



جهاز أبوظبي للمحاسبة
ABU DHABI ACCOUNTABILITY AUTHORITY

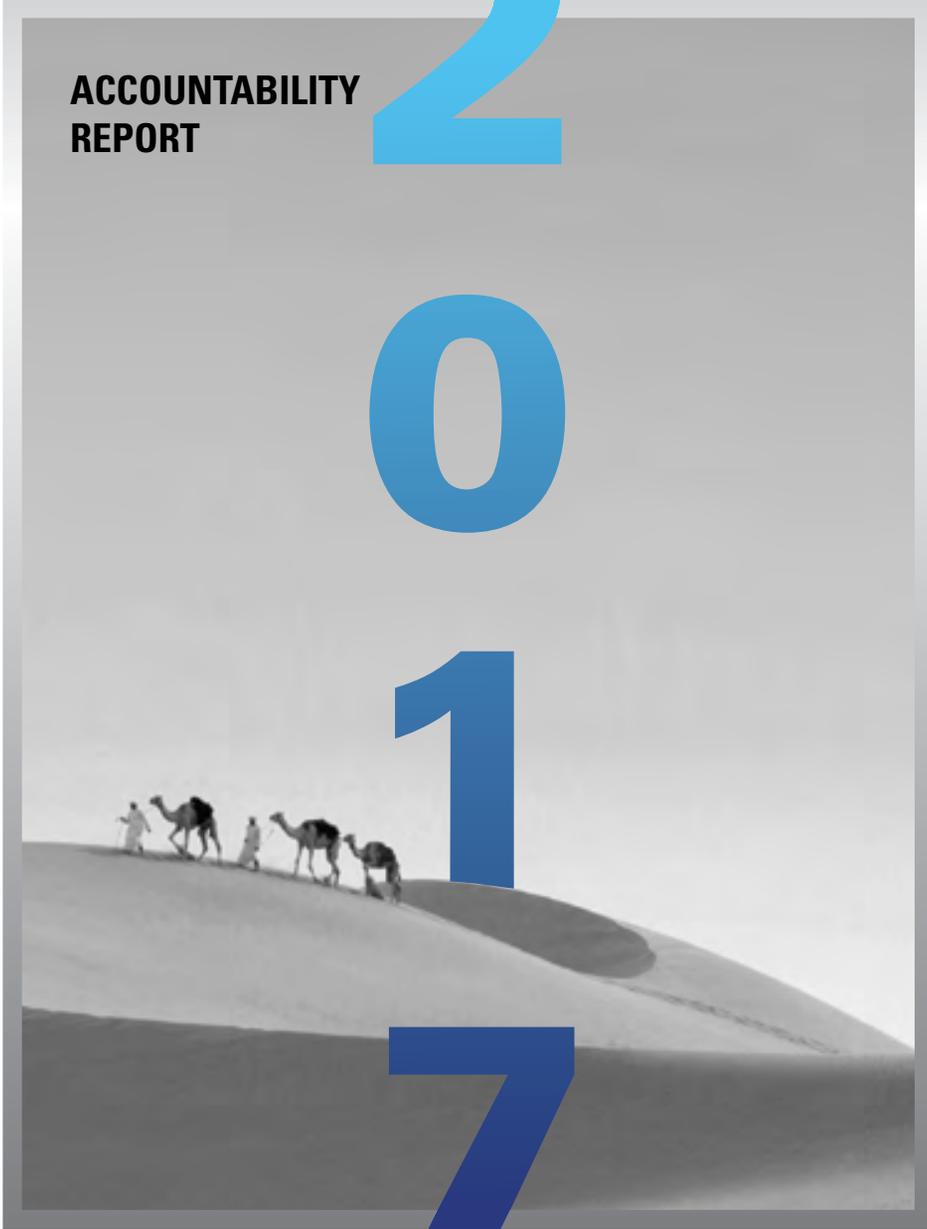
**ACCOUNTABILITY
REPORT**

2

0

1

7





Mixed Sources

Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. GFA-COC-001615
© 1996 Forest Stewardship Council

This publication was printed in the United Arab Emirates using organic inks and water based varnishes and sealants. The paper is Heaven 42, 300 g/m² and 150 g/m². This paper is FSC certified (sourced from well-managed forests and chlorine-free) and Green Seal certified (contains a minimum of 30 percent post-consumer fibre). When you wish to dispose of this report, please use recycled paper waste facilities.

Did you know? Compared to virgin paper, each ton of recycled paper can save.

- 17 trees
- 3.3 cubic yards of landfill space
- 4,000 kWh of energy
- 7,000 gallons of water

(Source: US Environmental Protection Agency)



ADAA Accountability
Report on the website

You can download **ADAA app**





“ 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



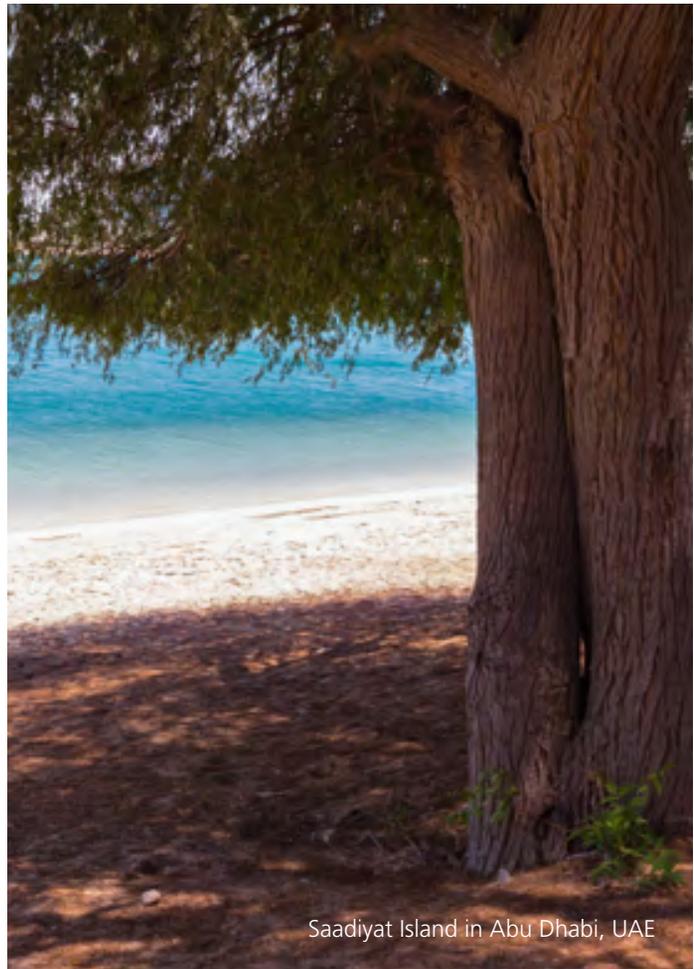
His Highness Sheikh Mohamed bin Zayed Al Nahyan
The Crown Prince of Abu Dhabi and Deputy Supreme Commander
of the UAE Armed Forces

PART 01

About ADAA

PAGE 2 - 15

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



Saadiyat Island in Abu Dhabi, UAE

PART 02

ADAA Outputs

PAGE 16 - 29

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



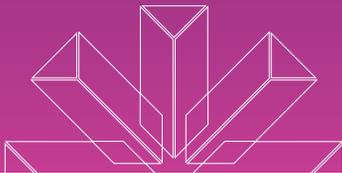
Liwa Desert in the Al Dhafra Region of Abu Dhabi, UAE

PART 03

2016 Report & 2017 Plan

PAGE 30 - 57

1. 2016 Achievements Highlights
2. Financial Audit and Examination
3. Performance and Risk Assurance
4. Supporting Accountability
5. 2017 Work Plan



Saadiyat Island in Abu Dhabi, UAE

PART 04

Financial Statements

together with the independent auditor's report

For the year ended 31 December 2016

PAGE 58



Desert in Abu Dhabi, UAE



Mist in a desert at sunrise, UAE

FOREWORD

It gives us great pleasure to bring you the "Accountability Report 2017", the 9th issue of the annual report of the 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. On 10th of April 2016, the Country announced the creation of new ministries that included the Ministry of Happiness as the first of its kind globally. In September 2016, Global Finance named 6 UAE banks, including the top spot, in the 10 Safest Banks in the Middle East and Africa as ranked by Global agencies Moody's, Standard and Poor's and Fitch. The Country ranked 24th globally in the Corruptions Perceptions Index issued by Transparency International in 2016 whereas it ranked 35th in 2008, which reflects the great achievement in this respect. The UAE ranked 1st in the region and 16th globally in the Global Competitiveness Report issued by the World Economic Forum (Davos). The UAE was also ranked the happiest Arab Country and the 28th 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 "Auditors Development Program" designed 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. 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:

- 113 reports issued as outputs of the Financial Audit and Examination group and the Performance and Risk Assurance group.
- Organized the 10th Inspection Workshop of the International Forum of Independent Audit Regulators (IFIAR) in Abu Dhabi alongside 166 participants from 43 jurisdictions. These workshops are organised to enable independent audit regulators to meet and discuss inspections processes, to learn and leverage from each other, and to consider similarities and differences among practices and methodologies.
- Participated in the IFIAR plenary meeting in London, UK.
- Attended the Institute of Internal Auditors' Global Conference held in New York, USA.
- ADAA Knowledge Centre continues to be accredited 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.

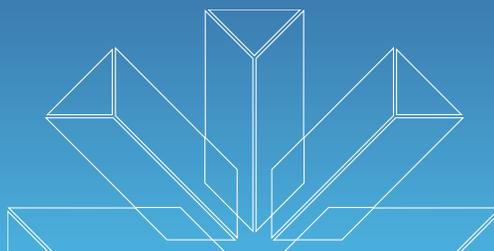
Hamad Al Suwaidi
ADAA Chairman

PART 01

About ADAA

PAGE 2 - 15

1. ADAA History	04
2. Strategic Pillars	04
3. Overall Strategy	05
4. Objectives & Responsibilities	06
5. Outputs & Outcomes	06
6. Subject Entities	07
7. Governance Report	11





Saadiyat Island in Abu Dhabi, UAE

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.

In February 2017, His Highness Sheikh Khalifa Bin Zayed Al Nahyan, in his capacity as Ruler of Abu Dhabi, issued an Emiri Decree appointing His Excellency Hamad Mohammad Al Hurr Al Suwaidi as Chairman of the ADAA.

