Government. The Internal Audit Community on e-maarifa is one such community which now connects 550+ Internal Audit professionals across 95 Abu Dhabi Government entities.

4.4.3 National and International Representation

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

International Forum of Independent Audit Regulators

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

During 2015, ADAA participated in the Plenary Meeting of the IFIAR, held in Taipei, Republic of China (Taiwan) over the period from 20 to 23 April 2015. The highlights of the meeting this year were around the announcement of the new IFIAR Chair Mrs. Janine Van Diggelen, Head of Audit Firm Oversight at the Netherlands Authority for the Financial Markets (AFM) and the election of Mr. Brian Hunt the Chief Executive Officer of the Canadian Public Accountability Board (CPAB) as IFIAR Vice-Chair for a two-year term with immediate effect. Additional members were elected to the IFIAR Advisory Council from Germany, Japan and the United States of America.

The meeting also covered many topics including the agreement on the Officers' Work Plan for 2015 – 2017 which emphasizes increased public outreach and enhanced cooperation among IFIAR Members. In addition, Members agreed with the principle to adopt a governing board structure to lead IFIAR in the future.

IFIAR 9th Inspection Workshop

During the year, ADAA also participated in the 9th Inspection Workshop of the International Forum of Independent Audit Regulators (IFIAR), held in London, United Kingdom alongside more than 147 audit inspectors from around 43 international jurisdictions.

Inspection workshops were organised to enable independent audit regulators meet and discuss inspections processes, learn and leverage from each other, and consider similarities and differences among their practices and methodologies. ADAA participation in the inspection workshops comes as part of its activities as a member of the Inspection Workshops Working Group (IWWG) alongside other IFIAR Members from France, Germany, Japan, Luxembourg, South Africa, Switzerland, UK and USA.

The Workshop sessions discussed a number of key issues and challenges faced by the world audit regulators including the audit quality measurers, key considerations in the design and development of audit inspection regimes, fair value measurement and how to challenge audits of impairment tests.

During the Workshop, IFIAR issued its third Inspection Findings Survey which summarized key inspection results from audits of public companies, including systemically important financial institutions, identified by IFIAR Members in their individual inspections of audit firms in their jurisdictions, including in particular those affiliated with large, international audit firm networks. 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 1,210 total findings in inspected audits of 948 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. 15 percent of the findings relates to internal control testing; and
3. Revenue Recognition accounted for 9.5 percent of the findings.

Public Interest Oversight Board Meeting

In March 2015, ADAA hosted the annual meeting of the Public Interest Oversight Board (PIOB), which is held in the Middle East for the first time.

The PIOB is the global independent oversight body that seeks to improve the quality and public interest focus of the international standards formulated by the Standard Setting Boards supported by the International Federation of Accountants in the areas of audit, assurance, education and ethics. Through its oversight activities, the PIOB works to bring greater transparency and integrity to the audit profession, thereby contributing to the enhanced quality of international financial reporting.

To mark this occasion, ADAA and PIOB organised the Public Interest International Forum in Abu Dhabi on 23 March 2015. During the Forum, prominent speakers from the international, regional and local levels, representing the accounting and auditing profession presented a number of crucial topics covering challenges and concerns of the practitioners and regulators of the profession, the relationship between external auditors and financial sector regulators and the interface between internal and external auditors.

The Forum was attended by PIOB board members, leadership of the International Federation of Accountants and more than 150 professionals from the accounting and auditing profession from International, regional and local bodies such as the IAASB, IESBA, ICAEW, SOCPA, UAE AAA, etc, in addition to representatives from the regional and local audit firms and accounting professionals from the UAE's public sector.

“Public interest is a key concern to Abu Dhabi Accountability Authority, whereby our main objective is to enhance and promote transparency and accountability through ensuring that public entities operations are conducted in a way to serve the public interest.”

ADAA's Chairman in his inaugural speech at the Public Interest International Forum

“We are grateful to Abu Dhabi Accountability Authority for providing the opportunity of gathering the Profession and the regulators in the Gulf area and getting to understand their concerns, their difficulties, their initiatives.”

PIOB Chair in the Public Interest International Forum

Future Challenges in Audit Oversight Seminar

In September 2015, ADAA's Chairman participated as a key speaker in the Future Challenges in Audit Oversight Seminar in Madrid, Spain – at the invitation of the Chair of the Public Interest Oversight Board (PIOB). The Seminar was held under the auspices of the Public Interest Oversight Board (PIOB), to mark the PIOB's 10th anniversary.

