



جهاز أبوظبي للمحاسبة  
ABU DHABI ACCOUNTABILITY AUTHORITY

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# ACCOUNTABILITY REPORT 2018

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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**









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





**His Highness Sheikh Mohamed bin Zayed Al Nahyan**

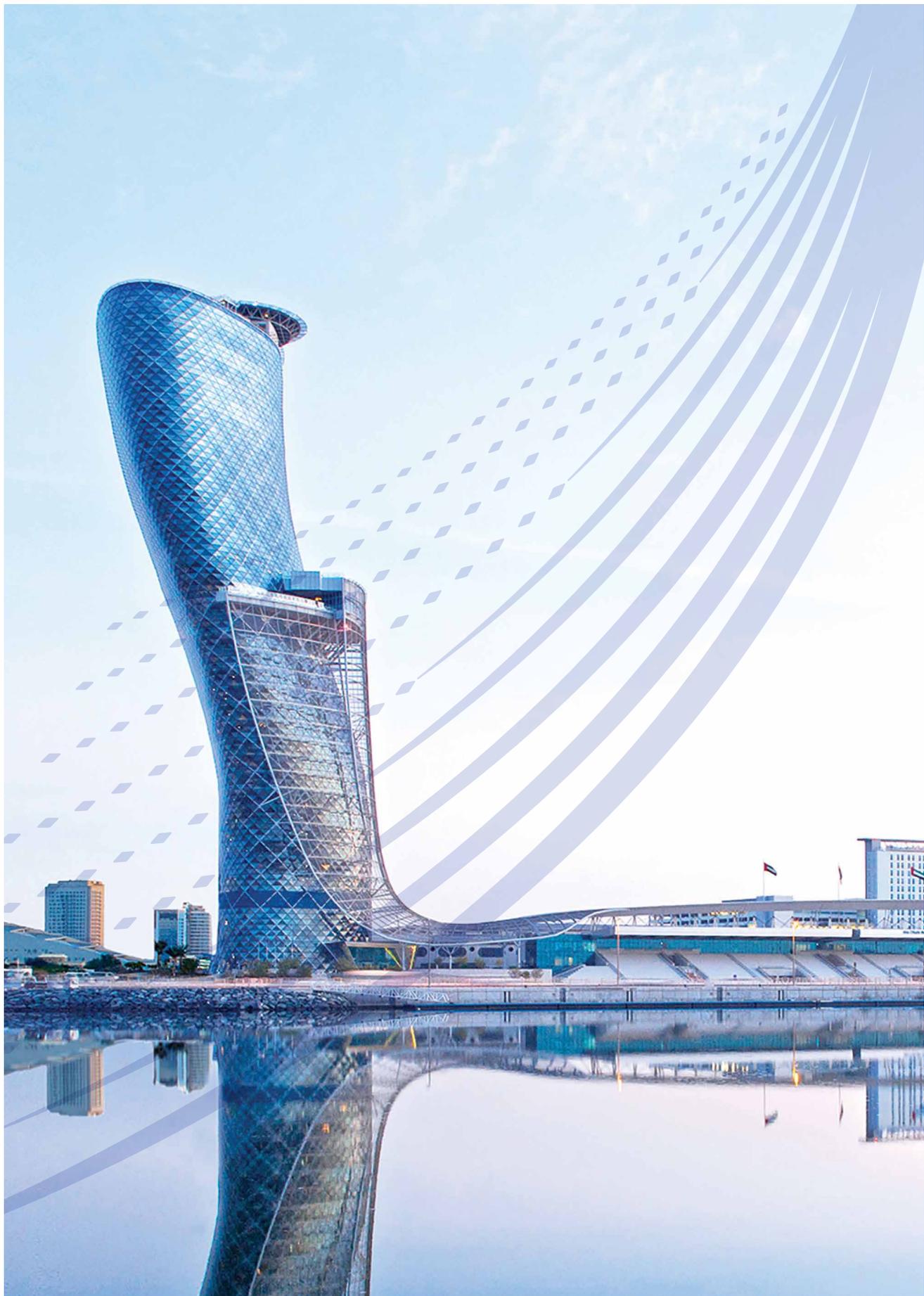
The Crown Prince of Abu Dhabi and Deputy Supreme Commander  
of the UAE Armed Forces





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# CHAIRMAN'S MESSAGE

## It gives us great pleasure to publish the 2018 Annual Accountability Report of Abu Dhabi Accountability Authority (ADAA).

This 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, 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.

This issue of the accountability report comes after ADAA has updated its strategy with respect to the services and programs it provides in light of its Law of Establishment. ADAA appointed an internationally accredited consultant to carry out an assessment of ADAA's activities, benchmarked against international standards and guidelines issued by the International Organization of Supreme Audit Institutions (INTOSAI). The assessment highlighted the need to add new services and at the same time expand others in order for ADAA to be in compliance with applicable international standards. Among the services that were added is the review of subject entities' compliance with applicable laws and

regulations. On the other hand, the financial audit service will be gradually expanded to include all of the government departments.

Last year, ADAA also updated its planning methodology and enhanced the prioritization of its services to be more specific, based on the identification of significant risks at the level of the sectors and industries in which the subject entities fall. Thus using the available resources to cover these risks in a timely manner.

Due to the absence of mandatory requirements as per the International Standards on Auditing for the statutory auditors of the subject entities to examine the effectiveness of the subject entities' internal control systems or review their compliance with relevant laws and regulations, ADAA issued Resolution No. 1 of 2017. The resolution requires the statutory auditors of the subject entities to test and report on the effectiveness of internal control systems over financial reporting and review their compliance with applicable laws and regulations.

In addition to all of the above, ADAA continued to provide its services in accordance with the approved annual plan without any adverse impact. This Report illustrates a number of ADAA accomplishments during last year, including:

- Auditing the financial statements of the Government of Abu Dhabi, General Directorate of the Abu Dhabi Police and Department of Economic Development in accordance with international standards and issuing relevant reports.
- Started auditing the financial statements of a number of other governmental departments.
- Issued number of reports throughout multiple services such as Financial Examination, Financial Management Assessment, Compliance Review, and Performance Review of several economic and social programs at Subject Entities.
- Expanded the role of the ADAA Knowledge Centre to include external beneficiaries, providing specialized professional training programs to 415 employees from 34 Subject Entities.
- Engaged ADAA's statutory auditor in accordance with ADAA Chairman Resolution No. 1 of 2017 to examine and report on the effectiveness of ADAA's internal control system in accordance with the COSO framework, who issued an unqualified opinion without identifying any material weaknesses. This was the first such implementation of the said Resolution in the Emirate.

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 Hurr Al Suwaidi**  
ADAA Chairman





# ADAA HISTORY

# ADAA HISTORY

## 1985

Abu Dhabi Audit 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.

## 1996

The role of ADAA was **activated** with the issuance of **Decree No.8** of 1996 appointing His Excellency Mohammed Al Marar as the first Chairman.

## 1997

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.**

# 2004

In July 2004, **Law No.6** of 2004 was issued to **give ADAA broader authorities.**

# 2008

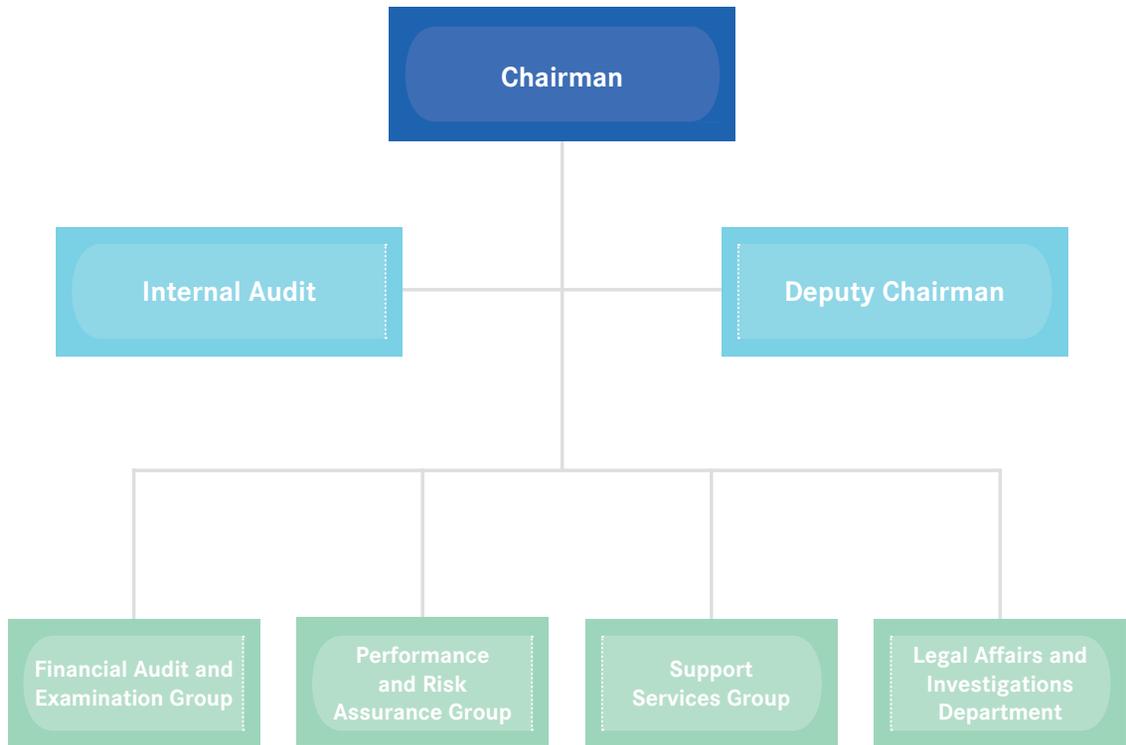
In December 2008, **Law No. 14** of 2008 (the Law) was issued to shift the role of ADAA from financial control to government audit and added a new objective that is to promote the principles of accountability and transparency. The Law also **changed the name** of the authority from "Abu Dhabi Audit Authority" to "Abu Dhabi Accountability Authority".