2. STRATEGIC PILLARS

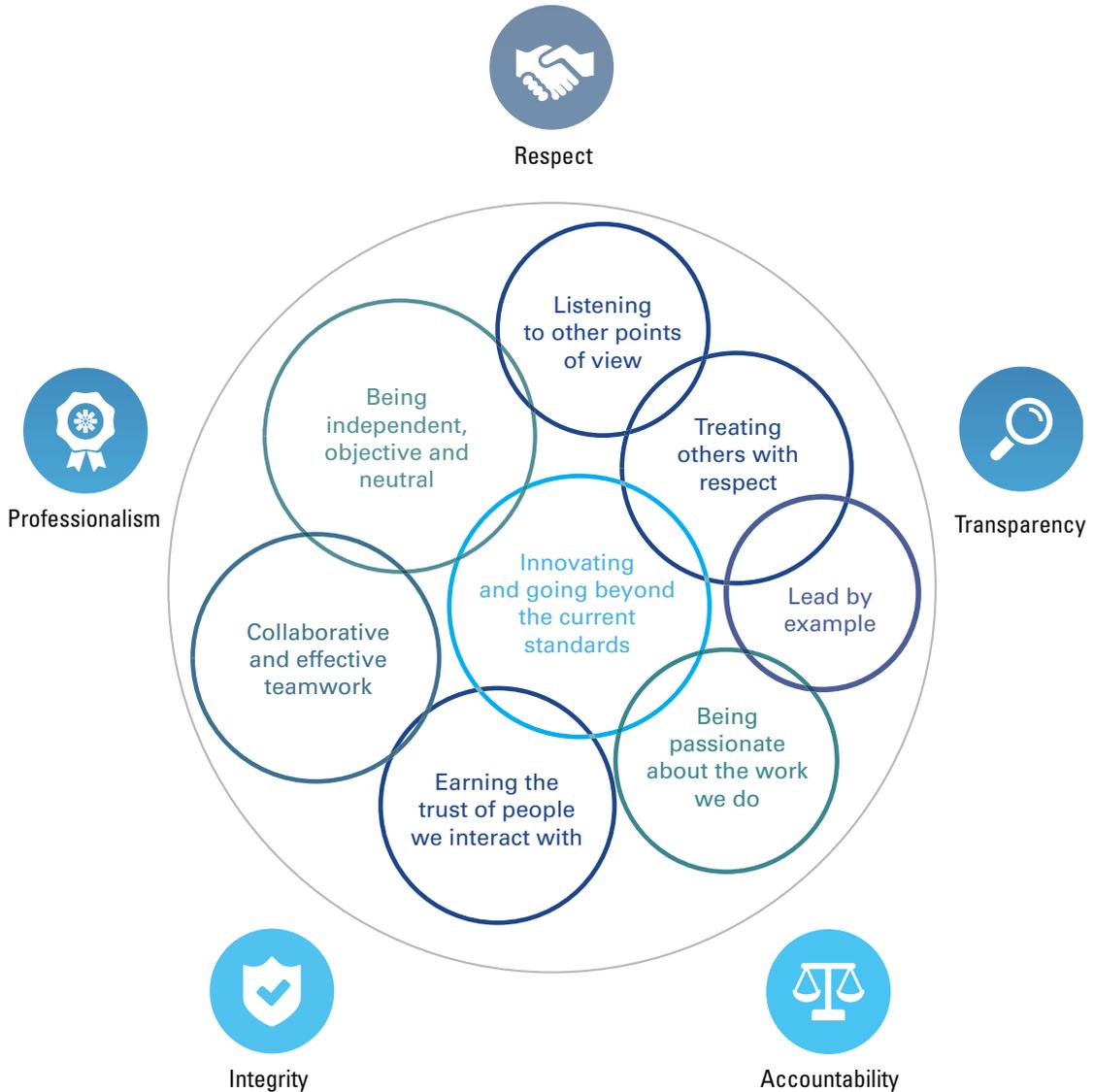
Our Vision

"To be one of the top 5 accountability authorities in the world"

Our Mission

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





3. OVERALL STRATEGY

To enhance performance and to promote accountability and transparency by:

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

4. OBJECTIVES & RESPONSIBILITIES

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

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.
7. Issue regulations, rules, guidelines and standards that enable ADAA to exercise its functions and duties.

5. OUTPUTS & OUTCOMES

Outputs

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

Outcomes

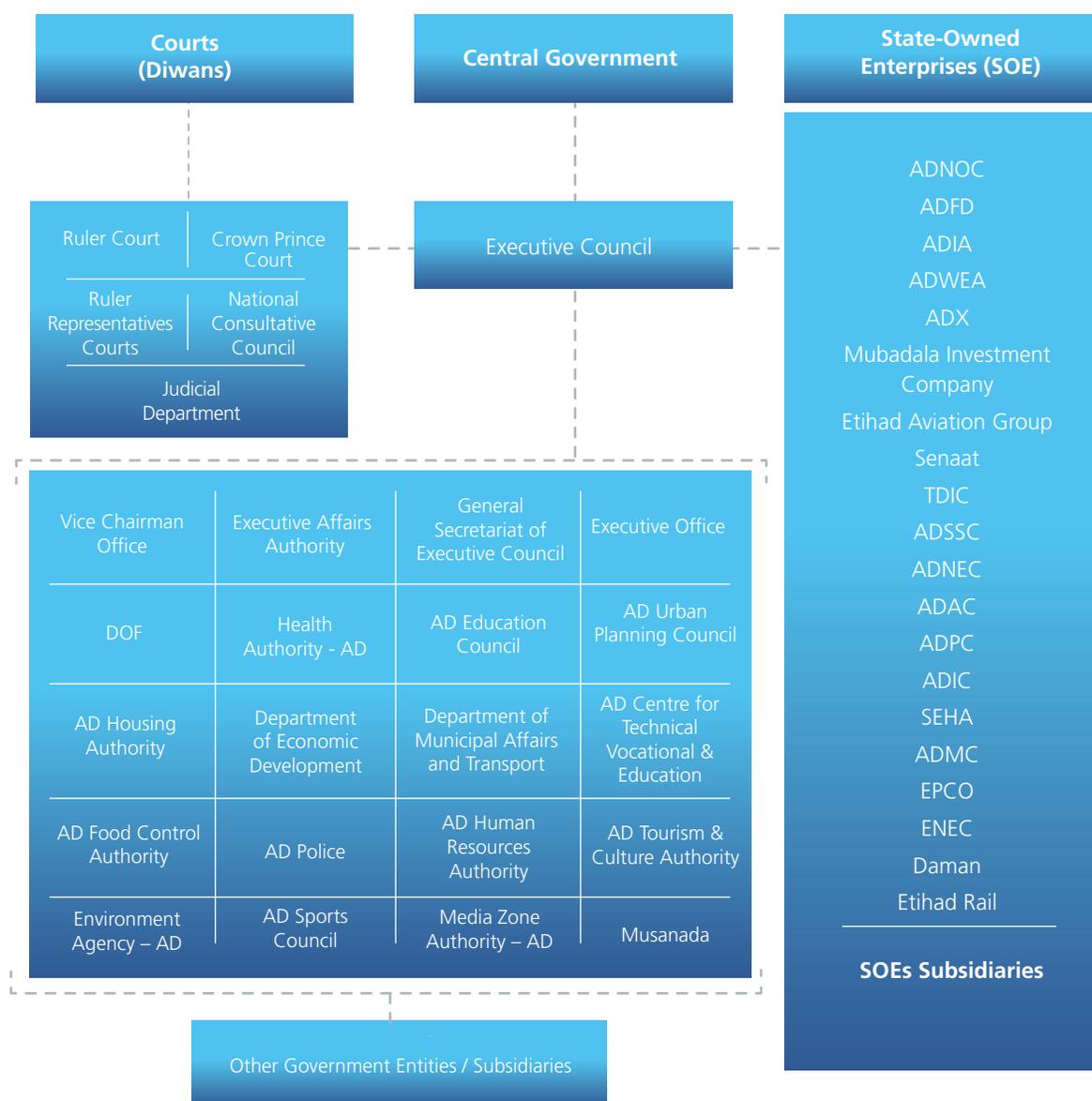
1. Enhanced accountability and transparency in the Government and Subject Entities.
2. The public and the world are better informed about accountability in Abu Dhabi Government.
3. Efficient and effective public sector.
4. Improved governance practices in all Subject Entities.
5. Increased number of 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 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 No.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 Enterprise 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
	Social Inclusion	22. Family Development Foundation
		23. Zayed Higher Organization For Humanitarian Care and Special Needs
		24. Social Care and Minors Affairs Foundation
		25. Zayed bin Sultan Al Nahyan Charitable and Humanitarian Foundation
		26. Khalifa Bin Zayed Al Nahyan Foundation
		27. Emirates Foundation
Housing	28. Zayed House for Family Care	
	29. Abu Dhabi Housing Authority	

Subject Entities Classification by Sector

Sector	Policy Area	Entity Name
Human Capital Development	Education	30. Abu Dhabi Education Council
		31. Khalifa University for Science, Technology and Research
		32. Emirates College for Advanced Education
		33. Paris-Sorbonne University - Abu Dhabi
		34. Mohammed V University - Abu Dhabi
		35. Abu Dhabi Centre for Technical and Vocational Education and Training
		36. Abu Dhabi Vocational Education and Training Institute
		37. Institute of Applied Technology
		38. Petroleum Institute
	39. Rabdan Academy	
	Labour	40. Abu Dhabi Human Resources Authority
		41. Civil Service Council
		42. Abu Dhabi Retirement Pensions and Benefits Fund
Sports	43. Abu Dhabi Sports Council	
Infrastructure and Environment	Urban Planning and Municipal Affairs	44. Abu Dhabi Urban Planning Council
		45. Department of Municipal Affairs and Transport
		46. Municipality of Abu Dhabi City
		47. Municipality of Al Ain City
		48. Western Region Municipality
		49. The Center of Waste Management - Abu Dhabi
	50. Abu Dhabi General Services Company - Musanada	
	Transport	51. Integrated Transport Centre
		52. Compensation Fund for Owners of Taxi Licenses
	Environment	53. Environment Agency - Abu Dhabi
		54. International Fund for Houbara Conservation
		55. Mohamed bin Zayed Species Conservation Fund

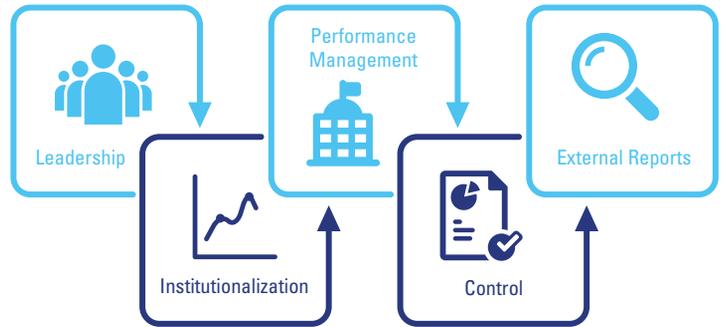
Subject Entities Classification by Sector

Sector	Policy Area	Entity Name
Government Administration	Government Administration	56. Ruler Court
		57. Crown Prince Court
		58. Ruler Representative in Al Ain Region Court
		59. Ruler Representative in Al Dhafra Region Court
		60. National Consultative Council
		61. Executive Affairs Authority
		62. Vice Chairman of the Executive Council Office
		63. General Secretariat of the Executive Council
		64. Executive Committee Office
		65. Department of Finance
		66. Statistics Centre - Abu Dhabi
		67. Presidential Flight Authority
		68. Abu Dhabi systems and information Centre
Public Investments	Public Investments	69. Abu Dhabi National Oil Company – ADNOC
		70. Abu Dhabi Fund for Development – ADFD
		71. Abu Dhabi Investment Authority – ADIA
		72. Abu Dhabi Water & Electricity Authority – ADWEA
		73. Abu Dhabi Securities Exchange – ADX
		74. Mubadala Investment Company
		75. Etihad Aviation Group
		76. General Holding Corporation – Senaat
		77. Tourism Development & Investment Company – TDIC
		78. Abu Dhabi Sewerage Services Company – ADSSC
		79. Abu Dhabi National Exhibitions Company – ADNEC
		80. Abu Dhabi Airports Company – ADAC
		81. Abu Dhabi Ports Company – ADPC
		82. Abu Dhabi Investment Council – ADIC
		83. Abu Dhabi Health Services Company – SEHA
		84. Abu Dhabi Media Company – ADMC
		85. Emirates Palace Company – EPCO
		86. Emirates Nuclear Energy Corporation – ENEC
		87. National Health Insurance Company – Daman
		88. Etihad Rail Company

7. GOVERNANCE REPORT

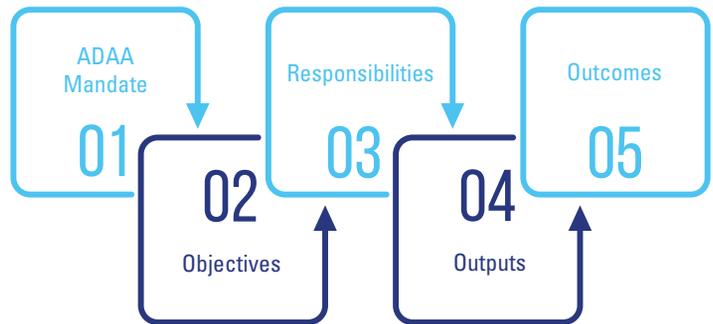
ADAA aims to earn the trust of its stakeholders and sustain it through adopting and implementing the highest standards of accountability and transparency and issues its Governance Report accordingly.