During the Seminar, leaders of the international audit oversight bodies, professional institutes and standard setting boards exchanged views on the future challenges within the accounting profession and how best to protect the public interest in standard development in the fields of audit and assurance, ethics and education for accountants.

ADAA and PIOB share a common goal, where both are dedicated to promote transparency and accountability for the sake of public interest.

ADAA's Chairman in the Future Challenges in Audit Oversight Seminar

MENA Public Sector Leadership Summit

In November 2015, ADAA hosted the MENA Public Sector Leadership Summit in collaboration with the International Federation of Accountants (IFAC), in Abu Dhabi, for the first time in the Middle East.

The Summit is organised as part of the "Accountability. Now." Campaign, initiated by the IFAC, to promote high-quality public financial information as the foundation of informed decision-making, better public financial management, and greater accountability.

The Summit was attended by regional policymakers and notable international figures with extensive experience of a range of complex issues that impact governments' ability to effectively and efficiently deliver high-quality public services. In addition to local and international experts that explored regional economic challenges and the role public financial management reform plays in supporting economic development.

In the wake of the financial crisis, International Financial Reporting Standards were heavily criticized and several remedial solutions were recommended to fix the problem without adequate diagnosis nor proper root-cause analysis to the crisis. These solutions were proposed by "intruders" from outside the profession.

ADAA's Chairman in his inaugural speech of the MENA Public Sector Leadership Summit

Many countries require private sector organizations to prepare financial statements, and have them audited, in accordance with rigorous international standards. Remarkably, similar requirements do not apply to the public sector and we need to change that.

IFAC's CEO in the MENA Public Sector Leadership Summit

4.4.4 International Certifications

ADAA continued pursuing international certifications in order to ensure continuous application of best practices and recognised professional standards.

Institute of Leadership and Management

During 2015, the UK Institute of Leadership and Management (ILM) recognises ADAA as an approved ILM training provider.

The ILM is Europe's largest independent organisation that focuses on leadership and management development and is responsible for developing the leadership skills of over 95,000 managers every year around the world.

This achievement was obtained as part of ADAA ongoing enhancements to its services and belief that leadership development has positive impact on every aspect of a business, from improving performance to increased innovation and efficiency. This also acts as a catalyst to attracting and retaining top talent within ADAA.

ADAA is the first local Government entity to obtain this recognition in Abu Dhabi.

With this prestigious global recognition ADAA will be able to strengthen training programs and further enhance the development of all staff in accordance with global standards.

ISO 20000:2011 Certification

ADAA has been awarded the International Standard Organization (ISO) 20000:2011 Certification from the Lloyd's Register Quality Assurance.

ISO 20000:2011 details requirements to plan, establish, implement, operate, monitor, review, maintain and improve a Service Management System. The requirements include the design, transition, delivery and improvement of services to fulfil agreed service requirements.

It is a great achievement to receive such a reputable certificate that recognises that ADAA has comprehensive set of policies and procedures in order to manage its IT operations and services to achieve highest level of ADAA employees' satisfaction.

ISO 27001:2013 Certification

ADAA has been awarded the International Standard Organization (ISO) 27001:2013 Certification from the Lloyd's Register Quality Assurance. ISO 27001:2013 recognizes that ADAA has comprehensive information security controls in order to protect its IT infrastructure.

This certification is awarded only to those organizations that demonstrate that they meet the highest information security standards as judged by an independent and accredited team of auditors. ADAA recognizes that establishing an information security program based on an international standard is of utmost importance.

OHSAS 18001:2007 certification

OHSAS 18001:2007 is an internationally recognized occupational, health and safety management system series standard which enables ADAA to promote a safe and healthy working environment by providing a framework that helps us to:

- ▶ Identify and control health and safety risks
- ▶ Reduce the potential for accidents
- ▶ Aid legal compliance
- ▶ Improve overall performance

Investors in People

ADAA's Human Resources and Communications Department, has been awarded the Investors in People Standard, demonstrating their commitment to realising the potential of their people. Investors in People is the UK's leading accreditation for business improvement through people management, and demonstrates our commitment to providing best practices in people management.

Undergoing the evaluation process has enabled us to focus and improve on ten core areas, involving people management namely: Business Strategy, Learning and Development Strategy, People Management Strategy, leadership and Management strategy, Management Effectiveness, Recognition and Reward, Involvement and Empowerment, Learning and Development, Performance Measurement, and continuous improvement.