On 31 December 2008, Emiri **Decree No.(10)** was issued appointing His Excellency Riyadh Al Mubarak as Chairman of ADAA.

# 2017

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 ADAA.**

ADAA has 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.







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# OBJECTIVES & RESPONSIBILITIES

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

## OBJECTIVES



Ensure public resources and funds are managed, collected and expended efficiently, effectively and economically.

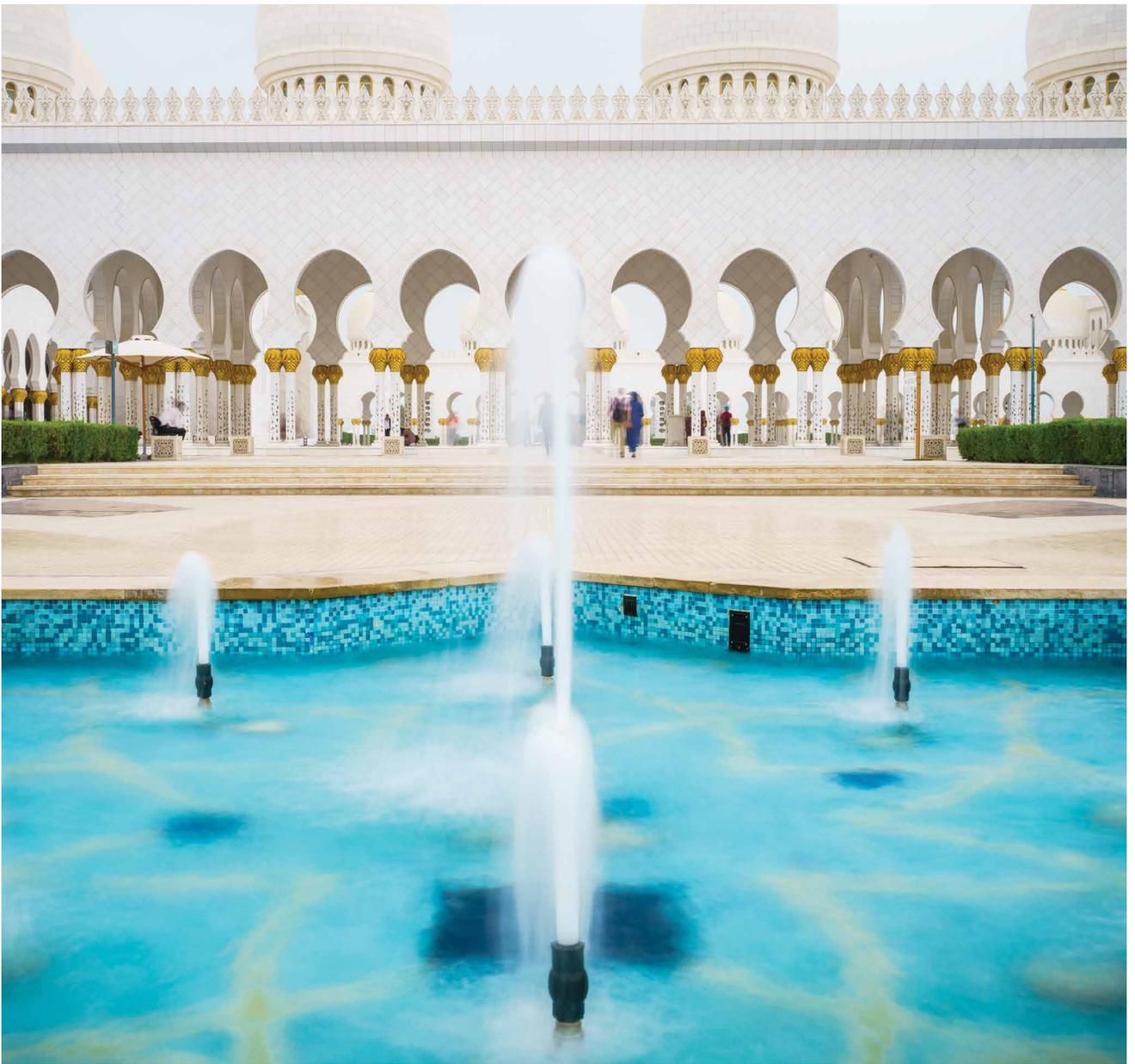
Ensure accuracy of the financial reports and compliance of Subject Entities with relevant laws, rules and regulations and governance guidelines.

Promote accountability and transparency across all Subject Entities.

## RESPONSIBILITIES



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



## OUR VISION

“Excel in safeguarding public funds”



## OUR MISSION

“Promoting accountability and transparency through objective assurance and advisory services”

## OUR VALUES



Independence



Integrity



Professionalism





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# STRATEGIC FRAMEWORK

# STRATEGIC FRAMEWORK

## Strategic Pillars

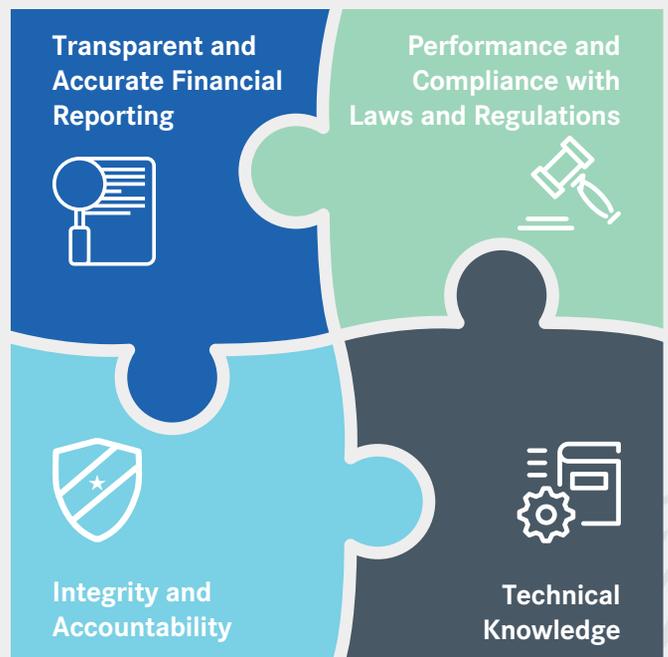
In view of the recent changes that occurred within the Government apparatus, it was necessary for ADAA to undertake a comprehensive assessment of its strategy, and to develop programs and services to support the Government and the decision making process.

ADAA identified four strategic pillars as shown in the figure below:

## STRATEGY DEVELOPMENT INPUTS

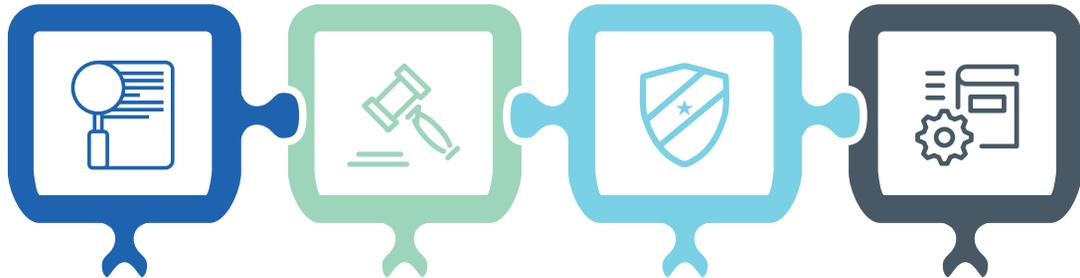


## STRATEGIC PILLARS



In line with these strategic pillars, ADAA identified new programs and services to enhance its effectiveness, efficiency and impact as shown in the figure below:

## STRATEGIC PILLARS



### Transparent and Accurate Financial Reporting

Provide objective opinion on Public Entity Financial Statements and reports and provide assurance that External Auditors procedures and professional judgements are free from Management influence.