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

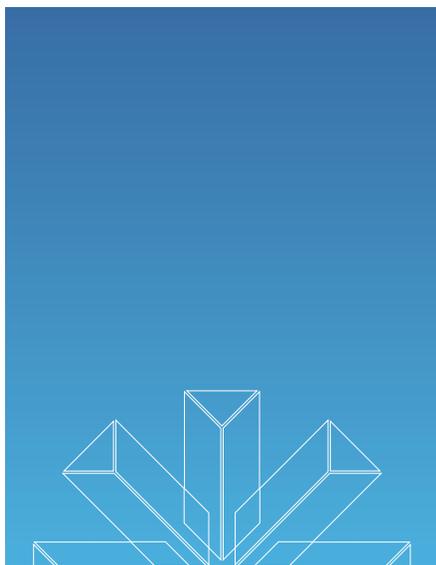
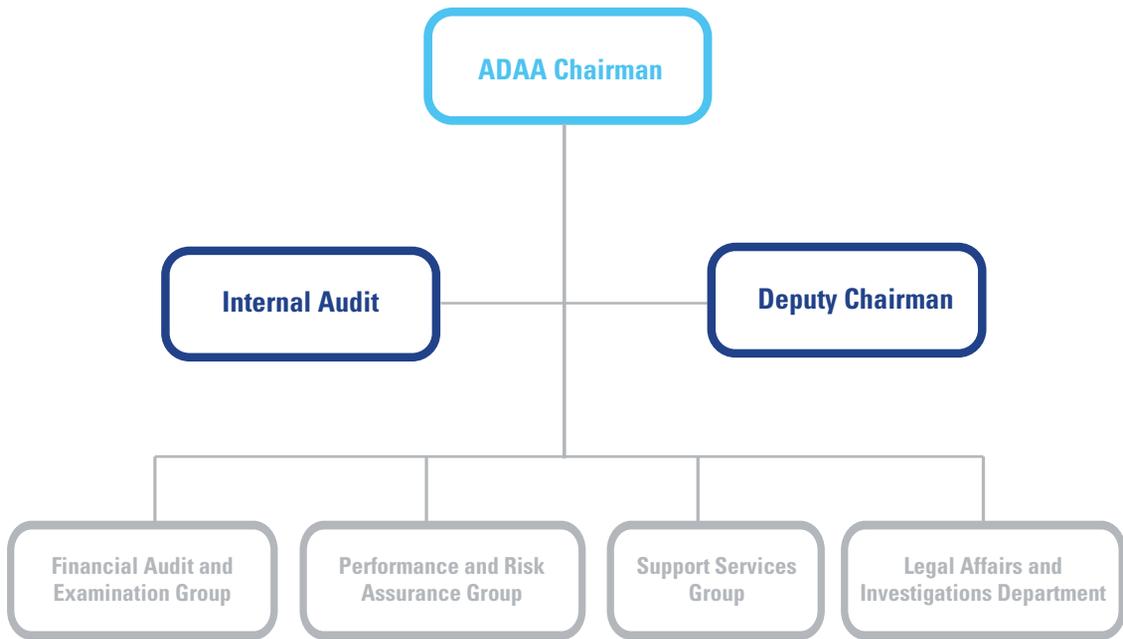
ADAA ensures that all its processes and operations adhere to the utmost principles of transparency whereby its Chairman has welcomed and adopted various channels of communication with the employees providing adequate communication relating to the overall strategy, ADAA's yearly plan and its performance 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 are 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. The framework and methodologies are constantly revisited and reviewed to ensure their validity and relevance to the current needs of Abu Dhabi and relative stakeholders.

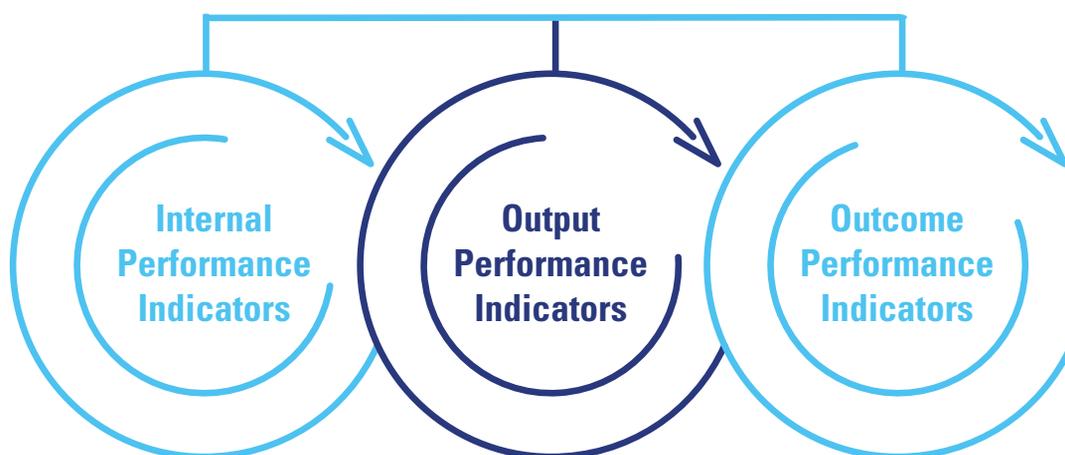
ADAA has also designed its organizational structure based on its operating model to fulfill its responsibilities and achieve its objectives as shown in the figure below:



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

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

Performance Standards Sets



Performance Management

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

- **Outcome Performance Indicators:** to measure the impact of ADAA's work on the state or condition of the society, the economy, or the environment and any change in that state or condition.
- **Output Performance Indicators:** to measure the cost, quantity, quality and timeliness of our services (outputs such as: the cost of the reports, the number of reports, the quality of the recommendations, issuing reports on time).
- **Internal Performance Indicators:** to measure the performance of ADAA's internal departments and units.

ADAA implements a remuneration policy and procedure for its employees as well as a performance management system that ensures fair evaluations of individual performance and identifies a clear career path and progression plan for each one. ADAA employees are exposed to training programs and workshops that aim primarily at enhancing their capabilities, skills, knowledge and competence to grow within their careers.

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

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

All ADAA employees take the oath below 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. ”

View of the Lulu island in Abu Dhabi whose unspoiled nature stays in contrast with the rapidly developed city, UAE.

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.

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.

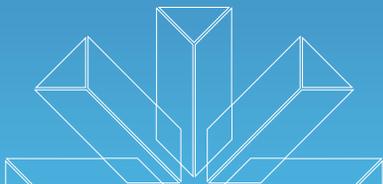
External Audit:

ADAA's financial statements are reviewed and audited by an external auditor. For the year 2016, 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 95,000.

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 target, 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.

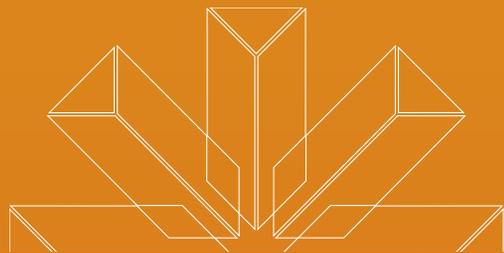


PART 02

ADAA outputs

PAGE 2 - 15

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

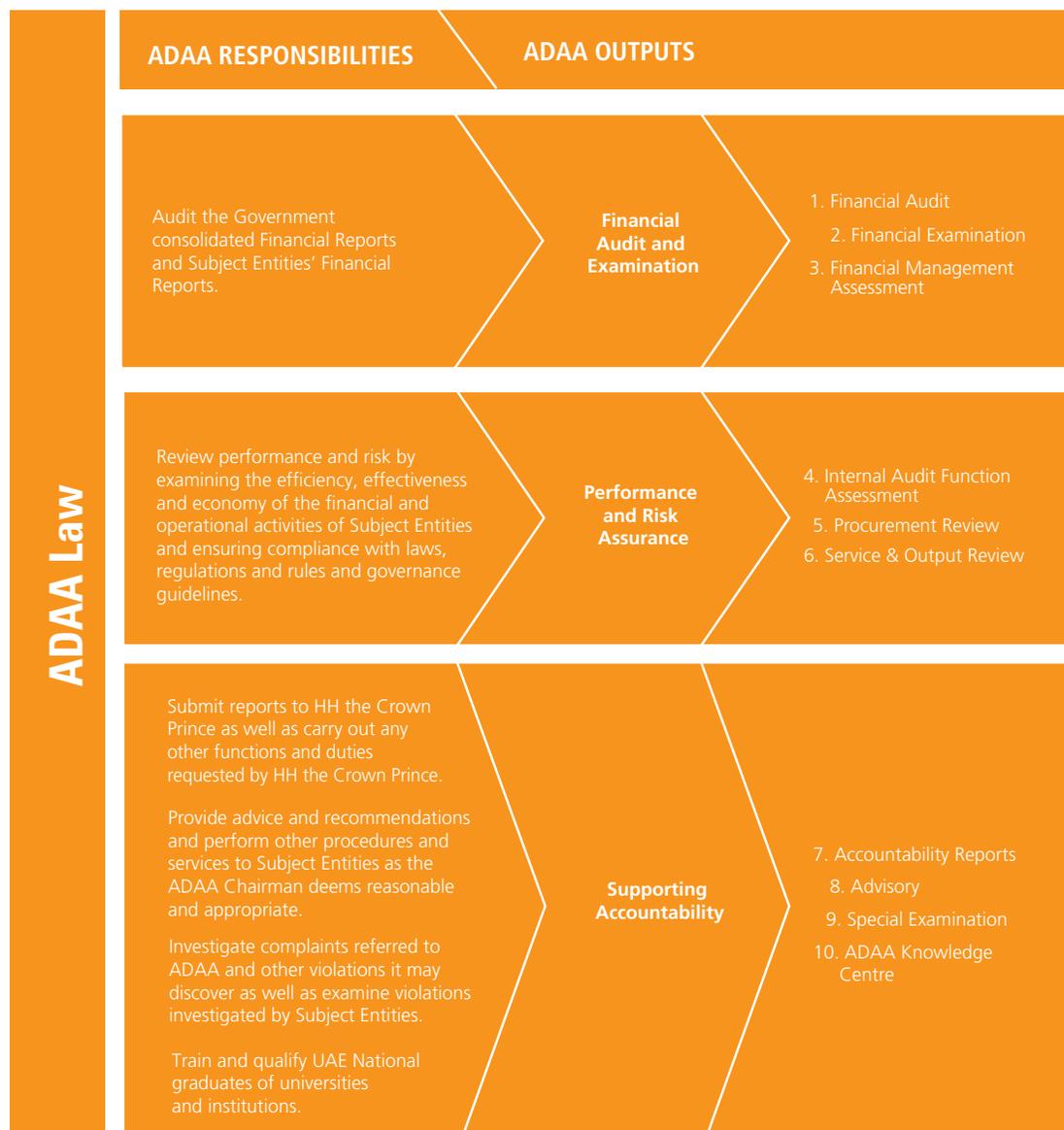




Dramatic sunrise view of Liwa Desert in Al Dhafra Region of Abu Dhabi

1. INTRODUCTION

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



2. ADAA AUDIT METHODOLOGY

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

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



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

In addition, ADAA developed specific "audit criteria" for every output of the Financial Audit 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

1. Auditor Independence
2. Expertise in the business of the entity
3. Technical resources and quality
4. Technical and financial proposals evaluation

Audit Planning

5. Audit planning memorandum
6. Understand the entity business and environment
7. Assess risk of significant misstatement due to fraud or error

Audit Execution

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

Audit Conclusion and Reporting

19. Conclude the assignment and evaluate result
20. Form the opinion and prepare the report

Legal, Regulatory and Other Requirements

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).
- Accounting standards used for preparing the financial statements: i.e. IPSAS or IFRS.

ADAA's Financial Examination report 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:

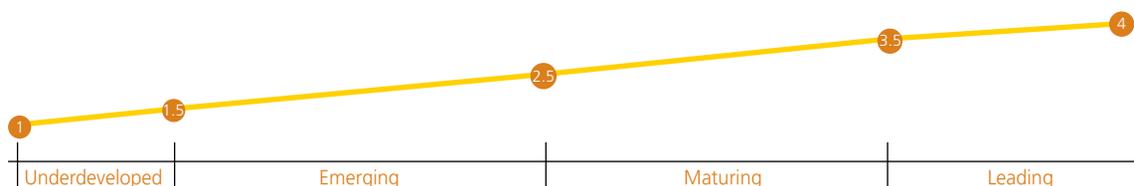
- Securing stewardship
- Supporting performance
- Enabling transformation



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 92 audit criteria to assess the internal audit activity spread over 18 standards within four main elements.