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

For the fourth year in succession the ADAA attended the UAE National Student Forum in Washington DC. This is an event hosted by the UAE Embassy in the United States of America for UAE National student's 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 of the Auditor Development Program.

4.4.5 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.

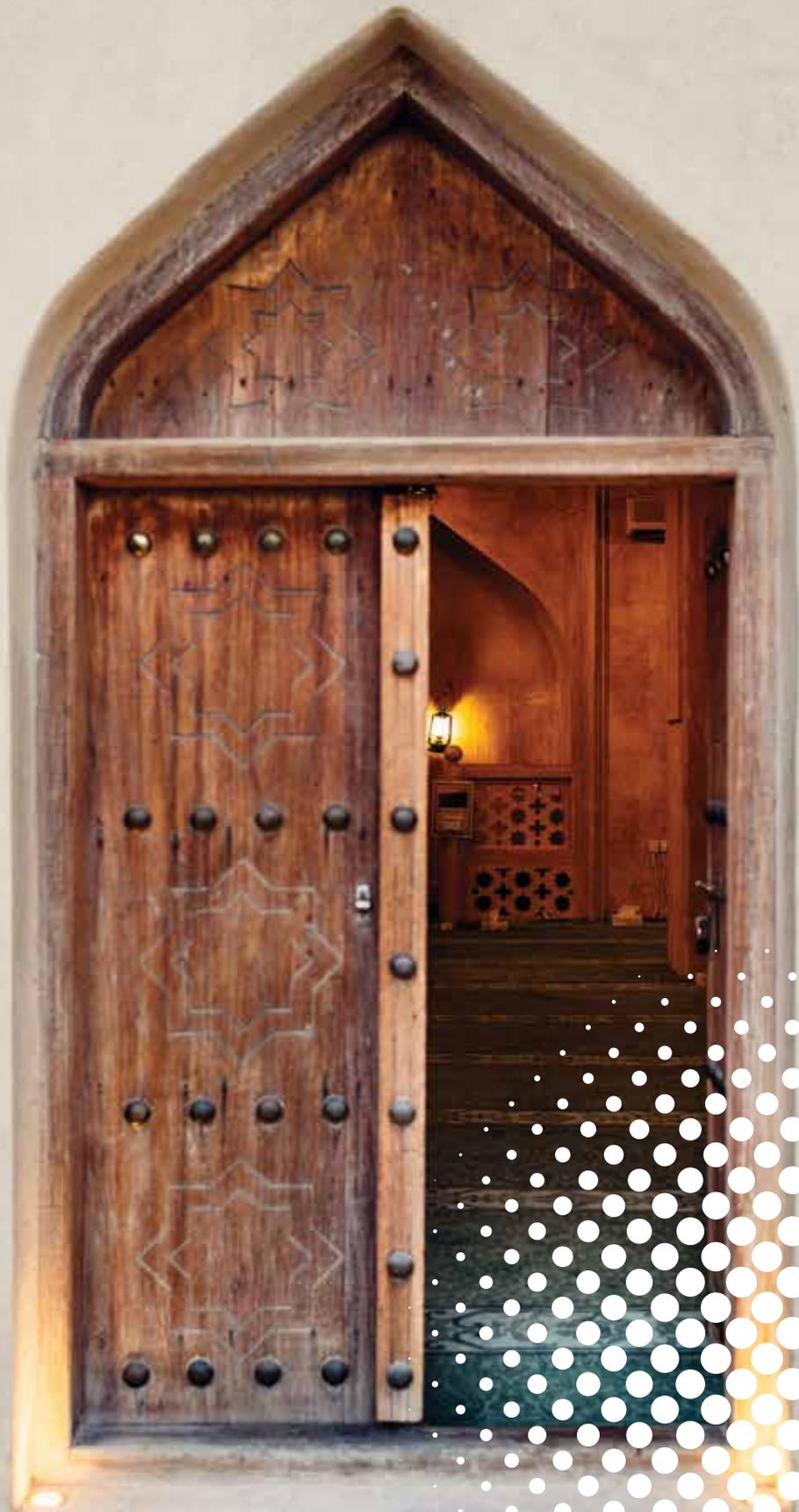
ADAA held workshops for the board of directors of the government entities and companies introducing latest best practices in collaboration with UK Institute of Directors (IoD). In addition, ADAA's Head of Accounting and Auditing Standards Desk (AASD) chairs Abu Dhabi Technical Forum (ADTF), comprising ADAA and the accounting and audit technical partners of the audit firms.