### Performance and Compliance with Laws and Regulations

Provide assurance of Government progress in achieving Abu Dhabi Policy and Plans outcomes and provide advice on improving performance.

Verify compliance of Subject Entities with laws, regulations, rules and approved guidelines.

### Integrity and Accountability

Ensure that a Government wide approach for managing and reporting financial and administrative violations exists and Leadership is informed of anti-corruption activity.

Promote a highly Ethical culture within the Public Sector by championing awareness, and issuing guidelines.

### Technical Knowledge

Develop UAE Nationals technical and management capabilities in the audit field.

## NEW PROGRAMS

2

2

4

2

## Governance

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 Annual 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. ADAA Chairman has welcomed and adopted various channels of communication with the employees providing adequate communication channels relating to the overall strategy, ADAA's yearly plan and its performance.

The Annual Meeting held at the beginning of every year as well as the periodic management meetings cover different topics of importance and impact on ADAA's work and verify 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 program and service it provides in accordance with international best practices. 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.

### Performance Management

ADAA measures performance against the strategic objectives identified in our 2017 – 2020 Strategy. These measures are divided into two categories:

- **Impact Measures:** which measure how the ADAA's programs and services affect the Government and Subject Entities. We also include ADAA's contribution to international bodies to support advancements in the field of financial, performance and compliance audit

and anti-fraud activities within this category. These measures provide an indication of whether ADAA is achieving its strategic objectives.

- **Operational Measures:** which measure ADAA's ability to conduct technical and support activities in an efficient and economic manner.

Operational measures are updated in real time and monitored by the ADAA Chairman and Executive Management in the appropriate Governance Committees.

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 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, in addition to networking seminars, workshops, and panel discussions on new services and policies.



**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:**



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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.





### **Internal Control**

ADAA annually reviews its internal controls, including financial, operational, compliance controls and risk management to ensure that its processes are in line with best practice, laws, rules and regulations through its monitoring system according to International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA).

ADAA also implemented a rigorous Code of Conduct safeguarding business and professional ethics and ensures that all ADAA employees understand and abide by this code of conduct. ADAA has a “Compliance Officer” role whose responsibility is to handle the receipt of complaints related to employees and to ADAA’s activities, to examine complaints and to 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 2018, Grant Thornton was reappointed for a fee of AED 93,000 in accordance with the Statutory Auditors Appointment Rules issued by ADAA to review and audit the interim and annual financial statements of ADAA.

The external auditor was also engaged for a fee of AED 86,000 to examine and report on the effectiveness of the internal control system in accordance with the COSO framework, Grant Thornton issued an unqualified audit opinion for 2017 and 2018.

### **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, programs, outcomes and performance measures.

In addition, ADAA prepares this annual report “the Accountability Report” to provide information regarding its achievements during a year along with the plan for next year.





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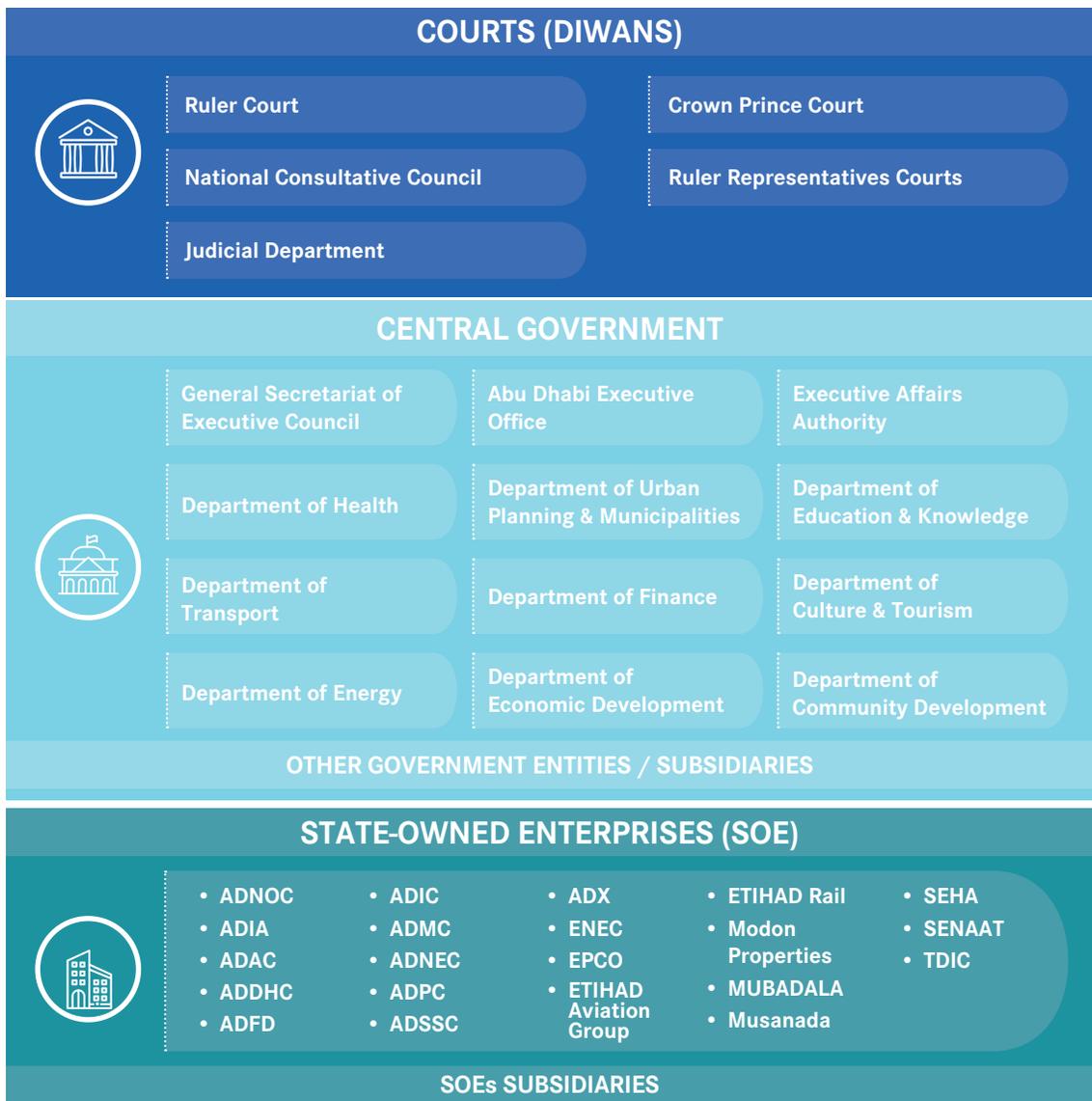
# SUBJECT ENTITIES

# SUBJECT ENTITIES

ADAA's 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.

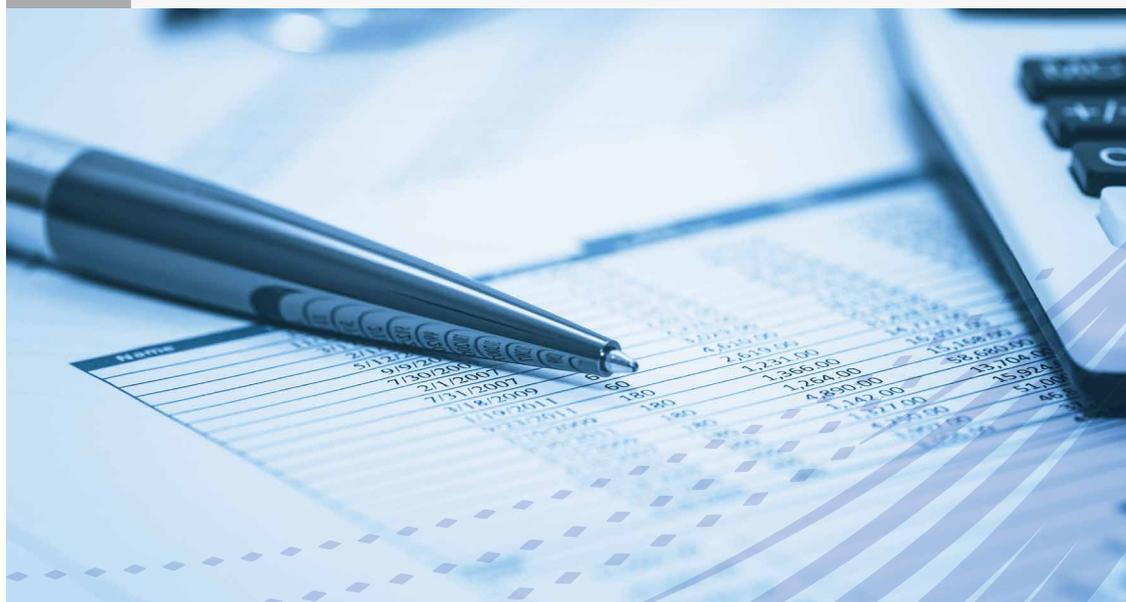
## Government Entities Classification by Type