The following figure shows the elements and evaluation standards:

<p>Independence and Objectivity</p> <ol style="list-style-type: none"> 1. Independence and Objectivity of the Internal Audit Function 2. Aspects of Organizational Independence 3. Direct Interaction with the Board 	<p>Organization and Emiratization</p> <ol style="list-style-type: none"> 4. Developing the Internal Audit Strategic Plan 5. Internal Audit Function Charter 6. Compliance Officer Role 7. Organizational Structure and Resource Capabilities 8. Training & Development 9. Emiratization Plans
<p>Risks and other Internal Audit Reports</p> <ol style="list-style-type: none"> 10. Risk Assurance Report 11. Audit Planning & Risk Assessment 12. Internal Audit Reviews 13. Follow-up Process 14. Quality Assurance and Improvement Program 15. Management of 3rd Party Service Providers, if any 	<p>Methodology and Technology</p> <ol style="list-style-type: none"> 16. Internal Audit Methodologies and Manual 17. Use of Technology 18. Security, Maintenance and Upgrade

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 4 elements are assessed; the outcome of assessing all elements allows the Internal Audit Activity to achieve an overall “Fully compliant” or “Partially Compliant” or “Non-Compliant” 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 is classified within the following 3 categories:

Category	Description
Fully Compliant	More than 85% of the total assessment criteria have been met
Partially Compliant	50% to 85% of the total assessment criteria have been met
Non-Compliant	Less than 50% of the total assessment criteria have been met

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:

Audit Elements and Standards for Procurement Review		
<p>Procurement Regulatory Framework</p> <ol style="list-style-type: none"> 1. Procurement Policy 2. Authorities and Delegations 3. Conflicts of Interest 4. Procurement Manual 	<p>Procurement Practices</p> <ol style="list-style-type: none"> 5. Procurement Planning 6. Registration and Classification 7. Purchase Requisition 8. Prequalification 9. Request for and Receipt of Proposals 10. Proposals Evaluation 11. Award 	<p>Record Keeping and Reporting</p> <ol style="list-style-type: none"> 12. Documentation 13. Procurement Activity

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

AD Emirate Laws and Policies	Governance Framework	Practices*	Performance Metrics and Reports	Public Benefits of Service
Outside of ADAA's Scope	<ol style="list-style-type: none"> 1. Regulatory Framework 2. Strategy 3. Service Operational Model 4. Annual Plan 5. Work Manuals 6. IT, Archival and Continuity Management 7. Conflict of Interest Management 	<ol style="list-style-type: none"> 1. Issuance of licenses 2. Renewal of licenses 3. Revoking of licenses 4. Inspection and Quality Control 5. Sanctioning of violators 	<ol style="list-style-type: none"> 1. Performance Metrics 2. Data Integrity 3. Performance Reports 	Outside of ADAA's Scope

*Audit standards of applied practice differ from one 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
<ol style="list-style-type: none"> 1. Project Funding 2. Project Planning 3. Design Management 4. Procurement Management 	<ol style="list-style-type: none"> 1. Scope and Contract Management 2. Cost Management 3. Schedule Management 4. Quality Management 5. Risk Management 6. Health, Safety, and Environmental Management 7. Communications and Stakeholder Management 8. HR Management 	<ol style="list-style-type: none"> 1. Facility Closeout 2. Financial Closeout

5. SUPPORTING ACCOUNTABILITY

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

- Accountability Reports
- Advisory
- Special Examination
- ADAA 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.



UNESCO World Heritage Site, Al Ain, UAE

Qualifying Emirati Auditors

Research and Knowledge Sharing



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:

1. Qualifying Emirati Auditors
2. Research and Knowledge Sharing
3. National and International Representation
4. 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.



Grass in a mist in a desert at sunrise, UAE

National and International Representation

Seminars and Workshops



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, the 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.

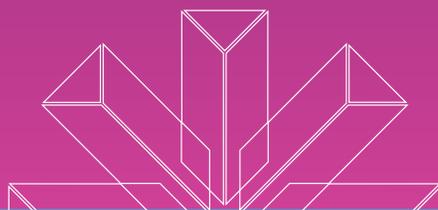
Internal Audit Seminar: This event brings together the heads of the Internal Audit functions at Subject Entities to discuss processes, internal controls, policies, issues and challenges as well as share knowledge of best practices and developments.

PART 03

2016 Report & 2017 Plan

PAGE 30 - 56

1. 2016 Achievements Highlights 32
2. Output Group 1: Financial Audit and Examination 35
3. Output Group 2: Performance and Risk Assurance 40
4. Output Group 3: Supporting Accountability 50
5. 2017 Work Plan 57





Saadiyat Island in Abu Dhabi, UAE

1. 2016 ACHIEVEMENTS HIGHLIGHTS

The following is a summary of highlights of ADAA's Achievements during 2016:

- Audited the financial statements of the Government of Abu Dhabi in accordance with international standards and issued the independent audit report with an "unqualified" opinion.
- Performed 52 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 55 Subject Entities to ensure the efficiency and effectiveness of Internal Audit activities.
- Reviewed services and outputs related to the Farmers Services Center, The Center of Waste Management, Schools Operations, and Zayed Higher Organization for Humanitarian Care and Specialized Needs.
- Conducted a Cost Optimization Review covering the Basic Program of medical insurance.
- Organized the 10th Inspection Workshop of the IFIAR in Abu Dhabi alongside 166 participants from 43 jurisdictions. These workshops are organised to enable independent audit regulators to meet and discuss inspections processes, to learn and leverage from each other, and to consider similarities and differences among their practices and methodologies.
- Participated in the IFIAR plenary meeting in London.
- Submitted a number of accountability reports on important issues, examined and investigated complaints received or violations discovered and issued Special Examination reports.
- Attended the Institute of Internal Auditors' Global Conference held in New York, USA.
- ADAA achieved ISO 14001:2015 certification in Environmental Management systems issued by the British Standards Institute.
- Continued monitoring the outputs of "Auditor 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 Standard 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 helped in unifying accounting interpretations.
- Received a delegation from the Securities and Commodities Authority, at their request, where the members of this delegation were briefed on the practices and tools used by ADAA in executing its reviews and examinations.
- Continued providing advisory and support to Subject Entities upon their request and assisted Subject Entities to build their capabilities in internal audit.
- Maintained the support related to the "e-Governance Portal" at the 80+ entities that have opted to implement it.
- 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.
- ADAA Knowledge Centre has maintained its status as an approved training provider by the UK Institute of Leadership and Management.
- ADAA attended the Association of Certified Fraud Examiners (ACFE) first middle east conference attended by over 300 global anti-fraud specialists.

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

Description	Target	Actual
	2016	2016
Financial Audit and Examination Group	53	53
Performance and Risk Assurance Group	60	60
Supporting Accountability	30	31
Draft Legalization and Regulation	9	9
Total Number of Reports	152	153

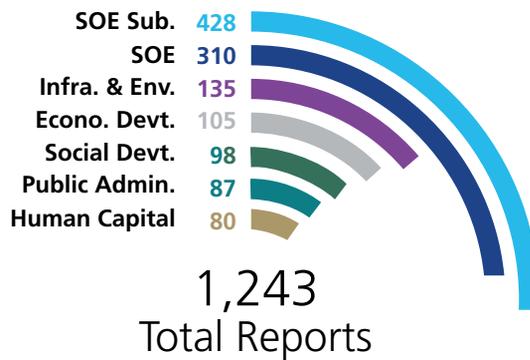
The following chart provides the total number of reports by output since 2008:

Number of reports by output since 2008



Further, the following chart provides the total number of reports for each sector since 2008:

Total number of reports by sector since 2008



2. OUTPUT GROUP 1

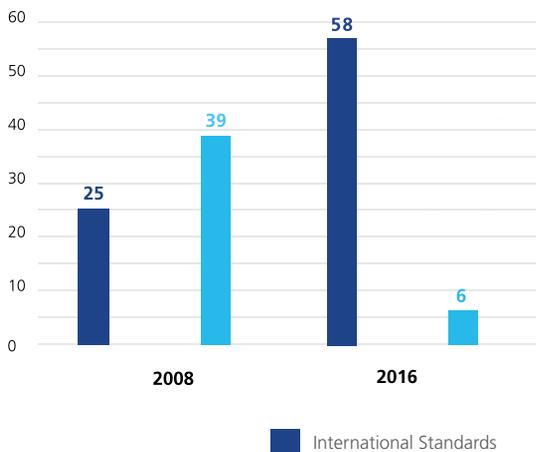
FINANCIAL AUDIT AND EXAMINATION

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.

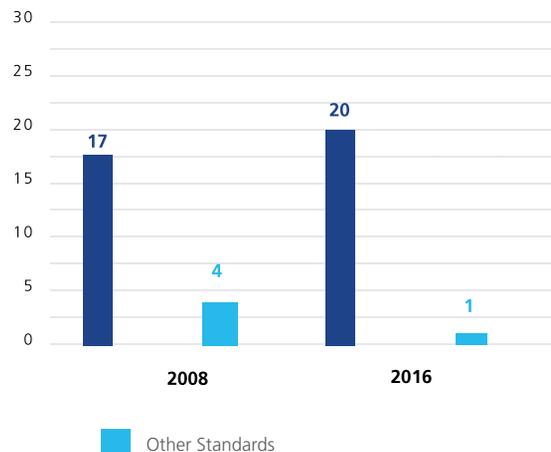
This group continues to advise Subject Entities how to improve the quality of their financial reporting and specifically in relation to their financial statements basis of preparation varying according to the Subject Entity's operations, with a focus on having all Subject Entities prepare their financial 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" 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 2015 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 audit in accordance with International Standards on Auditing (ISA).

2.2. Financial Examination

During 2016, ADAA examined 52 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 completion of the Financial 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 as follows:

Comments Related to the Entity

- Financial statements issuance timeliness in accordance with the relevant Circulars and best practices.
- Issuance of financial statements in Arabic language in accordance with the relevant decrees.
- Payment of annual bonuses and incentives for employees in accordance with the relevant resolutions issued.
- Presentation of the comparison between budget and actual spending in the financial statements in accordance with the relevant resolutions issued.
- 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.
- Compliance with Article (20) of ADAA's Establishment Law which requires each Subject Entity to inform ADAA as soon as any violation is discovered.
- Execution of annual budget in accordance with applicable laws and regulations.
- The statutory auditor's 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.
- Estimation of the fair value of investment properties in accordance with the requirements of IFRS and IPSAS.
- 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.
- Validity of amounts recorded as due from the Government of Abu Dhabi in the statement of financial position.
- Impairment testing of goodwill and intangible assets in accordance with IFRS.
- Impairment testing of assets if 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.



Comments Related to the Entity

- 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 and IPSAS.
- 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 accordance with guidance provided by IFRS.
- Presentation of government contributions in the financial statements in accordance with approved operational budgets and received contributions.
- Recognition of all assets used by entities to generate revenue in their financial statements.
- Assessing the recoverability of financial facilities and loans.
- Accounting treatment for finance and operating lease arrangements.