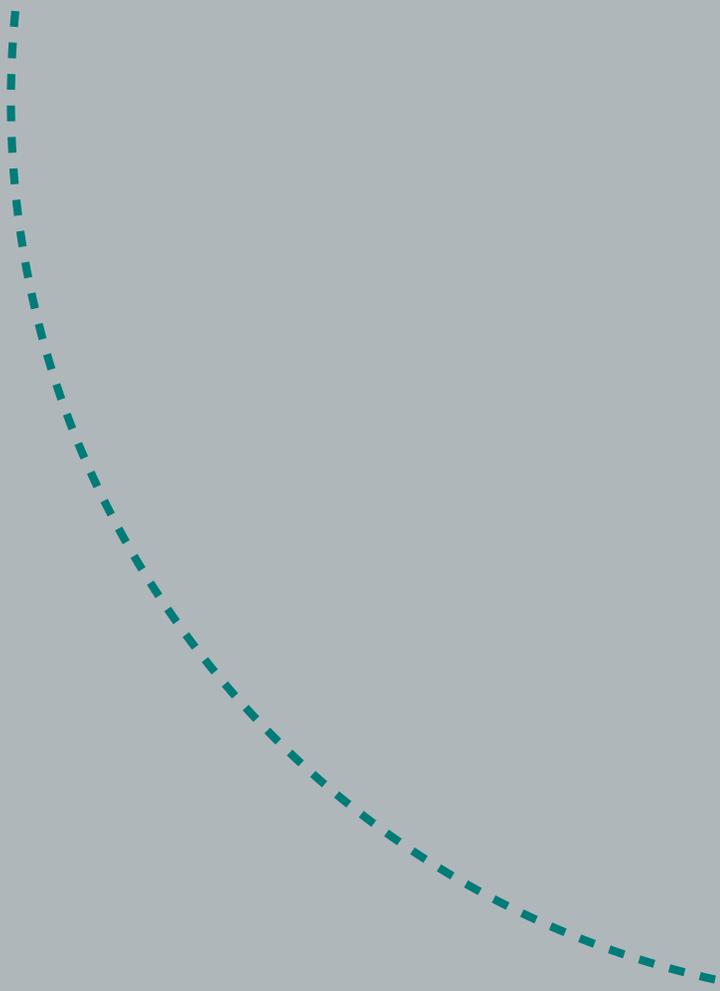
The ADTF has met 34 times since inception in 2010 and reviewed more than 200 accounting technical papers covering topics such as impairment, fair value, goodwill, service concession assets, asset recognition, depreciation, principal and agent, government contributions, related parties identification and disclosure, selection and application of accounting policies, disclosure of sources of estimation uncertainty, common control transactions, leases, provisions, investment property, onerous contracts, and professional accountants' code of ethics.

5. 2016 WORKPLAN

Below are some of the highlights of ADAA's 2016 annual plan:

- ▶ Design regulatory framework for transparency and accountability within the Government which determines the general principles and responsibilities for preventing financial and administrative misconduct, avert its risks, detect it, resolve its root causes and hold perpetrators accountable. The framework combines both government audit and financial and administrative anti-corruption.
- ▶ Develop the required legislation to implement the regulatory framework, and develop the bylaws, regulations and standards derived from this legislation.
- ▶ Conduct a review over ADAA outputs, develop them and prepare the methodologies required to deliver these outputs.
- ▶ Review and update ADAA strategy and work plan in light of the above.
- ▶ 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 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.
- ▶ Review the performance of the Internal Audit function of Subject Entities and continue to provide support to improve the role of internal audit.
- ▶ Examine complaints referred to ADAA or discovered during its course of work at Subject Entities and issue Special Examination Reports accordingly.
- ▶ Address complex accounting matters and unify interpretations of financial reporting standards through the Abu Dhabi Technical Forum.
- ▶ 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.
- ▶ Participate in the International Forum of Independent Audit Regulators (IFIAR) plenary meeting for year 2016.
- ▶ Host the 10th Inspection Workshop of the IFIAR in Abu Dhabi during February 2016.
- ▶ 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 2015

Abu Dhabi Accountability Authority

FINANCIAL STATEMENTS

For the year ended at 31 December 2015

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United Arab Emirates

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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 2015, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Report on other legal and regulatory requirements

We further confirm that we have obtained all information and explanations necessary for our audit; the financial statements comply, in all material respects, with the applicable requirements of Law number (18) of 2006 issuing the financial system of the Government of Abu Dhabi. We are not aware of any violations of the above mentioned Law having occurred during the year ended 31 December 2015, which may have a material effect on the Authority's financial statements.