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



ADAA has also classified Subject Entities according to the sector and field they operate in, as shown in the list below (excluding subsidiaries of SOEs and Government Entities).

| Sector                       | Field                                 | Subject Entity   |
|------------------------------|---------------------------------------|--|
| ECONOMIC DEVELOPMENT         | Economic Planning & Specialized Zones | 1 Department of Economic Development                     |
|                              |                                       | 2 Abu Dhabi Council for Economic Development             |
|                              |                                       | 3 Abu Dhabi Quality & Conformity Council                 |
|                              |                                       | 4 Khalifa Fund For Enterprise Development                |
|                              |                                       | 5 Higher Corporation for Specialized Economic Zones      |
|                              |                                       | 6 Media Zone Authority                                   |
|                              |                                       | 7 Abu Dhabi Global Market                                |
|                              | Energy                                | 8 Department of Energy                                   |
|                              |                                       | 9 General Secretariat of the Supreme Petroleum Council   |
|                              | Tourism & Culture                     | 10 Department of Culture and Tourism                     |
|                              |                                       | 11 Al Ain Zoo and Aquarium Public Institution            |
|                              |                                       | 12 Zayed House For Islamic Culture                       |
|                              |                                       | 13 Emirates Heritage Club                                |
| SECURITY, JUSTICE AND SAFETY | Security & Safety                     | 14 General Directorate of Abu Dhabi Police               |
|                              |                                       | 15 Monitoring and Control Centre                         |
|                              |                                       | 16 Abu Dhabi Agriculture and Food Safety Authority       |
|                              |                                       | 17 Abu Dhabi Occupational Safety & Health Center (OSHAD) |
|                              | Justice                               | 18 Judicial Department - Abu Dhabi                       |



| Sector   | Field                               | Subject Entity  |
|--|-------------------------------------|---|
| SOCIAL DEVELOPMENT                                 | Education                           | 19 Department of Education and Knowledge                                |
|  |                                     | 20 Sorbonne University – Abu Dhabi                                      |
|  |                                     | 21 Khalifa University for Science, Technology and Research              |
|  |                                     | 22 Mohammed V University – Abu Dhabi                                    |
|  |                                     | 23 Rabdan Academy   |
|  |                                     | 24 Abu Dhabi Centre for Technical and Vocational Education and Training |
|  |                                     | 25 Institute of Applied Technology                                      |
|  |                                     | 26 Emirates College for Advanced Education                              |
|  | Health                              | 27 Department of Health   |
|  |                                     | 28 National Rehabilitation Centre                                       |
|  | Community Development & Environment | 29 Department of Community Development                                  |
|  |                                     | 30 Family Development Foundation  |
|  |                                     | 31 Social Care & Minors Affairs Foundation                              |
|  |                                     | 32 Zayed Higher Organization for Humanitarian Care and Special Needs    |
|  |                                     | 33 Emirates Foundation  |
|  |                                     | 34 Khalifa Bin Zayed Al Nahyan Foundation                               |
|  |                                     | 35 Dar Zayed for Family Care  |
|  |                                     | 36 Zayed bin Sultan Al Nahayan Charitable and Humanitarian Foundation   |
|  |                                     | 37 Abu Dhabi Sports Council   |
|  |                                     | 38 Abu Dhabi Retirement Pensions and Benefits Fund                      |
|  |                                     | 39 Abu Dhabi Housing Authority  |
|  |                                     | 40 Environment Agency – Abu Dhabi                                       |
| 41 International Fund for Houbara Conservation     |                                     |   |
| 42 The Mohamed bin Zayed Species Conservation Fund |                                     |   |
| INFRASTRUCTURE                                     | Urban Planning & Municipal Affairs  | 43 Department of Urban Planning & Municipalities                        |
|  |                                     | 44 Municipality of Abu Dhabi City                                       |
|  |                                     | 45 Municipality of Al Ain City  |
|  |                                     | 46 Municipality of Al Dhafrah Region                                    |
|  |                                     | 47 The Centre of Waste Management – Abu Dhabi                           |
|  | Transport                           | 48 Department of Transport  |
|  |                                     | 49 Compensation Fund for Owners of Taxi Licenses                        |
|  |                                     | 50 Integrated Transport Center  |

| Sector                    | Field | Subject Entity                                      |
|---------------------------|-------|---|
| GOVERNMENT ADMINISTRATION |       | 51 Ruler Court                                      |
|                           |       | 52 National Consultative Council                    |
|                           |       | 53 Crown Prince Court                               |
|                           |       | 54 Ruler Representative Court in the Dhafra Region  |
|                           |       | 55 Ruler Representative Court in the Eastern Region |
|                           |       | 56 Presidential Flight Authority                    |
|                           |       | 57 Executive Affairs Authority                      |
|                           |       | 58 General Secretariat of the Executive Council     |
|                           |       | 59 Department of Finance                            |
|                           |       | 60 Abu Dhabi Executive Office                       |
|                           |       | 61 Human Resources Authority – Abu Dhabi            |
|                           |       | 62 Smart Solutions & Services Authority             |
|                           |       | 63 Statistics Centre – Abu Dhabi                    |
| PUBLIC INVESTMENTS        |       | 64 Abu Dhabi National Oil Company - ADNOC           |
|                           |       | 65 Abu Dhabi Fund for Development - ADFD            |
|                           |       | 66 Abu Dhabi Investment Authority - ADIA            |
|                           |       | 67 Abu Dhabi Securities Exchange - ADX              |
|                           |       | 68 Mubadala Investment Company                      |
|                           |       | 69 Etihad Aviation Group                            |
|                           |       | 70 General Holding Corporation - SENAAT             |
|                           |       | 71 Abu Dhabi Sewerage Services Company - ADSSC      |
|                           |       | 72 Abu Dhabi National Exhibition Centre - ADNEC     |
|                           |       | 73 Abu Dhabi Airports Company - ADAC                |
|                           |       | 74 Abu Dhabi Ports Company - ADPC                   |
|                           |       | 75 Abu Dhabi Health Services Company - SEHA         |
|                           |       | 76 Abu Dhabi Media Company - ADMC                   |
|                           |       | 77 Emirates Palace Company - EPCO                   |
|                           |       | 78 Emirates Nuclear Energy Corporation - ENEC       |
|                           |       | 79 Etihad Rail Company                              |
|                           |       | 80 Modon Properties                                 |
|                           |       | 81 Abu Dhabi Development Holding Company            |