Comments Related to the Statutory Auditor

- Communication with those charged with governance throughout the audit phases in accordance with the International Standards on Auditing.
- 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 900 comments in 2016 classified as follows:

Significant improvement required

407 comments in 2016 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

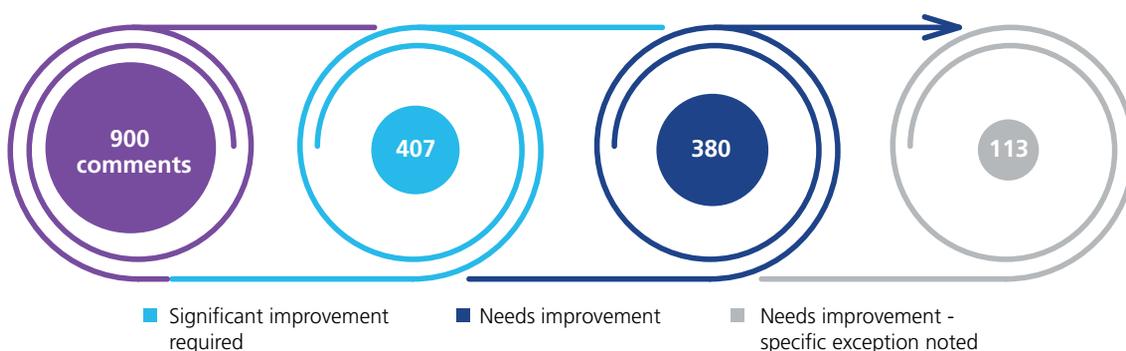
The majority of our **380 comments** in this category focus on audit quality resulting from incomplete documentation of audit procedures performed. If such procedures were performed, as entailed in the International Standards on Auditing or other applicable standards, a potential adjustment to the Subject Entities' financial statements might have been noted.

Needs improvement – specific exception noted

113 comments in 2016 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 Comments. (900 comments)



Below is an analysis of independent audit reports examined by ADAA in 2016, comments raised and their respective classification (excluding 298 comments addressed only to Subject Entities):

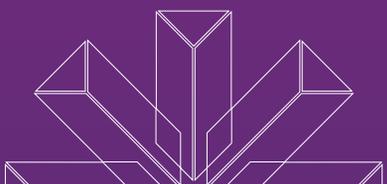
Statutory Auditor	Number of reports examined	Comments classification			Total comments
		Significant improvement required	Needs improvement	Needs improvement - specific exception noted	
Firm 1	18	75	93	39	207
Firm 2	13	34	79	34	147
Firm 3	10	44	59	17	120
Firm 4	8	34	46	10	90
Firm 5	2	14	10	8	32
Firm 6	1	2	2	2	6
Total	52	203	289	110	602

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 fulfill 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 to include, as a minimum, one UAE National in the audit team.

During 2016, ADAA continued monitoring the Subject Entities implementation of SAAR. ADAA's Financial Examination reports included 109 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.



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

The Performance and Risk Assurance Group comprise the following outputs:

- Internal Audit Function Assessments
- Service and Output Reviews

3.1 Internal Audit Function Assessments

During 2016, ADAA issued 55 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 4 elements: Independence and Objectivity, Organization & Emiratisation, Risk Assessment and Other Internal Audit Reports, and Technology.

Internal Audit Function Assessment Reports Summary

During 2016, ADAA issued 1,642 recommendations to improve the Subject Entities' control environment and to support 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 55 Subject Entities, 34 were rated as “Partially Compliant” based on the criteria established by ADAA, while 21 were rated as “Non Compliant”.

The following figure shows the results of the internal audit function assessment conducted in 2016:

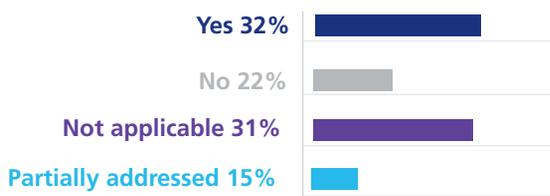
Results of the Internal Audit Function Assessments



Following is an analysis of certain outcomes of the assessments in 2016:

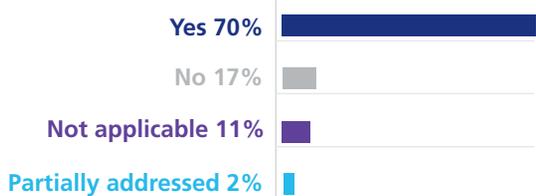
Independence and Objectivity of the Internal Audit Activity

32% of the entities whose Internal Audit Functions were assessed have implemented the necessary protocols to safeguard and maintain the independence and objectivity of the Internal Audit activity by restricting all related aspects to the Chairman or the Board of Directors or the Audit Committee, depending on the corporate structure of the concerned entity.



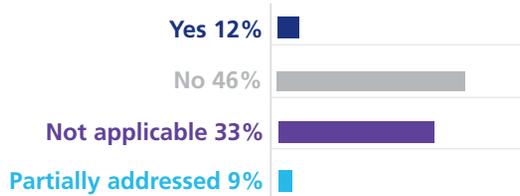
Emiratization in Internal Audit Functions

70% of the entities whose Internal Audit Functions were assessed employed UAE Nationals, including several heads of these functions.



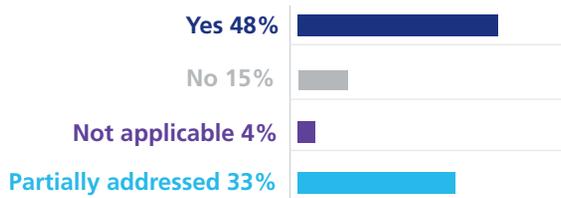
Compliance Officer Role

The Compliance Officer role was not assigned to an employee of the Internal Audit Function in 46% of the assessed entities, where it was observed that the role had been assigned to other parties (such as the Human Resources Function or the Legal Affairs Division), or had still not been activated at all.



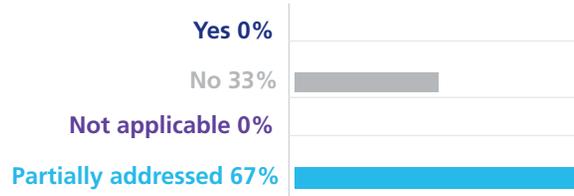
Internal Audit Methodology and Manual

48% of the entities whose Internal Audit Functions were assessed had implemented updated, comprehensive and approved Internal Audit methodologies and manuals, while 33% were in the process of developing, updating or implementing such documents.



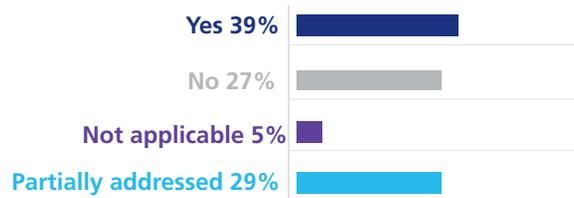
Strategy of the Internal Audit Activity

None of the assessed Internal Audit Functions had developed and implemented a comprehensive, updated, clear and approved strategy to plan its activities and resources over the span of the next 3 to 5 years, noting that 67% of those Functions had initiated the exercise to establish such strategies.



Implementation of Internal Audit software

39% of the entities whose Internal Audit Functions were assessed have implemented Internal Audit software which include modules for defining the audit universe, conducting the risk assessment, establishing the risk based audit plan, in addition to the execution of assignments and the consequent follow-up reviews, noting that 36 out of 55 entities visited in 2016 had effectively opted for the e-Governance Portal provided by ADAA, with various levels of use.



3.3 Services and Output Review

The Service and Output Review deliverables during 2016 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 2016 with brief descriptions of the scope of those reviews and of the recommendations made by ADAA:

Abu Dhabi Farmers' Services Review

ADAA conducted a review of the services and outputs of the Abu Dhabi Farmers' Services Center (The Center) in order to verify that:

- An approved governance system to provide services and outputs related to the Center is in place.
- 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 Center are provided, and their alignment with related best practices.

ADAA's recommendations included the following:

1. Coordinate with the concerned stakeholders in the Government of Abu Dhabi to define the full scope of the different types of subsidies, support and services provided to farmers in the Emirate of Abu Dhabi, and emphasize the operational mandate of the Center through the restriction of the provision of all services to farmers by the Center, to avoid providing the same service by more than one party within the Government of Abu Dhabi.
2. Develop policies and charters that will allow the Center to manage the existing and potential conflicts of interest of its employees, which should provide an adequate level of assurance that the decision making process within the Center is not affected in substance and form by any type of conflict of interest and that it was performed in an unbiased manner. Transparency is considered one of the most important principles to be adopted in this process, hence the need for the availability of a comprehensive and complete mechanism to support the declaration of the Center's employees of their interests that may be subject to conflict in substance or in form upon taking decisions, which would consequently assist in the management of such conflicts of interest.
3. Develop a comprehensive study and plan to identify the Center's exact needs of carton boxes during the agricultural season, then provide the resulting figures to the Procurement Department at the Center ahead of the agricultural season on a timely basis to provide the Procurement Department the required time to negotiate with potential suppliers to obtain the required quantities at the best prices, and limit all procurement activities within the Center to the Procurement Department exclusively, while complying with all the available and approved policies and charters, especially the delegation of authority matrix with regard to emergency procurement needs, in addition to prohibiting the splitting of orders.
4. Prepare a complete analysis of the root causes for the blight of agricultural produce received from farmers, and consequently identify the challenges pertaining to the supply chain to address them. Also, examine the causes for the differences between the quantities of agricultural produce received from farmers and those sold, then identify those responsible for these issues and undertake the necessary corrective actions.
5. Update the mechanism of the execution of the comprehensive scheme to combat palm pests to ensure that all the farms in the Emirate of Abu Dhabi are encompassed in the scheme, thus allowing the identification of all the infected palm trees and of the optimal approach to fight the palm pest. Also, establish a protocol to follow-up promptly on the execution of the comprehensive scheme to combat palm pests especially in the context of the significant delays in the initiation of this scheme.

-
6. Establish coordination and interaction frameworks with concerned stakeholders with regard to the management of agricultural waste, and impose monitoring mechanisms on the entities contracted to manage agricultural waste to ensure the optimal benefit from such waste in compliance with the terms of agreements between both parties, along with the identification of the shortcomings and of the necessary actions to avoid their re-occurrence.
 7. Develop and implement policies and procedures to organize the activities of providing well maintenance services in coordination with pertinent stakeholders, and ensure their alignment with best practices and with the statutes of Law no. (5) of 2016 concerning the underground water in the Emirate of Abu Dhabi; also, impose control mechanisms to ensure the compliance with the general terms listed in the "Well Servicing Form" to safeguard the Center's resources by examining the instances of provision of well maintenance services to farmers performed without alignment with the allowed number of such provisions as identified in the form, then identify those responsible for these issues and undertake the necessary corrective actions.
 8. Initiate the execution of the project for the rehabilitation of abandoned farms, and develop the required courses of action to complete the project within the set timeframes as identified in the Center's strategy, especially in the context of the importance of such action and its impact on the achievement of the strategic objectives of the Center and of the Emirate of Abu Dhabi, especially the strategic objective titled as "achieving food safety and a sustainable agricultural sector. The program for the agricultural sector and for preservation of fish stocks".
-

Waste Management Operations Review

ADAA conducted a review of the services and outputs related to the operations of the Center of Waste Management (The Center) in order to ensure that:

- An approved governance system to provide services and outputs related to the Center is in place.
- 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 Center are provided, and their alignment with related best practices.

ADAA's recommendations included the following:

1. Establish strategic plans to address the challenges facing the Center in the execution of its strategic objectives such as the availability of the necessary budgets, and the large quantities of waste from previous periods, etc. through the identification of the required solutions and mechanisms for that purpose, and consequently identify the needed projects and execute them through the establishment of transitional and comprehensive plans to address those issues and their related risks. Also, achieve an optimal interaction with key stakeholders such as the Department of Municipal Affairs and Transport, along with the different municipalities, the Department of Economic Development, and the Abu Dhabi Food Control Authority, among others through the conclusion of strategic agreements with those parties, and consequently enhance the cooperation and the link with them which would then assist in the achievement of the objective related to the improvement of the partnerships with such stakeholders and their utilization to support the strategy of the Emirate of Abu Dhabi. Finally, calculate the actual percentages of completion for all the KPI's listed in the balanced scorecards in an accurate manner based on factual calculations of each KPI, after the implementation of an adequate mechanism to validate the figures and ratios generated by such calculations.

2. Identify and delineate the mandates and responsibilities of each concerned stakeholder with regard to the issuance of commercial and industrial licenses, and consequently achieve the link between the issuance of environmental and waste handling permits, and commercial and industrial licenses while providing the required legal framework for that, after effecting the necessary changes on the currently followed procedures with regard to the need to obtain waste handling and environmental permits as prerequisites to obtaining the licenses, to avoid engaging in legal disputes that may affect the Center's reputation.