KPMG Lower Gulf Limited
Munther Dajani
Registration No.: 268
Abu Dhabi, United Arab Emirates

25 January 2016

Abu Dhabi Accountability Authority

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 AED	2014 AED
ASSETS			
Current assets			
Cash and cash equivalents	4	5,000	246,452
Government of Abu Dhabi account	5,12	20,489,925	16,357,406
Prepayments and other receivables	6	4,530,176	5,734,484
		<u>25,025,101</u>	<u>22,338,342</u>
Non-current assets			
Intangible assets	8	2,933,273	1,232,699
Property and equipment	7	151,827,063	69,421,048
		<u>154,760,336</u>	<u>70,653,747</u>
TOTAL ASSETS		<u><u>179,785,437</u></u>	<u><u>92,992,089</u></u>
LIABILITIES			
Current liabilities			
Accrued expenses and other payables	9	15,171,288	7,249,061
Deferred government grant related to assets	5	1,812,697	735,640
		<u>16,983,985</u>	<u>7,984,701</u>
Non-current liabilities			
Deferred government grant related to assets	5	132,161,123	60,018,005
Retention payables		6,245,073	3,228,745
Employees' end of service benefits	10	24,395,256	21,760,638
		<u>162,801,452</u>	<u>85,007,388</u>
TOTAL LIABILITIES		<u><u>179,785,437</u></u>	<u><u>92,992,089</u></u>

The financial statements were authorised for issue in accordance with a resolution of the Authority's Chairman on 25 January 2016.



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 2015

		2015	2014
	<i>Notes</i>	<i>AED</i>	<i>AED</i>
Revenue			
Revenue from non-exchange transaction			
Contributions from Government of Abu Dhabi	5, 12	135,403,951	125,285,836
Revenue from exchange transaction			
Other income		<u>1,189,977</u>	<u>1,386,698</u>
Total revenue		<u>136,593,928</u>	<u>126,672,534</u>
Expenditures			
Employees' salaries and other benefits		118,600,486	111,336,821
Depreciation and amortisation		1,153,537	1,008,968
General and administrative expenses	11	<u>16,839,905</u>	<u>14,326,745</u>
Total expenditures		<u>136,593,928</u>	<u>126,672,534</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 2015

	<i>Notes</i>	2015 AED	2014 AED
Balance at 1 January	5	(16,357,406)	(12,596,961)
Funds received during the year related to operating and capital expenditures	5	205,865,658	157,158,565
Funds received during the year related to capital expenditures and transferred to deferred government grant	5	(74,373,712)	(34,151,582)
Refund to Government of Abu Dhabi during the year	5	(1,374,051)	(2,490,560)
Contribution related to operating expenditures recognised as revenue during the year	5	(134,250,414)	(124,276,868)
Balance at 31 December	5	<u>(20,489,925)</u>	<u>(16,357,406)</u>

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

Current Assets

Government of Abu Dhabi account	5	<u>20,489,925</u>	<u>16,357,406</u>
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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 CASH FLOWS

For the year ended 31 December 2015

	<i>Notes</i>	2015 AED	2014 AED
OPERATING ACTIVITIES			
<i>Adjustments for:</i>			
Depreciation and amortisation		1,153,537	1,008,968
Provision for employees' end of service benefits	10	3,385,011	3,507,728
Gain on sale of property and equipment		(21,500)	(16,200)
Contributions related to operating expenditures recognised as revenue during the year	5	(134,250,414)	(124,276,868)
Deferred government grant related to assets recognised as revenue during the year	5	(1,153,537)	(1,008,968)
Decrease in prepayments and other receivables		1,204,308	1,151,098
Increase/(decrease) in accrued expenses and other payables		52,141	(886,067)
Government contributions received during the year net of refund		204,491,607	154,668,005
Employees' end of service benefits paid during the year	10	(750,393)	(428,025)
Net cash flows from operating activities		74,110,760	33,719,671
INVESTING ACTIVITIES			
Payments to purchase property and equipment		(72,093,612)	(33,081,645)
Payments to purchase intangible assets		(2,280,100)	(1,069,937)
Proceeds from sale of property and equipment		21,500	16,200
Net cash used in investing activities		(74,352,212)	(34,135,382)
(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(241,452)	(415,711)
Cash and cash equivalents at the beginning of the year		246,452	662,163
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	5,000	246,452