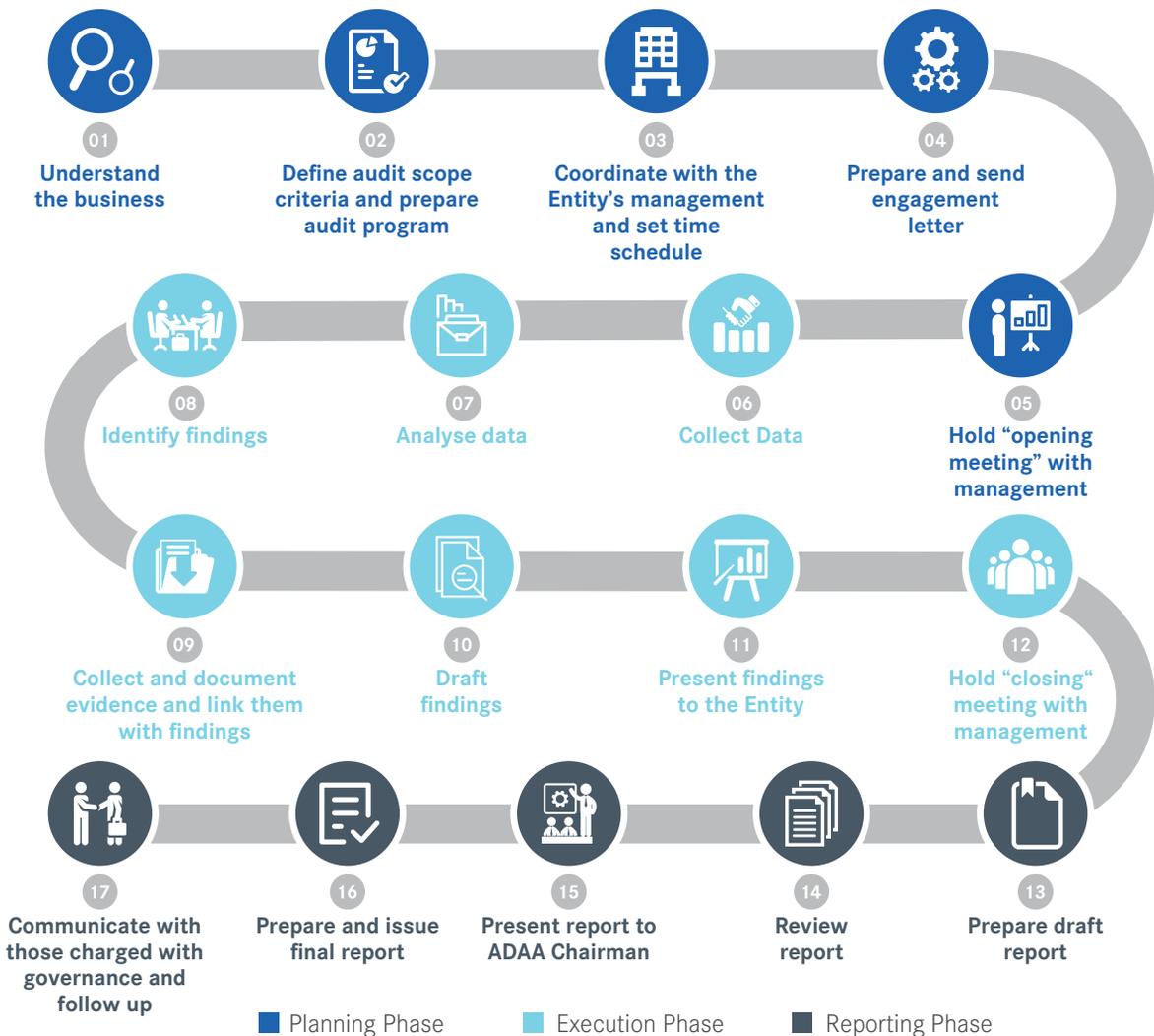




# AUDIT METHODOLOGY

# 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 programs 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 its methodologies prepared in accordance with generally accepted standards and best practices applied on the subject of the audit.







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# SUMMARY OF ACHIEVEMENTS DURING 2018

# SUMMARY OF ACHIEVEMENTS DURING 2018

In line with its Annual Plan for the year 2018, ADAA issued 72 reports (2017: 97 reports) covering all governmental sectors, and State Owned Entities, companies and their subsidiaries.



ADAA successfully executed its plan for the year 2018 and achieved its objectives as follows:

- Completed 3 financial statements audits for the year ended 31 December 2017 (2017: 1 financial statements audit) in accordance with international standards and issued the relevant reports, including 3 management letters highlighting significant matters that arose during the course of the financial audits.
- Performed financial assurance and advisory services in conjunction with the financial audits (such as mid-year reviews and COSO gap analyses) and issued 3 reports.
- Completed the planning and interim visits relating to the audit of the financial statements for the year ended 31 December 2018 for a number of subject entities.
- Performed 32 Financial Examinations (2017: 42) 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).
- Performed 2 Financial Management Assessments (2017: 3) to ensure efficiency of the preparation of its financial statements and reports.
- Assessed the quality of the Internal Audit function of 10 Subject Entities (2017: 30) to ensure the efficiency and effectiveness of Internal Audit activities.
- Reviewed Compliance with applicable Laws, rules and regulations at 12 Subject Entities (2017: 15).
- Completed 7 Performance Reviews (2017: 6) of several Abu Dhabi Plan programs (tourism development, education) as well as governmental services and outputs (Investigations and Disciplinary Actions, Special Olympics 2019, Government Construction Services, Urban Planning, and the management of conflict of interest in government entities).



In addition, ADAA successfully achieved the following:

## STRATEGIC OBJECTIVES

- Performed full fledge review and update of ADAA’s strategic objectives.
- Assessed of ADAA activities according to the Performance Management Framework issued by the International Organization of Supreme Audit Institutions (INTOSAI).
- Reviewed of all ADAA’s internal policies and procedures to identify services and programs improvement opportunities and implement plans and initiatives to ensure progressive attainment of the desired strategic objectives.

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## SUBJECT ENTITIES

- Ensured implementation of ADAA Chairman Resolution number (1) of 2017 that requires:
  - Testing the effectiveness of internal control over financial reporting and issuing a separate opinion about their effectiveness;
  - Verifying compliance with applicable laws and regulations and issuing an opinion in this respect as part of the statutory auditor’s report.
- Issuance of several accountability reports pertaining to a number of important issues, in addition to examination of violations referred to or discovered by ADAA during reviews and issuance of reports detailing our findings and recommendations.

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## INTEGRITY AND ACCOUNTABILITY

- Continued to examine and investigate important issues and referred violations and issue the relevant reports to the concerned authorities.
- Performed necessary reviews to ensure adequate and effective governance systems and tools are in place.
- Promoted awareness of violations and non-compliance risks (fraud awareness week, CFE training, ACFE conferences, and the e-maarifa related postings).

## **ADAA KNOWLEDGE CENTRE**

- Activation of ADAA Knowledge Centre’s external role by providing specialized professional training programs to 415 employees from 34 Subject Entities.
- Continued monitoring the “Auditors Development Program”. The program offers 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 Knowledge Center has achieved recognition as an approved training provider by the Association of Certified Fraud Examiners (ACFE).
- Continued recognition of ADAA Knowledge Center as an approved training provider by the UK Institute of Leadership and Management.

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## **ADVISORY**

- Enhanced the value of the E-maarifa platform, which 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 now connects more than 750 Internal Audit professionals across 104 Abu Dhabi Government entities.
- Participation in the membership of Audit Committees of several Government Entities.
- Continued providing advisory and support to Subject Entities upon their request and assisted Subject Entities to enhance the capabilities of their Internal Audit function and support the users of the E-Governance Portal for 85 Government Entities.

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## **RESEARCH AND KNOWLEDGE SHARING**

- Issued technical papers that addressed complex accounting matters and helped in unifying accounting interpretations.
- Completed research papers, several international benchmarking studies, and surveys.

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## **NATIONAL AND INTERNATIONAL REPRESENTATION**

- Membership of the International Forum of Independent Audit Regulators (IFIAR), its Board of Directors and Audit Committee; and participation in its periodical meetings (Board of Directors, Audit Committee, Plenary meeting, and Inspection Workshops).
- Collaborated with the Association of Certified Fraud Examiners (ACFE) to host the third Middle East ACFE Conference that took place in Abu Dhabi, an event that attracted more than 300 fraud examination and prevention specialists.
- Sponsored the Annual International Conference of the Institute of Internal Auditors (IIA) which was hosted in the UAE and for the first time in the Middle East and the local events organized by the local chapter.
- Continued to chair the Abu Dhabi Technical Forum (ADTF) with the aim of unifying accounting interpretations of International Financial Reporting Standard (IFRS) and International Standards on Auditing (ISA) between ADAA, audit firms and accounting and auditing professionals in the UAE.





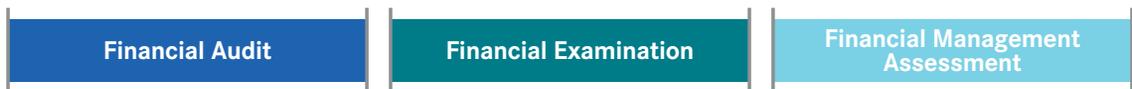
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# ADAA PROGRAMS DURING 2018

# ADAA PROGRAMS DURING 2018

## Financial Audit and Examination

ADAA developed 3 programs 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

ADAA carries out the financial audit 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 concerned entity, according to applicable financial reporting framework (i.e. IPSAS or IFRS). Our audit report includes an opinion on Subject Entities' compliance with legal and regulatory requirements.

Our financial audit engagements also include issuing a separate report that includes our opinion on the effectiveness of internal control systems through obtaining reasonable assurance (ICoFR).



The following are key achievements of the financial audit carried out during 2018:



**Completed 3 financial statements audits (2017: 1 financial statements audit) for the year ended 31 December 2017 for the Government of Abu Dhabi, General Directorate of the Abu Dhabi Police and Department of Economic Development in accordance with international standards and issued the relevant reports thereon.**



**Performed financial assurance and advisory services (such as mid-year reviews and COSO gap analyses) in conjunction with the financial audit and issued 6 reports (2017: nil).**



**Completed the planning and interim visit relating to the audit of the financial statements for the year ended 31 December 2018 for a number of government entities.**

### Financial Examination

The financial examination includes ensuring that Subject Entities implement the Statutory Auditors Appointment Rules (SAAR) issued by ADAA when appointing a Statutory Auditor, performing a review of the Subject Entity's financial statements and examining the work undertaken by the Statutory Auditor to provide assurance on the accuracy of the financial statements of Subject Entities.

## AUDIT ELEMENTS AND STANDARDS FOR FINANCIAL EXAMINATION

ADAA developed 390 audit criteria spread over 21 standards within 5 elements as illustrated in the following figure:

### 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.
- Resolution No. 1 of 2017 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.