3. Implement the following to address the challenges related to the recycling of waste:
- Initiate the projects aimed at achieving the set target for recycling and for the daily waste generation per capita, and instill mechanisms to commit the generators of waste across all sectors to sort waste to set reasonable percentages, while inflicting contraventions on any party that impedes the sorting process at the source whether it is the generator or the transporter, and that to prevent the squandering of this valuable resource.
 - Enforce the preparation of the shipping manifest for generated waste, and that regardless of the volume of the generated waste, to control such waste from cradle to grave until fully disposed of.
 - Engage a process for the reduction of waste generation from facilities, and establish a clear mechanism to calculate those percentages, especially should those facilities expand their activities, in a manner to achieve environmental sustainability.
 - Explore the establishment of a sufficient number of sorting facilities as a key and necessary step to achieving the sought comprehensive waste management initiative.
 - Approve common tariffs for waste, that are set in the rules, regulations, policies and procedures, and consequently list the necessary level of details in the manifest to align with the desired sorting of waste to ensure the alignment between the contents of the manifest and the actual contents of transported / shipped waste.

4. Review the reasons for the delay in the execution of the comprehensive waste management initiative and derive lessons learned to prevent any additional costs or delays in achieving the desired progress with regard to the treatment of non-hazardous waste, and proceed with the completion of this initiative by using the available alternatives after engaging the necessary communication with the Executive Council and obtaining the required approvals to achieve the objectives of the Emirate in this regard.

5. Analyze the shortcomings related to the project of supplying and installing underground garbage bin systems and identify lessons learned to avoid such occurrences in the future, and implement best practices in the disciplines of contracting and contractor supervision to achieve the Center's initiatives; consequently, expedite the settlement procedures which encompass addressing the current flaws and the activation of all the underground garbage bins and the completion of this initiative upon obtaining the approval of the Executive Council to achieve the goals of the Emirate in this regard.

6. Establish a framework for the coordination and interaction with key stakeholders with regard to the management of agricultural waste, and instill controls on the companies contracted for this purpose to ensure the optimal benefit from such waste in line with the contractual terms between both parties.

-
7. Undertake the necessary course of action to prevent unauthorized companies in the Emirate of Abu Dhabi from exercising pest control activities, while classifying those licensed based on the category of pest(s) that each specializes in and the type of control used, in addition to the nature and size of the facility where the pest control activity is engaged. Also, conduct periodic inspections on all the providers of such services and on the pesticides used in terms of expiration and relevance, in a manner to ensure that this inspection is not limited to the initial phase of licensing, and that in line with the directives of the Cabinet of the UAE's ministers resolution no. (27) of 2012, along with the development of the necessary mechanism to ensure the appointment of qualified and sufficiently trained technicians within these companies.
 8. Review the reasons for the regular rejection of agricultural waste and their ratio to received quantities to work on reducing the percentages of rejection through the enhancement of the sorting system, and utilize the resulting fertilizers in agricultural products to avoid a situation of accumulated quantities of fertilizers requiring destruction or disposal, and that to achieve the objectives of sustainability in the Emirate of Abu Dhabi and to reduce the negative impact on the environment. Also, coordinate and contract with the municipalities directly and establish a formal mechanism to ensure that all contractors appointed by the municipalities are mandated to utilize the fertilizers generated by the Center, and revise the price of fertilizers sold to farmers to explore the possibility of aligning them with those for the municipalities after calculating the direct and indirect related costs, and establish a plan to deliver these products to the farmers, especially after the annulment of the related subsidy.
 9. Implement a mechanism to assure the availability and accuracy of data regarding all types of waste and sectors, including those that are managed within the Emirate or exported, and that to support the sound control over this vital sector through the receipt of related information from all waste generators regardless of quantities; thus, coordinate with the different concerned stakeholders, especially "ZonesCorp" and the "Industrial Development Bureau" to obtain all the necessary data related to generated waste and the means of disposing of them, in addition to the requirement to develop a manifest for all the types of generated waste in the Emirate of Abu Dhabi, and that to control the full cycle. Finally, conduct an exercise to identify the reasons behind the differences between quantities generated, delivered, sold, and stored with regard to fertilizers among others.
-

Schools Operations Review

ADAA conducted a review of the services and outputs related to Schools Operations at the Abu Dhabi Education Council to:

- Ensure that an approved governance system to provide services and outputs related to the Schools Operation is in place.
- 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 Schools Operations are provided, and their alignment with related best practices.

ADAA's recommendations included the following:

1. Develop a clear strategy and plan for the education sector across the Emirate, including the Emiratisation of the teaching staff, and which takes into account the interaction between and impact of each of the public and private sectors.
2. Adopt a code of conduct inclusive of a comprehensive definition of conflicts of interest, and develop declaration forms for the employees of the Council to be used as the platform for declaration of such instances. Consequently, gather the completed declaration forms from all the employees on a regular basis, and implement the necessary administrative measures within available standard operating procedures to ensure that these declarations are reviewed and acted upon, as applicable.
3. Implement clear and accurate plans to improve the occupancy rates of public schools through mergers/closures to reduce the financial burden on the Government, based on scientific studies and research that take into account the social and economical features of each region, and cooperate closely with concerned stakeholders (such as the Abu Dhabi Urban Planning Council and the Abu Dhabi General Services Company) to ensure the correct anticipation of school seats across the Emirate in an accurate, comprehensive and timely manner.
4. Ensure the application of Policy no. (6210) related to the competency requirements in the English language and conduct a comprehensive survey of the teaching staff to classify them into various categories based on their readiness, and develop clear plans to train and prepare them for the anticipated changes or to help them find alternative employment opportunities.
5. Coordinate with concerned stakeholders to establish criteria and assessments and policies to classify the various types of special needs and to accordingly assign each to the competent party, where the Abu Dhabi Education Council can enhance the assimilation process through a number of partnerships, noting that there is space for improvement in that between the Council and Zayed Higher Organization for Humanitarian Care and Specialized Needs to align the criteria and assimilation policies and to ensure the adoption of the same process for the transfer of pupils.
6. Ensure the integration of the projects management activities with the procurement cycle to ensure that proposed projects are presented to the Procurement Committee, and to establish the requirements to identify the key related risks and the means to limit their impact for each contract, along with setting criteria to govern single source procurement and the use of advisors.
7. Implement criteria to define the optimal contracting approach (purchase order, job order, agreement, etc.), to prevent the supplier from initiating delivery of the services/material before the issuance of the award letter, and to establish additional controls to ensure that suspended / black listed suppliers or contractors are not awarded any contracts with the Council.

Zayed Higher Organization for Humanitarian Care and Specialized Needs - Review

ADAA conducted a review of the services and outputs of the Zayed Higher Organization for Humanitarian Care and Specialized Needs to:

- Ensure that an approved governance system to provide services and outputs is in place.
- 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 Zayed Higher Organization for Humanitarian Care and Specialized Needs are provided, and their alignment with related best practices.

ADAA's recommendations included the following:

1. Revise the strategy and the responsibilities assigned to the Organization in light of the new mandates to define its scope of work and its role in terms of the required organization and developing policies and promoting those activities and their impact on the quality of provided services, and coordinate with concerned stakeholders to develop an assessment of and criteria and a clear policy to identify and diagnose the various types of special needs and accordingly assign each to the competent party.
2. Design and implement comprehensive electronic databases to manage the files related to beneficiaries and employees.
3. Work with concerned parties to develop accurate statistics and figures regarding the numbers of individuals with special needs in the Emirate of Abu Dhabi, and to increase the opportunity to provide beneficiaries with the required services through exploring mobile units, and the support of the private sector and other stakeholders to raise the awareness in the society.
4. Explore the potential reduction of secondary services such as sports activities, the Braille language bling printing press, and the continuous care programs to allow the Organization to redirect its resources to focus on key services.
5. Enhance the capabilities of employees, and the span of skills required for the Organization through cooperation with concerned government entities and educational institutions.
6. Optimize the spending of the Organization by focusing it on beneficiaries related activities through the revision of the compensation scheme, the automation of processes, and the implementation of best practices with regard to the numbers and ratios of support staff.
7. Reduce the average spend per beneficiary across the Organization's centers through the implementation of best practices with regard to operations and their unification across those centers, in addition to leveraging external capabilities such as those provided by the private sector.
8. Reevaluate the current capital expenditures and identify alternative solutions when possible based on an analysis of the costs versus benefits of each solution.



View of the UNESCO enlisted oasis in Al Ain, UAE

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 2016, 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 such as the Audit Report on the Consolidated Financial Statements of the Government of Abu Dhabi and the Accountability Report.

4.2 Advisory

ADAA provides advice, in the areas that fall within its expertise and which 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 2016:

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 2016, ADAA completed 5 installations of the e-Governance Portal along with the necessary training and the provision of the related methodology.

4.3 Special Examination

In 2016, ADAA received 8 anti-corruption complaints and 32 violations that were examined as per the "Special Examination Methodology" outlined by ADAA.

Based upon the investigations conducted by ADAA in 2016, 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 2016, 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 Chairman and Managing director of government entities who had created companies outside the country that contractually engaged with other entities which have business deals with the government entities chaired and managed by him. This led to a significant negative financial impact on these government entities. This case was referred to the Public Prosecution.

Case 2

The case could be summarized in what has been attributed to one of the maintenance managers in a government entity who did not disclose conflict of interest situation as he owns a private company doing the same activity of this government entity and has benefited from his position and allowed his company to do subcontracting work with a contractor contracted with the concerned government entity. In addition, he tried to buy assets that have been sold by the government entity by way of a bid to a private company after having participated in the bid preparation procedures. This case was referred to the Public Prosecution.

Case 3

The case could be summarized in what was attributed to a project manager working in a government entity who has benefited from his job by approving subcontracting some works in the concerned government entity to a private company owned by his wife. This case was referred to the relevant public prosecutor office.

Case 4

The case could be summarized in what has been attributed to the executives in a government entity of breaches to the procedures of appointments and promotions and non-compliance with the approved procedures and the consequent financial impact on the concerned government entity. In addition, to the non-compliance with the procurement policies by the cancelation of approved submission in one of the tenders after the approval of the tender committee and to be retendered and resubmitted to other companies. Moreover, these company executives benefited from their positions in the government entity and purchased cars at the expense of the entity to be used in personal and family purposes, which negatively impacted this government 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

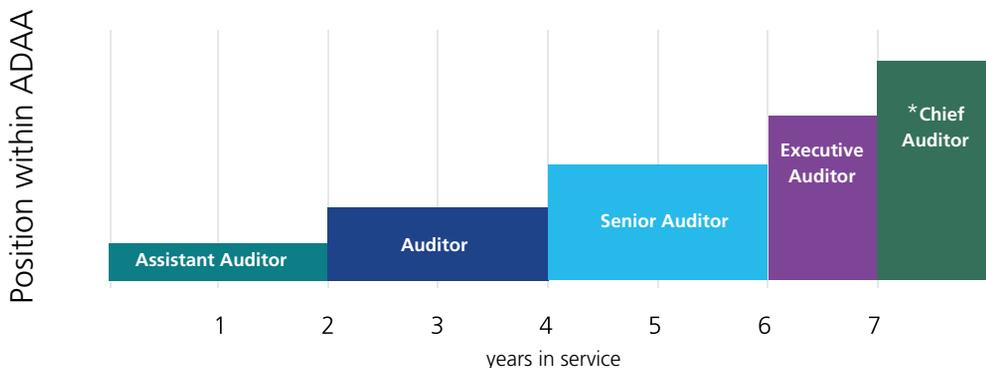
ADAA Further defined and enhanced our offerings under this output group and to further pursue its objective of training and developing UAE Nationals in Accounting and Audit related activity.

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” (ADP) 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, e.g. CPA/CIA.

At the end of 2016 ADAA had 46 UAE Nationals participating in the Auditor Development Program which includes 14 that have successfully passed their professional certifications to date.

The ADP provides 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.

A number of UAE Nationals have now qualified as Chief Auditors under the program.

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.

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 IASB and IPSASB and 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 2009 and to host the IFIAR Plenary Meeting in Abu Dhabi in 2010.