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

Purchase of property and equipment	15,773,961	4,796,435
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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 2015

<i>Description</i>	<i>Original budget amounts</i>	<i>Final budget amounts</i>	<i>Actual amounts on comparable basis</i>	<i>Difference</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
RECEIPTS				
Contribution from Government of Abu Dhabi	234,233,000	263,625,000	205,865,658	57,759,342
Revenue from non-subject entities	-	-	1,045,039	(1,045,039)
Total receipts	234,233,000	263,625,000	206,910,697	56,714,303
Refund to Government of Abu Dhabi during the year	-	-	(1,374,051)	1,374,051
Net receipts available for disbursement	234,233,000	263,625,000	205,536,646	58,088,354
EXPENDITURES				
Chapter one - Salaries and other benefits				
Basic salary and other allowances	118,312,000	118,312,000	101,119,337	17,192,663
Tuition allowance	5,000,000	5,000,000	4,878,154	121,846
Contributions to Retirements Pension and Benefits Fund	6,969,000	6,969,000	5,165,127	1,803,873
End of service benefits paid during the year	3,068,000	3,068,000	750,393	2,317,607
Medical insurance	2,242,000	2,242,000	1,674,520	567,480
Staff training	2,664,000	1,386,000	1,274,661	111,339
Recruitment fees	285,000	285,000	109,775	175,225
Staff events and activities	847,000	847,000	681,659	165,341
Other expenses	680,000	680,000	461,433	218,567
Total salaries and other benefits	140,067,000	138,789,000	116,115,059	22,673,941
Chapter two – Other operating expenditures				
Consultancy fees	8,600,000	8,145,000	5,166,492	2,978,508
Office rent and other related expenses	3,811,000	3,701,000	2,564,951	1,136,049
Motor vehicles expenses (insurance, maintenance and fuel)	132,500	132,500	67,319	65,181
Operation and maintenance of computers, furniture and office equipment	2,927,500	2,727,500	1,841,097	886,403
Books and professional and scientific subscriptions	234,000	234,000	151,390	82,610
Advertising and corporate identity expenses	188,000	188,000	128,946	59,054
Business travel expenses	2,105,000	1,755,000	1,148,831	606,169
Printing and publishing	1,500,000	1,200,000	687,949	512,051
Conferences	1,503,000	2,403,000	2,003,657	399,343
Miscellaneous expenses	652,000	1,167,000	1,046,950	120,050
Total other operating expenditures	21,653,000	21,653,000	14,807,582	6,845,418
GRANTS				
Grants to non profit organisations	610,000	610,000	503,245	106,755
NET OPERATING RECEIPTS	71,903,000	102,573,000	74,110,760	28,462,240

(continued)

Abu Dhabi Accountability Authority

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the year ended 31 December 2015

(continued)

<i>Description</i>	<i>Original budget amounts</i>	<i>Final budget amounts</i>	<i>Actual amounts on comparable basis</i>	<i>Difference</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Chapter three - Capital expenditures				
Furniture and fixtures	100,000	100,000	(7,900)	92,100
Hardware & peripherals	8,800,000	19,370,000	(15,866,166)	3,503,834
Office equipment	616,000	616,000	-	616,000
Computer software (Intangible assets)	2,487,000	2,487,000	(2,280,100)	206,900
Proceeds from sale of property and equipment	-	-	21,500	21,500
Net capital expenditures	12,003,000	22,573,000	(18,132,666)	4,440,334
Capital development projects				
Capital work in progress (ADAA building)	59,900,000	80,000,000	(56,219,546)	23,780,454
Net capital payments	71,903,000	102,573,000	(74,352,212)	28,220,788
NET PAYMENTS			(241,452)	

The budget and the financial statements are prepared using different bases. The actual amounts on a comparable basis above were prepared on the same basis adopted for the budget: "cash basis". The difference between the original and final budget amounts resulted from a reduction in 'staff training' in chapter one by 50% based on the resolution of the Executive Committee of the Executive Council, in addition to reallocation of certain items within chapter two. Also, an additional budget of AED 10,570,000 and AED 20,100,000 were allocated to 'Hardware & peripherals' under chapter three and 'Capital work in progress' respectively, after obtaining the required approvals from the concerned authorities. 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 2015, the Authority had 160 employees (2014: 155 employees).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS).