# 32

**Financial Statements' Examination and its supporting audit work by Statutory Auditors**

During 2018, ADAA examined the financial statements and the related Statutory Auditors' working papers for 32 Subject Entities. These Subject Entities were selected based on ADAA risk assessment exercise. During the examination ADAA focused on statutory auditors' assessment of internal control over financial reporting at Subject Entities and their compliance with relevant laws and regulations, in addition to complete and adequate recording of assets and revenues to reflect actual performance.

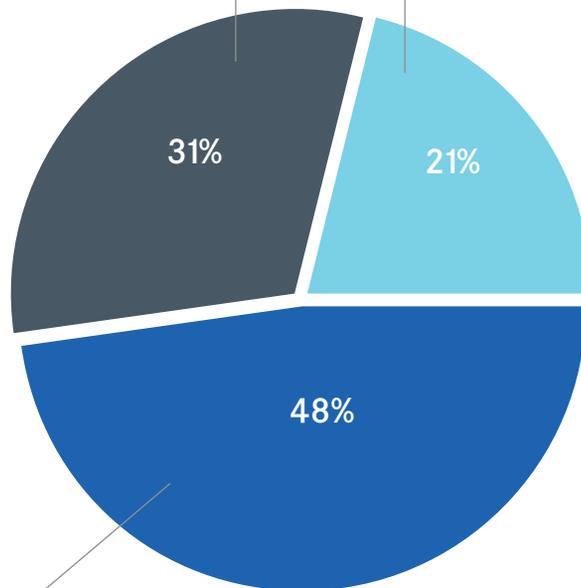
ADAA's financial examination reports included 368 comments classified as follows:

**Significant Improvement Required**

Significant finding that requires immediate action

**Needs Improvement - Specific Exception Noted**

Had this exception been noted during the audit process, it might have resulted in an adjustment



**Needs Improvement**

Finding indicates issues on audit quality that require action to improve the audit

ADAA issues its report upon completion of the Financial Examinations to those charged with governance at Subject Entities to ensure future improvement implementation by the Statutory Auditor and follow up.

**Key Improvement Opportunities relating to Subject Entities' compliance with relevant Rules and Regulations**

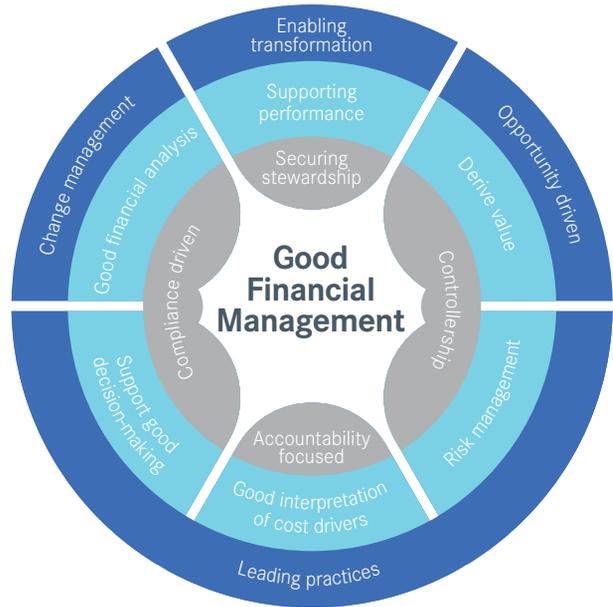
- Financial Statements' timeliness and language in accordance with laws, regulations and best practices.
- Debt and commitments and obtaining the necessary approvals in accordance with laws and regulations.
- Annual Budget execution, presentation of actual versus budget in the financial statements in accordance with relevant laws and regulations.
- Recognition of assets in the financial statements and supporting documentation and approvals in accordance with relevant decrees.
- Government Subsidy recognition in the financial statements and utilization in accordance with relevant decrees.
- Proper application of the Statutory Auditors Appointment Rules issued by ADAA in September 2014.
- UAE national audit team members' active participation in all the phases of the audit process as required by ADAA.

## Key Improvement Opportunities relating to compliance with Auditing and Financial Reporting Standards

- Change accounting classification in accordance with applicable financial reporting framework.
- Use of appropriate assumptions to evaluate and record assets.
- Recognizing revenue in a manner that reflect actual performance and operating cash flows.
- Impairment testing of goodwill and intangible assets in accordance with applicable financial reporting framework.
- Impairment testing of assets if external or internal indications of impairment exist.
- Depreciating assets over the estimated useful lives during which these assets are expected to provide future economic benefits to the subject entity.
- Preparation of consolidated financial statements in accordance with the requirements of applicable financial reporting framework.
- Accounting treatment for finance and operating lease arrangements.
- Recognition of all assets used by entities to generate revenue in their financial statements.
- Recognition of all assets related to projects and capital initiatives.
- Presentation of government contributions in the financial statements in accordance with approved operational budgets and received contributions.
- Estimation of the fair value of investment properties in accordance with the requirements of applicable financial reporting framework.
- Assessing the recoverability of financial facilities and loans.
- Recognition of foreign investments' results of operations in accordance with the requirements of applicable financial reporting framework.
- Validity of amounts recorded as due from the Government of Abu Dhabi in the statement of financial position.
- Communication by the statutory auditors with those charged with governance throughout the audit phases in accordance with the International Standards on Auditing.
- Audit procedures performed by the statutory auditor on the following matters:
  - Assess the ability to continue as a going concern for some entities.
  - Ensure the validity of assumptions, including the discount rate used in the preparation of the estimated cash flows in investments valuation and calculating the fair value of assets.
  - Completeness of revenues.
  - Presentation of Government grant income and/or 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.

## 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).



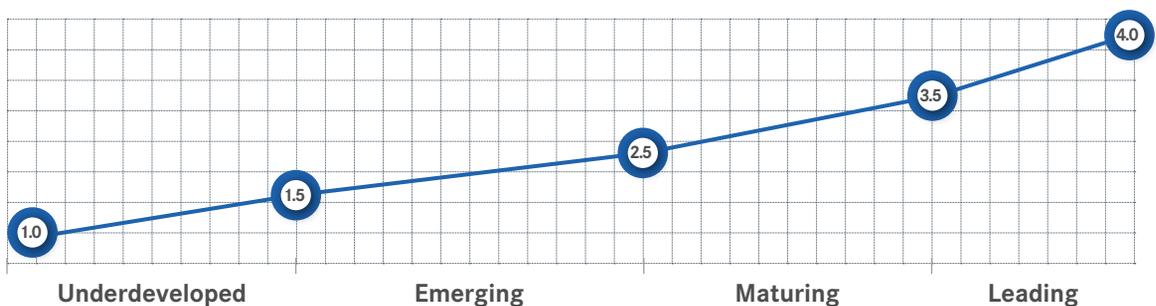
The good practice statements developed by the institute are structured around three progressive styles:



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



The financial management is assessed against 30 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 329 criteria distributed over the dimensions of the financial management.



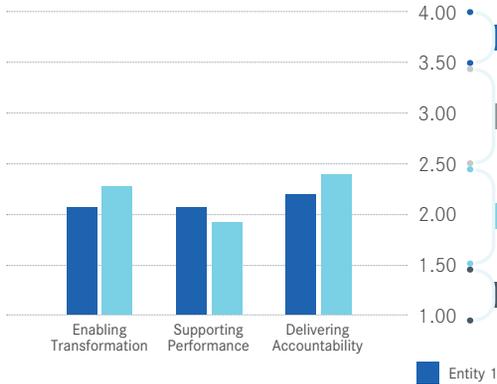


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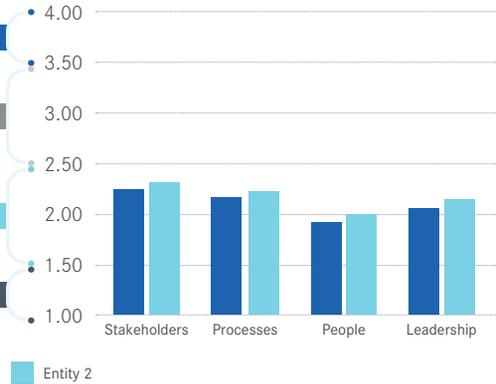
In 2018, ADAA conducted

“Financial Management Assessments (FMAs)” (2017: 3), the results of which are as follows:

### Assessment Results by Management Style



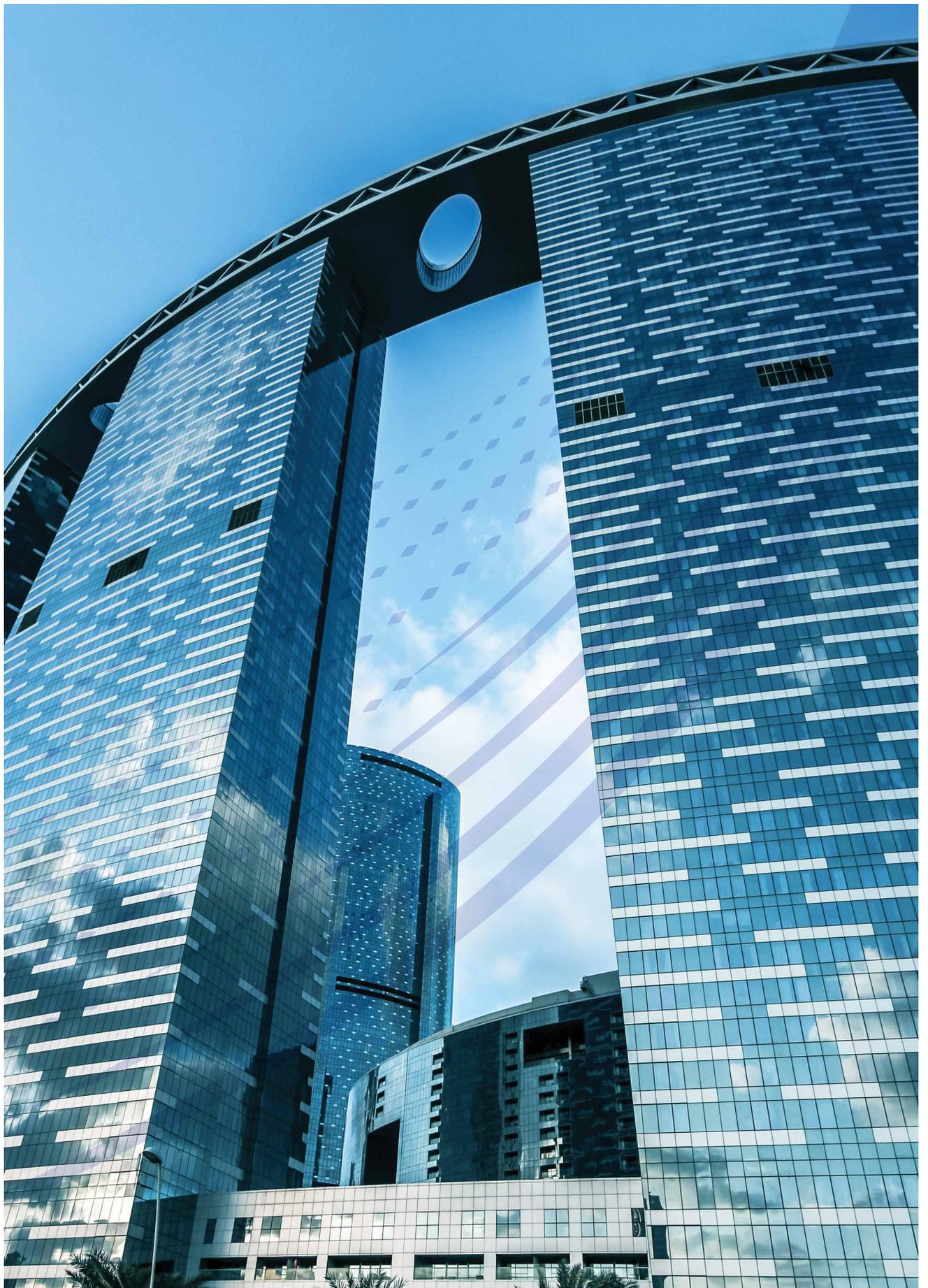
### Assessment Results by Management Dimension



ADAA has made recommendations to those in charge of Governance to address the following observations by taking the necessary corrective actions and follow-up.

#### Key Improvement Opportunities

- Adopt a medium-term detailed financial plan linked to the strategic plan of the entity that documents the amount of funding required to achieve the strategic objectives of the entity and how it is provided. It also includes estimates of the needs, resources and impact of external cost drivers, as well as the assumptions used to prepare these estimates.
- To expedite the completion of the study of the calculation of the cost of government services according to best practices and use them as a basis for reviewing fees of services provided in coordination with the Department of Finance in order to enhance financial efficiency over the long term and raise the efficiency of services.
- Enhance feasibility studies to become comprehensive, including all proposed project life cycle costs, risk and affordability, cost and performance guidance, exit strategies and value for money. This should also be assessed in existing capital and operational projects to determine whether to withdraw, reduce services or increase related costs, and to develop strategies to exit projects that are not useful for their continuation.
- Ensure that the financial functions are filled by qualified, experienced and financial and accounting professionals, commensurate with the scientific and professional capabilities and skills that reflect the requirements of these functions in the job description of each job.
- Expand the development and measurement of key performance indicators that focus on value for money and issue reports on whether the entity has used public money economically, effectively and efficiently in various fields.
- Improve the procedures of the control of the budget and the implementation of formal procedures to hold officials responsible for budgets on the annual exchange plans to oblige those responsible for the implementation of budgets to clarify and follow the differences in the actual disbursement of approved budgets and documentation of explanations on them to be done on a continuous basis to help improve the control of the budget.
- Attach a plan to achieve value for money with the budget so that the plan includes information on possible areas of savings and a comprehensive presentation of the nature and timing of actions to be taken in order to achieve value for money.



## Performance and Risk Assurance

ADAA developed 3 programs 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:



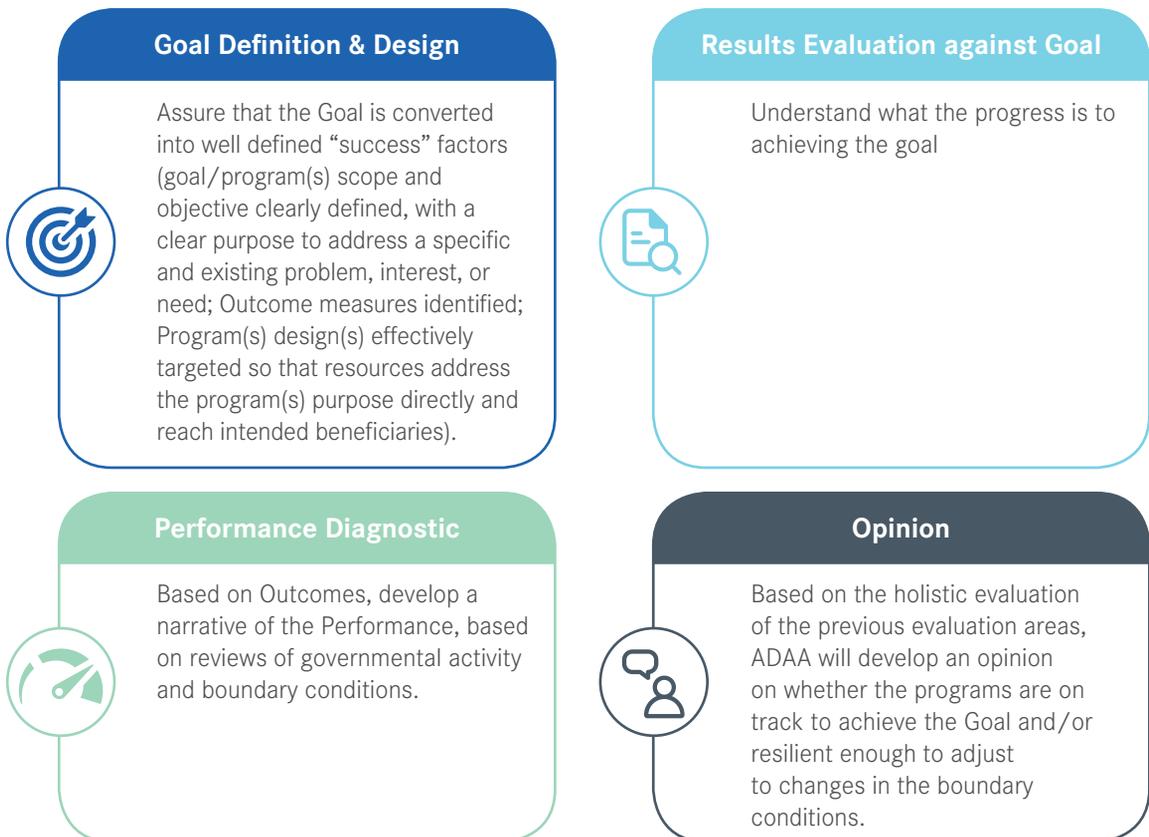
This group of programs provides assurance on the efficient, effective and economic utilization of resources by Subject Entities and its compliance with the laws and regulations and governance guidelines.

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

### Performance Reviews of Abu Dhabi Plans' Programs

Review the performance of Abu Dhabi Plans' programs to ensure that coordinating and contributing Subject Entities are making tangible progress towards achieving the objectives set in the Government plans, including but not limited to the Abu Dhabi Plan.

ADAA has developed a robust review methodology in line with international leading practices.