During 2016, ADAA participated in the Plenary Meeting of the IFIAR, held in London, United Kingdom (UK) over the period from 19 to 21 April 2016. The highlights of the meeting this year was around establishing IFIAR's permanent Secretariat in Tokyo, Japan. And the implementation of IFIAR's new Board-led governance structure as of April 2017 will significantly enhance IFIAR's organizational capabilities and accelerate its ability to take actions aimed at improving audit quality.

The meeting also covered many topics including the establishment of a global Advisory Group to the Investor and Other Stakeholders Working Group. Discussion with the Chairs of the IAASB, the IESBA and the PIOB on how standard setting can contribute to the enhancement of audit quality.

IFIAR 10th Inspection Workshop

During the year, ADAA also participated in the 10th Inspection Workshop of IFIAR, held in Abu Dhabi, United Arab Emirates alongside 166 audit inspectors from 43 international jurisdictions. It is worth mentioning that this is the second time ADAA has organized this event in Abu Dhabi.

Inspection workshops were organised to enable independent audit regulators to 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 measures, key considerations in the design and development of audit inspection regimes, fair value measurement and how to challenge audits of impairment tests.

In March 2016, IFIAR issued Report on 2015 Survey of Inspection Findings 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 1,130 total findings in inspected audits of 872 listed public interest entities, or public companies, and highlighted the following deficiencies:

1. 23% of the findings relates to internal control testing.
2. Auditing fair value measurements accounted for 18% of total findings.
3. Revenue recognition accounted for 15% of the findings.

4.4.4 International Certifications

ADAA continued pursuing international certificates in order to ensure continued application of best practices and recognized professional standards.

Institute of Leadership and Management

During 2016, the UK Institute of Leadership and Management (ILM) maintained 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's 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 fulfill 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.

ISO 14001:2015

ISO 14001:2015 helps an organization achieve the intended outcomes of its environmental management system, which provide value for the environment, the organization itself and interested parties. Consistent with the organization's environmental policy, the intended outcomes of an environmental management system include:

- enhancement of environmental performance;
- fulfilment of compliance obligations and
- achievement of environmental objectives.

ADAA has achieved the ISO 14001:2015 Certificate for Environmental Management according to best international practices issued by British Standards Institute (BSI).

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

For the fifth year in succession 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 students resident there. It provides an opportunity for them to become familiar with potential employers. This exposure enables us to explain not only the role of ADAA but also 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 issued 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. 2017 WORKPLAN

BELOW ARE SOME OF THE HIGHLIGHTS OF ADAA'S 2017 ANNUAL PLAN:

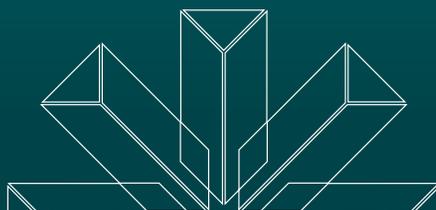
- Audit the financial statements of the Government of Abu Dhabi in accordance with International Standards and issue the audit report within the time frame specified in the Financial Management Law.
- Conduct examinations of the financial statements for a group of Subject Entities, and enhance and unify Subject entities' financial statements basis of preparation according to Subject entities' operations and in alignment with International Standards. Review Subject Entities' compliance with budgets and Statutory Auditors Appointment Rules (SAAR).
- Conduct Financial Management Assessments for a group of Subject Entities.
- Assess the Internal Audit Functions for a group of Subject Entities, and continue to provide support to improve the role of internal audit.
- Conduct Procurement Reviews for a group of Subject Entities.
- Conduct a number of Service and Output Reviews for areas of high priority.
- Examine complaints referred to ADAA or discovered during its course of work at Subject Entities and issue Special Examination reports accordingly.
- Explore the development of new outputs that add value, and which compliment other outputs to accompany the current state of matters within the Government.
- Address complex accounting matters and unify the interpretations of financial reporting standards through the "Abu Dhabi Technical Forum".
- Prepare accountability reports and provide consultations in the preparation of draft governance systems and regulations, and continue to provide advice to Subject Entities as and when requested.
- Enhance the role of the Research and Knowledge Management Function at ADAA and continue the engagement of national and international auditing bodies through seeking memberships in appropriate organizations.
- Participate in the IFIAR plenary meeting for 2017 & nominate ADAA for BOD membership.
- Monitor the outputs of the "Auditors Development Program".
- Continue the secondment of Emirati employees in the Auditors Development Program to the Big Four audit firms.
- Continue to provide the necessary support related to the implementation and use of the "e-Governance Portal".

PART 04

Financial statements together with the independent auditor's report

For the year ended
31 December 2016

PAGE 60





Desert in Abu Dhabi, UAE



Green Mubazzarah Resort as seen from Jebel Hafeet, Al Ain, UAE

Abu Dhabi Accountability Authority

FINANCIAL STATEMENTS

For the year ended 31 December 2016



Table of Contents

Page

Independent auditor's report addressed to The Chairman of Abu Dhabi Accountability Authority	1
Statement of financial position	3
Statement of financial performance	4
Statement of changes in Government of Abu Dhabi account	5
Statement of cash flows	6
Statement of comparison of budget and actual amounts	7
Notes to the financial statements	9



KPMG Lower Gulf Limited
Level 19, Nation Tower 2
Abu Dhabi Corniche, UAE
Tel. +971 (2) 4014 800, Fax +971 (2) 6327 612

Independent Auditors' Report

**H.E The Chairman
Abu Dhabi Accountability Authority**

Opinion

We have audited the financial statements of Abu Dhabi Accountability Authority ("the Authority"), which comprise the statement of financial position as at 31 December 2016, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the legislative authority either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chairman, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 on 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 2016, which may have a material effect on the Authority's financial statements.

KPMG Lower Gulf Limited



Fawzi AbuRass
Registration No.: 968
Abu Dhabi, United Arab Emirates
Date:



Abu Dhabi Accountability Authority

STATEMENT OF FINANCIAL POSITION As at 31 December 2016

	Notes	2016 AED	2015 AED
ASSETS			
Current assets			
Cash and cash equivalents	4	5,000	5,000
Government of Abu Dhabi account	5, 13	26,084,723	20,489,925
Prepayments and other receivables	6	3,608,925	4,530,176
		<u>29,698,648</u>	<u>25,025,101</u>
Non-current assets			
Intangible assets	9	2,204,525	2,933,273
Property and equipment	7	12,326,851	151,827,063
		<u>14,531,376</u>	<u>154,760,336</u>
TOTAL ASSETS		<u>44,230,024</u>	<u>179,785,437</u>
LIABILITIES			
Current liabilities			
Accrued expenses and other payables	10	1,665,533	15,171,288
Deferred government grant related to assets	5	6,129,237	1,812,697
		<u>7,794,770</u>	<u>16,983,985</u>
Non-current liabilities			
Deferred government grant related to assets	5	8,307,984	132,161,123
Retention payables		-	6,245,073
Employees' end of service benefits	11	28,127,270	24,395,256
		<u>36,435,254</u>	<u>162,801,452</u>
TOTAL LIABILITIES		<u>44,230,024</u>	<u>179,785,437</u>

The financial statements were authorised for issue in accordance with a resolution of the Authority's Chairman on 16 March 2017.

Mohamed Al Mheiri
Director of Finance

Abdulaziz AlKhoori
Executive Director

Hamad Al Hurr Al Suwaidi
Chairman

The attached notes 1 to 16 form part of these financial statements.
The independent auditor's report is set out on pages 1 and 2.

Abu Dhabi Accountability Authority

STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 December 2016



	<i>Notes</i>	<i>2016 AED</i>	<i>2015 AED</i>
Revenue			
Revenue from non-exchange transaction			
Contributions from Government of Abu Dhabi	5, 13	135,035,964	135,403,951
Revenue from exchange transaction			
Other income		<u>1,339,407</u>	<u>1,189,977</u>
Total revenue		<u>136,375,371</u>	<u>136,593,928</u>
Expenditures			
Employees' salaries and other benefits		120,578,145	118,600,486
Depreciation and amortisation		4,312,972	1,153,537
General and administrative expenses	12	<u>11,484,254</u>	<u>16,839,905</u>
Total expenditures		<u>136,375,371</u>	<u>136,593,928</u>

The attached notes 1 to 16 form part of these financial statements
The independent auditor's report is set out on pages 1 and 2.



Abu Dhabi Accountability Authority

STATEMENT OF CHANGES IN GOVERNMENT OF ABU DHABI ACCOUNT For the year ended 31 December 2016

	<i>Notes</i>	2016 <i>AED</i>	2015 <i>AED</i>
Balance at 1 January	5	(20,489,925)	(16,357,406)
Funds received during the year related to operating and capital expenditures	5	142,704,063	205,865,658
Funds received during the year related to capital expenditures and transferred to deferred government grant	5	(16,016,246)	(74,373,712)
Refund to Government of Abu Dhabi during the year	5	(1,559,623)	(1,374,051)
Contribution related to operating expenditures recognised as revenue during the year	5	<u>(130,722,992)</u>	<u>(134,250,414)</u>
Balance at 31 December	5	<u>(26,084,723)</u>	<u>(20,489,925)</u>

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

Current Assets

Government of Abu Dhabi account	5	<u>26,084,723</u>	<u>20,489,925</u>
---------------------------------	---	--------------------------	-------------------

The attached notes 1 to 16 form part of these financial statements.
The independent auditor's report is set out on pages 1 and 2.

Abu Dhabi Accountability Authority

STATEMENT OF CASH FLOWS
For the year ended 31 December 2016



	<i>Notes</i>	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
OPERATING ACTIVITIES			
<i>Adjustments for:</i>			
Depreciation and amortisation		4,312,972	1,153,537
Provision for employees' end of service benefits	<i>11</i>	4,790,005	3,385,011
Gain on sale of property and equipment		(57,000)	(21,500)
Contributions related to operating expenditures recognised as revenue during the year	<i>5</i>	(130,722,992)	(134,250,414)
Deferred government grant related to assets recognised as revenue during the year	<i>5</i>	(4,312,972)	(1,153,537)
Decrease in prepayments and other receivables		921,251	1,204,308
Increase in accrued expenses and other payables		941,533	52,141
Government contributions received during the year net of refund		141,144,440	204,491,607
Employees' end of service benefits paid during the year	<i>11</i>	(1,057,991)	(750,393)
Net cash flows from operating activities		<u>15,959,246</u>	<u>74,110,760</u>
INVESTING ACTIVITIES			
Payments to purchase property and equipment		(15,566,569)	(72,093,612)
Payments to purchase intangible assets		(449,677)	(2,280,100)
Proceeds from sale of property and equipment		57,000	21,500
Net cash used in investing activities		<u>(15,959,246)</u>	<u>(74,352,212)</u>
DECREASE IN CASH AND CASH EQUIVALENTS			
		-	(241,452)
Cash and cash equivalents at the beginning of the year		5,000	246,452
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<i>4</i>	<u>5,000</u>	<u>5,000</u>
The principal non cash transactions excluded from the statement of cash flows are:			
Purchase of property and equipment		<u>152,514,525</u>	<u>15,773,961</u>

The attached notes 1 to 16 form part of these financial statements.
The independent auditor's report is set out on pages 1 and 2.



Abu Dhabi Accountability Authority

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the year ended 31 December 2016

<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	175,200,000	171,991,219	142,704,063	29,287,156
Revenue from non-subject entities	-	-	1,517,123	(1,517,123)
Total receipts	175,200,000	171,991,219	144,221,186	27,770,033
Refund to Government of Abu Dhabi during the year	-	-	(1,559,623)	1,559,623
Net receipts available for disbursement	175,200,000	171,991,219	142,661,563	29,329,656
EXPENDITURES				
Chapter one - Salaries and other benefits				
Basic salary and other allowances	123,019,000	123,019,000	101,739,239	21,279,761
Tuition allowance	5,464,000	5,464,000	5,224,053	239,947
Contributions to Retirements Pension and Benefits Fund	6,500,000	6,500,000	5,261,620	1,238,380
Government Contribution - Oman Pension	71,000	71,000	69,016	1,984
End of service benefits paid during the year	1,500,000	1,500,000	1,057,991	442,009
Medical insurance	1,900,000	1,900,000	1,797,463	102,537
Recruitment fees	200,000	200,000	93,375	106,625
Other expenses	135,000	135,000	83,023	51,977
Total salaries and other benefits	138,789,000	138,789,000	115,325,780	23,463,220
Chapter two – Other operating expenditures				
Consultancy fees	3,127,000	3,152,000	2,395,090	756,910
Office rent and other related expenses	5,840,000	5,640,000	3,917,836	1,722,164
Motor vehicles expenses (insurance, maintenance and fuel)	78,000	78,000	49,236	28,764
Operation and maintenance of computers, furniture and office equipment	1,540,000	1,610,000	1,204,397	405,603
Books and professional and scientific subscriptions	282,000	282,000	137,107	144,893
Business travel expenses	1,421,000	1,421,000	1,154,316	266,684
Printing and publishing	750,000	750,000	447,318	302,682
Conferences	1,775,000	1,775,000	1,281,922	493,078
Miscellaneous expenses	345,000	450,000	298,971	151,029
Total other operating expenditures	15,158,000	15,158,000	10,886,193	4,271,807
Grants				
Grants to non profit organisations	610,000	610,000	490,344	119,656
NET OPERATING RECEIPTS	20,643,000	17,434,219	15,959,246	1,474,973

(Continued)

Abu Dhabi Accountability Authority



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS For the year ended 31 December 2016

(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	-	10,000	4,050	5,950
Hardware & peripherals	85,000	1,085,000	771,300	313,700
Office equipment	50,000	40,000	-	40,000
Computer software (Intangible assets)	2,508,000	1,508,000	449,677	1,058,323
Proceeds from sale of property and equipment	-	-	(57,000)	57,000
	<u>2,643,000</u>	<u>2,643,000</u>	<u>1,168,027</u>	<u>1,474,973</u>
Capital development projects				
Capital work in progress (ADAA building)	18,000,000	14,791,219	14,791,219	-
	<u>20,643,000</u>	<u>17,434,219</u>	<u>15,959,246</u>	<u>1,474,973</u>

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 changes between the original and final budget are consequence of reallocations within the budget, in addition to transfer of the capital development projects' budget to Abu Dhabi General Services Company - Musanada. Additional information about the approved budget disclosed in Note 16 to the financial statements.

The attached notes 1 to 16 form part of these financial statements.
The independent auditor's report is set out on pages 1 and 2.



Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1. GENERAL

Abu Dhabi Accountability Authority (the "Authority") is an independent entity under the authority of the Crown Prince, 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 2016, the Authority had 157 employees (2015: 160 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

IPSAS 39 – Employee Benefits – replaces IPSAS 25 as of January 1, 2018

The adoption of the above mentioned new IPSAS has no significant 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, salaries, depreciation and amortisation 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
Leasehold improvements	4
Computers 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.

3.4 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 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 2016 (2015: nil) and no bad debts were written off during the year (2015: nil).

3.6 Accrued expenses and other payables

Accrued expenses and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.7 Employees' end of service benefits

Employees' end of service benefits are calculated in accordance with IPSAS 25. This requires the use of actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their 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.

3.8 Cash and cash equivalents

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

3.9 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.

As at 31 December 2016, 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 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

	2016	2015
	AED	AED
Cash in hand	<u>5,000</u>	<u>5,000</u>



5. GOVERNMENT OF ABU DHABI ACCOUNT

Government of Abu Dhabi contributes funds to the 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>Notes</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Balance as at 1 January 2015		60,753,645	(16,357,406)	44,396,239
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>
Funds received during 2016		16,016,246	126,687,817	142,704,063
Accounts Payable transferred to related party	13	14,447,288	-	14,447,288
Retention Payable transferred to related party	13	6,827,364	-	6,827,364
ADAA building transferred to related party	13	(152,344,219)	-	(152,344,219)
Assets Transferred to related party	13	(200,330)	-	(200,330)
Accumulated Depreciation on Asset transferred	13	30,024	-	30,024
Refund to Government of Abu Dhabi during 2016		-	(1,559,623)	(1,559,623)
Contribution recognised as revenue during 2016		<u>(4,312,972)</u>	<u>(130,722,992)</u>	<u>(135,035,964)</u>
Balance as at 31 December 2016		<u>14,437,221</u>	<u>(26,084,723)</u>	<u>11,647,502</u>
<i>Classified in the statement of financial position as follow</i>			<i>2016</i>	<i>2015</i>
<u>Grant related to capital expenditures</u>			<u>AED</u>	<u>AED</u>
Deferred government grant related to assets				
Current liabilities			6,129,237	1,812,697
Non-current liabilities			8,307,984	132,161,123
Balance as at 31 December			<u>14,437,221</u>	<u>133,973,820</u>
<u>Contributions related to operating expenditures</u>			<u>2016</u>	<u>2015</u>
			<u>AED</u>	<u>AED</u>
Government of Abu Dhabi account				
Current assets			<u>26,084,723</u>	<u>20,489,925</u>



Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

6. PREPAYMENTS AND OTHER RECEIVABLES

	2016	2015
	AED	AED
Prepaid expenses	1,129,193	1,136,331
Advances and housing loans to employees	2,272,103	2,951,500
Other Receivables	207,629	442,345
	<u>3,608,925</u>	<u>4,530,176</u>

7. PROPERTY AND EQUIPMENT

	<i>Motor Vehicles</i>	<i>Furniture and fixtures</i>	<i>Leasehold improvements</i>	<i>Computers and office equipment</i>	<i>Capital work in progress</i>	<i>Total</i>
	AED	AED	AED	AED	AED	AED
2016						
Cost:						
As at 1 January 2016	358,000	2,622,000	3,828,589	7,121,603	150,288,327	164,218,519
Additions	-	4,050	-	771,300	15,373,510	16,148,860
Disposals	-	-	-	(1,149,912)	-	(1,149,912)
Transfer to related party (Note 8,13)	-	(7,900)	-	(192,430)	(152,344,219)	(152,544,549)
Transfers	-	-	-	13,317,618	(13,317,618)	-
As at 31 December 2016	<u>358,000</u>	<u>2,618,150</u>	<u>3,828,589</u>	<u>19,868,179</u>	<u>-</u>	<u>26,672,918</u>
Accumulated depreciation:						
As at 1 January 2016	309,056	2,599,103	3,827,913	5,655,384	-	12,391,456
Depreciation for the year	38,500	12,244	674	3,083,129	-	3,134,547
Disposals	-	-	-	(1,149,912)	-	(1,149,912)
Transfer to related party (Note 8,13)	-	(901)	-	(29,123)	-	(30,024)
As at 31 December 2016	<u>347,556</u>	<u>2,610,446</u>	<u>3,828,587</u>	<u>7,559,478</u>	<u>-</u>	<u>14,346,067</u>
Net carrying amount as at 31 December 2016	<u>10,444</u>	<u>7,704</u>	<u>2</u>	<u>12,308,701</u>	<u>-</u>	<u>12,326,851</u>
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>



8. CAPITAL WORK IN PROGRESS

Capital work in progress comprise of constructions carried out by the Authority and recorded in property and equipment at cost 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 ready for its intended use. During the year, the project related to Authority's building was transferred to a related party, and hence the book value of the project's assets have been derecognized along with the related balances of accrued expenses and other payables, retention payables and deferred grant related to assets. Furthermore, capital work in progress related to data center have been transferred to the Computers and office equipment category.

9. INTANGIBLE ASSETS

Computer Software	2016 AED	2015 AED
Cost:		
As at 1 January	8,905,135	6,625,035
Additions	449,677	2,280,100
As at 31 December	9,354,812	8,905,135
Accumulated amortisation:		
As at 1 January	5,971,862	5,392,336
Amortisation for the year	1,178,425	579,526
As at 31 December	7,150,287	5,971,862
Net book value: As at 31 December	2,204,525	2,933,273

10. ACCRUED EXPENSES AND OTHER PAYABLES

	2016 AED	2015 AED
Due to related parties (note 13)	-	14,447,288
Other payables	118,238	131,994
Accrued expenses	1,547,295	592,006
	1,665,533	15,171,288

11. EMPLOYEES' END OF SERVICE BENEFITS

	2016 AED	2015 AED
Balance as at 1 January	24,395,256	21,760,638
Charge for the year	4,790,005	3,385,011
End of service benefits paid during the year	(1,057,991)	(750,393)
Balance as at 31 December	28,127,270	24,395,256

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 2016 amounted to AED 5,261,620 (2015: AED 5,165,127) which have been contributed directly to Abu Dhabi Retirement Pensions and Benefits Fund.



Abu Dhabi Accountability Authority

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

12. GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
	AED	AED
Rent	3,118,574	3,112,961
Consultancy fees	2,400,590	5,134,667
Conferences	1,281,922	2,003,657
Business travel	1,154,316	1,143,959
Computer maintenance	1,036,563	1,494,654
Grant to non profit organisations	490,344	503,245
Cleaning and Security Services : Business Premises	462,416	230,385
Printing and publishing	447,318	687,949
Telephone, air condition and electricity	257,690	665,535
Recruitment fees	93,375	109,775
Advertising	-	128,946
Other expenses	741,146	1,624,172
	<u>11,484,254</u>	<u>16,839,905</u>

13. 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:

	2016	2015
	AED	AED
Due from Government of Abu Dhabi	<u>26,084,723</u>	<u>20,489,925</u>
Payable to Abu Dhabi General Services Company – Musanada	<u>-</u>	<u>14,447,288</u>

b) Transactions with related parties:

	2016	2015
	AED	AED
Payments to Abu Dhabi General Services Company - Musanada during the year	<u>14,791,219</u>	<u>70,956,241</u>
Government of Abu Dhabi		
Revenue from non-exchange transaction - Contribution	<u>135,035,964</u>	<u>135,403,951</u>
Accounts Payable transferred to related party	<u>14,447,288</u>	<u>-</u>
Retention Payable transferred to related party	<u>6,827,364</u>	<u>-</u>
ADAA building transferred to related party	<u>152,344,219</u>	<u>-</u>
Assets Transferred to related party	<u>200,330</u>	<u>-</u>
Accumulated Depreciation on Asset transferred	<u>30,024</u>	<u>-</u>



13. 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:

	2016	2015
	AED	AED
Salaries and other benefits	<u>12,929,858</u>	<u>15,576,864</u>
Employees' end of service benefits	<u>1,491,188</u>	<u>1,175,875</u>
Number of key management personnel	<u>8</u>	<u>10</u>

14. CAPITAL COMMITMENTS AND CONTINGENCIES

	2016	2015
	AED	AED
Building	-	10,537,299
Data Center	<u>214,700</u>	<u>-</u>
Balance as at 31 December	<u>214,700</u>	<u>10,537,299</u>

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

15.1 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.

15.2 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.

15.3 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.

15.4 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.



16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

16.1 The Authority's budget is prepared on a cash basis using a classification based on the nature of expenses and covers the period from 1 January to 31 December which is the same period of the annual financial statements. The budget was approved by His Highness the Crown Prince of Abu Dhabi and Chairman of the Abu Dhabi Executive Council, and was included in the Government budget in accordance with the Chairman of the Executive Council Resolution number 65 for 2016 issued on 8 June 2016.

16.2 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..

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

16.4 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 2016 as follows:

2016	<i>Net operating receipts</i> AED	<i>Net investing payments</i> AED	<i>Net payments</i> AED
Actual amount on comparable basis as presented in the statement of comparison of budget and actual amounts	15,959,246	(15,959,246)	-
Differences	-	-	-
Actual amount in the statement of cash flows	<u>15,959,246</u>	<u>(15,959,246)</u>	<u>-</u>

16.5 Explanation of material differences between actual amounts and budget.

The total budget difference amount of AED 29.3 million is due to the following:

Capital Expenditures

The underspent amount of AED 1.5 million is due to the changes in procurement plans of intangible assets and postponing the purchase of other assets.

Operating Expenditures

The underspent amount of AED 27.8 million is mainly due to deferral of the manpower plan in respect of filling certain vacant positions and reliance on internal resources, in addition to postponing the awarding of a number of operational contracts to the following year.



Desert in Abu Dhabi, UAE