The financial statements are prepared under the historical cost convention.

The financial statements have been presented in United Arab Emirates Dirhams ("AED") which is the functional currency of the Authority.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year.

The Authority has not applied the following new IPSASs issued but not yet effective as at the date of this financial statements:

IPSAS 33 – First Time Adoption of Accrual Basis IPSASs. A first-time adopter shall apply this Standard if its first IPSAS financial statements are for a period beginning on or after January 1, 2017.

IPSAS 34 – Separate Financial Statements - effective on or after January 1, 2017

IPSAS 35 – Consolidated Financial Statements - effective on or after January 1, 2017

IPSAS 36 – Investments in Associates and Joint Ventures - effective on or after January 1, 2017

IPSAS 37 – Joint Arrangements - effective on or after January 1, 2017

IPSAS 38 – Disclosure of Interests in Other Entities - effective on or after January 1, 2017

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.

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:

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

The carrying amounts are reviewed for impairment when events or changes in circumstances indicate 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Capital work in progress

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

Prepayments and Other receivables are stated at original disbursed amount less a provision for any uncollectible amounts. No provision was required in 2015 (2014: nil) and no bad debts were written off during the year (2014: nil)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

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 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.

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.

4. CASH AND CASH EQUIVALENTS

	2015	2014
	AED	AED
Bank balances	-	231,452
Cash in hand	<u>5,000</u>	<u>15,000</u>
	<u>5,000</u>	<u>246,452</u>

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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.

	<i>Grant related to Capital expenditures</i>	<i>Contribution related to Operating expenditures</i>	<i>Total</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>
Balance as at 1 January 2014	27,611,031	(12,596,961)	15,014,070
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>
Funds received during 2015	74,373,712	131,491,946	205,865,658
Refund to Government of Abu Dhabi during 2015	-	(1,374,051)	(1,374,051)
Contribution recognised as revenue during 2015	<u>(1,153,537)</u>	<u>(134,250,414)</u>	<u>(135,403,951)</u>
Balance as at 31 December 2015	<u>133,973,820</u>	<u>(20,489,925)</u>	<u>113,483,895</u>

Classified in the statement of financial position as follows:

	<i>2015 AED</i>	<i>2014 AED</i>
<u>Grant related to capital expenditures</u>		
Deferred government grant related to assets		
Current liabilities	1,812,697	735,640
Non-current liabilities	132,161,123	60,018,005
Balance as at 31 December	<u>133,973,820</u>	<u>60,753,645</u>
<u>Contributions related to operating expenditures</u>		
Government of Abu Dhabi account		
Current assets	<u>20,489,925</u>	<u>16,357,406</u>

6. PREPAYMENTS AND OTHER RECEIVABLES

	<i>2015 AED</i>	<i>2014 AED</i>
Prepaid expenses	1,136,331	2,653,773
Advances and housing loans to employees	2,951,500	2,761,804
Other Receivables	442,345	318,907
	<u>4,530,176</u>	<u>5,734,484</u>

Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

7. PROPERTY AND EQUIPMENT

	2015 AED	2014 AED
Property and equipment	151,827,063	64,533,501
Advance to related parties (note 12)	-	4,887,547
	<u>151,827,063</u>	<u>69,421,048</u>

Property and equipment details are as follows:

	<i>Motor Vehicles</i> AED	<i>Furniture and fixtures</i> AED	<i>Leasehold improve- ments</i> AED	<i>Computers and office equipment</i> AED	<i>Capital work in progress</i> AED	<i>Total</i> AED
2015						
Cost:						
As at 1 January 2015	544,001	2,614,101	3,828,589	6,027,082	63,558,124	76,571,897
Additions	-	7,899	-	1,129,471	86,730,203	87,867,573
Disposals	(186,001)	-	-	(34,950)	-	(220,951)
As at 31 December 2015	<u>358,000</u>	<u>2,622,000</u>	<u>3,828,589</u>	<u>7,121,603</u>	<u>150,288,327</u>	<u>164,218,519</u>
Accumulated depreciation:						
As at 1 January 2015	441,083	2,586,721	3,824,018	5,186,574	-	12,038,396
Depreciation for the year	53,974	12,382	3,895	503,760	-	574,011
Disposals	(186,001)	-	-	(34,950)	-	(220,951)
As at 31 December 2015	<u>309,056</u>	<u>2,599,103</u>	<u>3,827,913</u>	<u>5,655,384</u>	<u>-</u>	<u>12,391,456</u>
Net carrying amount as at 31 December 2015	<u>48,944</u>	<u>22,897</u>	<u>676</u>	<u>1,466,219</u>	<u>150,288,327</u>	<u>151,827,063</u>
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>-</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>