## Performance Reviews

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. 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 developed a set of criteria and standards within three main elements for each review as illustrated in the following chart:

### AUDIT ELEMENTS FOR PERFORMANCE REVIEW

#### Governance Framework

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

#### Practices\*

8. Issuance of licenses
9. Renewal of licenses
10. Revoking of licenses
11. Inspection and Quality Control
12. Sanctioning of violators

#### Performance Metrics and Reports

13. Performance Metrics
14. Data Integrity
15. Performance Reports

\*Audit standards of applied practices differ from one audit to another based on the audit subject.

The Performance Review deliverables during 2018 were related to various sectors and covered reviews of Abu Dhabi Plans' programs as well as Subject Entities' activities, operations, business regulations, policies and procedures and best practices implemented upon the provision of their services and outputs.



ADAA issued

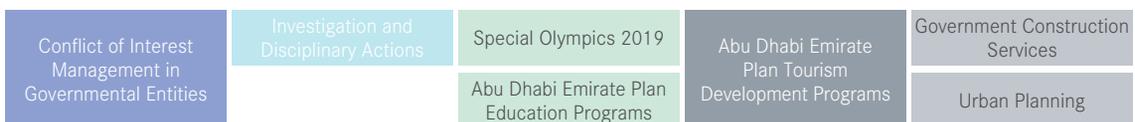
# 7

Performance Review reports during 2018 (2017: 6) covering various areas assessing the effectiveness of the governance framework and the alignment of practices with leading international practices as well as the effectiveness of the performance management systems.

## SECTORS



## REPORTS ISSUED DURING 2018



## Compliance Review

Review compliance with applicable laws, regulations and procedures at Subject Entities, including procurement, 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 compliance with applicable Procurement regulations and procedures 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

#### Governance and Regulatory Framework

1. Procurement Policy and Procedure Manual
2. Delegation of Authority
3. Conflict of Interest
4. Procurement Committee
5. Registration and Classification
6. Software and Reports

#### Procurement Practices

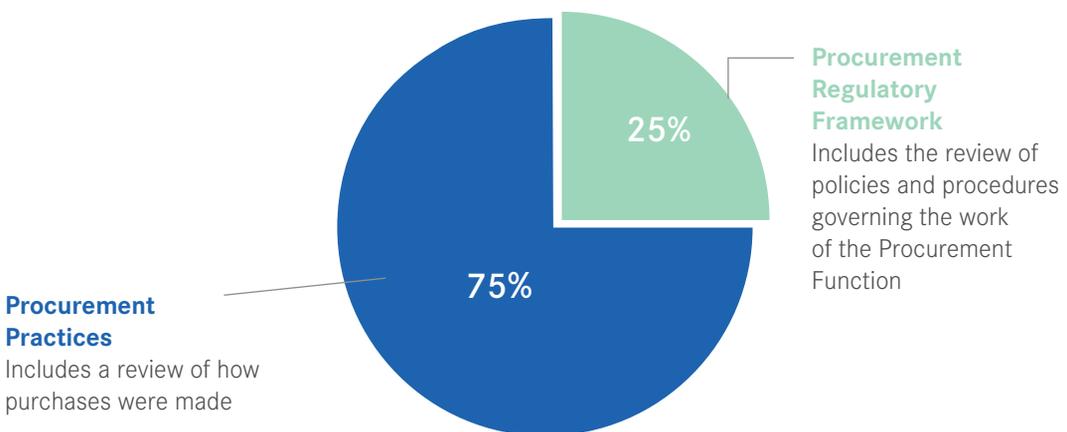
7. Planning and Budgeting
8. Tender and Contracting

The Procurement Compliance 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 Procurement applied in the Emirate of Abu Dhabi.



During 2018, ADAA reviewed the compliance with applicable laws, regulations and procedures at Subject Entities and issued **12** reports (2017: 15). ADAA has made recommendations to those in charge of Governance to address the observations by taking the necessary corrective actions and follow-up.

### NUMBER OF OBSERVATIONS BY PROCUREMENT REVIEW ELEMENT



In addition to the above, ADAA issued 10 Internal Audit Quality 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 & Emiratization, Risk Assessment and Other Internal Audit Reports, and Technology.



ADAA has made recommendations to those in charge of Governance to address the following observations by taking the necessary corrective actions and follow-up.

### Key Improvement Opportunities

- The independence and objectivity of the Internal Audit functions have yet to be completely activated. This heavily affects the neutrality and objectivity of the assurance given by Internal Audit functions.
- Low level of individual and collective expertise, skills and competencies required to conduct internal audit activities, which may result in non-fulfillment of responsibilities and achievement of strategic objectives and strategic initiatives for Internal Audit.
- Audit plans are not consistent with the results of the risk assessment process, and therefore internal audit resources are not directed towards high-risk activities that may hamper the achievement of their objectives.
- Poor overall assertions on the effectiveness and efficiency of governance processes, risk management process and oversight procedures, which affect the value added and quality of assurance provided by Internal Audit.
- No follow-up is undertaken to ensure that recommendations and action plans contained in Internal Audit reports are implemented in accordance with the agreed timeframe, which affects the level of improvement of the efficiency and effectiveness of controls to minimize the impact of risks highlighted in Internal Audit reports.
- Inadequate development and qualification of Internal Audit UAE nationals staff in an effective manner in terms of encouragement, resources, time and training required to obtain a professional certificate specialized in internal auditing.

## Supporting Accountability

ADAA developed 3 programs 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 Report

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.



In 2018, a number of reports were issued under this program 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.

#### 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 Subject Entity if it has not investigated the same violation before.

discovering any violation or the occurrence of any incident that resulted in a violation. It also requires 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.

#### Financial Violation Examination

ADAA's Establishment Law requires Subject Entities to immediately notify ADAA upon

### 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.



1. Enhanced the value of the E-maarifa platform, which 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 now connects more than 750 Internal Audit professionals across 104 Abu Dhabi Government entities.
2. Participation in the membership of Audit Committees of several Government Entities.
3. Continued providing advisory and support to Subject Entities upon their request and assisted Subject Entities to enhance the capabilities of their Internal Audit function and support the users of the E-Governance Portal for 85 Government Entities.

## ADAA Knowledge Center

ADAA developed 4 secondary programs under this group with the objective of training and developing UAE Nationals and supporting sharing knowledge and leading practices:

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

### Qualifying Emirati Auditors

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

a Chief Auditor. 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 program 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.



1. Activation of ADAA Knowledge Centre’s external role by providing specialized professional training programs to 415 employees from 34 Subject Entities.
2. Continued monitoring the “Auditors Development Program” offering 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 launched many research and knowledge sharing initiatives such as:

#### **Research and Knowledge Management (RKM)**

**Function:** ADAA established this function in 2009 with the objective of developing, codifying and disseminating knowledge more effectively across all areas of ADAA’s operations as well as contributing towards supporting the research and knowledge needs and capabilities of Subject Entities.

#### **Accounting and Auditing Standards Desk (AASD):**

ADAA established the AASD to supervise issuing technical papers in accounting and auditing and issues a monthly e-newsletter about the International Financial Reporting Standards (IFRS) titled “ADAA IFRS Digest”, a quarterly bulletin on the International Public Sector Accounting Standards (IPSAS) and Illustrative

IFRS and IPSAS entity and consolidated and whole of Government Financial Statements. AASD publications focus primarily on accounting matters related to preparation of Subject Entities’ financial statements, and assist in eliminating inconsistencies in the interpretations of current accounting standards.

**E-maarifa:** In 2010, 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.



1. Issued technical papers that addressed complex accounting matters and helped in unifying accounting interpretations.
2. Completed research papers, several international benchmarking studies, and surveys.

### **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 Board of Directors and Audit and Finance Committee.

### **Forums, 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.



1. Elected as Member of IFIAR's Board of Directors.
2. Collaboration with the Association of Certified Fraud Examiners (ACFE) to host the Middle East Fraud Conference and for the first time in Abu Dhabi in 2018, an event that attracted more than 300 fraud examination and prevention specialists.
3. Sponsored the Annual International Conference of the Institute of Internal Auditors (IIA) in Dubai which was hosted for the first time in the middle east, and participated in the local events organized by the local chapter. Elected as Member of IFIAR's Board of Directors.
4. Organized a workshop for government entities titled "Building Effective Internal Control Systems Over Financial Reporting".





2019

WORKPLAN

# 2019 WORKPLAN



1. Audit the consolidated financial statements of the Government of Abu Dhabi.
2. Perform the integrated audit of a number of departments and government entities.
3. Financial assurance and related services, examination of the financial statements of a group of subject entities and their budgetary compliance as well as ensure the preparation of financial reports in accordance with international standards.
4. Review the programs of the Emirate's plans in some subject entities to ensure that they are achieving tangible progress towards achieving the desired goals.
5. Review the performance of some programs and services delivered by subject entities.
6. Review the compliance with laws and regulations in a number of subject entities.
7. Examine referred violations and issue Special Examination reports.
8. Provide a number of training courses made available to subject entities.
9. Sponsor the ACFE Middle East Fraud Conference in Abu Dhabi.