8. INTANGIBLE ASSETS

	<i>Computer Software</i>	
	2015	2014
	AED	AED
Cost:		
As at 1 January	6,625,035	5,555,098
Additions	2,280,100	1,069,937
As at 31 December	<u>8,905,135</u>	<u>6,625,035</u>
Accumulated amortisation:		
As at 1 January	5,392,336	5,119,670
Amortisation for the year	579,526	272,666
As at 31 December	<u>5,971,862</u>	<u>5,392,336</u>
Net book value:		
As at 31 December	<u>2,933,273</u>	<u>1,232,699</u>

9. ACCRUED EXPENSES AND OTHER PAYABLES

	2015	2014
	AED	AED
Due to related parties (note 12)	14,447,288	6,577,202
Other payables	131,994	342,233
Accrued expenses	592,006	329,626
	<u>15,171,288</u>	<u>7,249,061</u>

10. EMPLOYEES' END OF SERVICE BENEFITS

	2015	2014
	AED	AED
Balance as at 1 January	21,760,638	18,680,935
Charge of the year	3,385,011	3,507,728
End of service benefits paid during the year	<u>(750,393)</u>	<u>(428,025)</u>
Balance as at 31 December	<u>24,395,256</u>	<u>21,760,638</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 2015 amounted to AED 5,165,127 (2014: AED 4,456,221) which have been contributed directly to Abu Dhabi Retirement Pensions and Benefits Fund.

11. GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
	AED	AED
Consultancy fees	5,134,667	2,431,658
Rent	3,112,961	3,173,239
Conferences	2,003,657	709,039
Other expenses	1,624,172	630,445
Computer maintenance	1,494,654	1,740,402
Business travel	1,143,959	1,609,406
Printing and publishing	687,949	1,139,490
Telephone, air condition and electricity	665,535	1,568,693
Grant to non profit organisations	503,245	600,432
Cleaning and Security Services: Business Premises	230,385	255,777
Advertising	128,946	161,100
Recruitment fees	109,775	307,064
	<u>16,839,905</u>	<u>14,326,745</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:

	2015	2014
	AED	AED
Due from Government of Abu Dhabi	<u>20,489,925</u>	<u>16,357,406</u>
Payable to Abu Dhabi General Services Company - Musanada	<u>14,447,288</u>	<u>6,577,202</u>
Advance to Abu Dhabi General Services Company - Musanada	<u>-</u>	<u>4,887,547</u>

b) Transactions with related parties:

	2015	2014
	AED	AED
Revenue from non-exchange transaction - Contribution from Government of Abu Dhabi	<u>135,403,951</u>	<u>125,285,836</u>
Payments to Abu Dhabi General Services Company - Musanada during the year	<u>70,956,241</u>	<u>32,520,922</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:

	2015 AED	2014 AED
Salaries and other benefits	<u>15,576,864</u>	<u>15,526,433</u>
Employees' end of service benefits	<u>1,175,875</u>	<u>980,785</u>
Number of key management personnel	<u>10</u>	<u>10</u>

13. COMMITMENTS

As at 31 December 2015, the Authority had unrecognised contractual capital commitments amounting to AED 10,537,299 (2014: AED 49,732,593).

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 transactions 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 Executive Council Resolution number 1 Session 3/2014 issued on 16 December 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 2015 as follows:

2015	Net operating receipts	Net investing payments	Net payments
	AED	AED	AED
Actual amount on comparable basis as presented in the statement of comparison of budget and actual amounts	74,110,760	(74,352,212)	(241,452)
Differences	-	-	-
Actual amount in the statement of cash flows	<u>74,110,760</u>	<u>(74,352,212)</u>	<u>(241,452)</u>

15.5 Explanation of material differences between actual amounts and budget

The total budget difference amount of AED 57.8 million is due to the following:

Capital Expenditures and capital development projects

The underspent amount of AED 28.2 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 main works and postponing the purchase of other assets.

Operating Expenditures

The underspent amount of AED 29.6 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 operational contracts to the following year.



