



Standards On Auditing Financial Statements of Entities Subject to Abu Dhabi Accountability Authority

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Article (1) Definitions

In the implementation of the provisions of these standards, the following words and phrases shall bear the meanings corresponding thereto, unless the context requires otherwise:

- The Emirate** : The Emirate of Abu Dhabi.
- The Authority** : Abu Dhabi Accountability Authority.
- Chairman of The Authority** : Chairman of Abu Dhabi Accountability Authority.
- The Government:** : The Government of Abu Dhabi.
- The Authority's Law, or The Law** : Law No. (19) of 2020 pertaining the Reorganization of Abu Dhabi Accountability Authority;
- Subject Entities; or Entities** : Entities subject to The Authority's mandate in accordance with the provisions of The Authority's Law.
- Statutory Auditors Appointment Rules; or The Rules** : Rules for appointing the auditors of entities subject to Abu Dhabi Accountability Authority, which are issued by The Authority in accordance with The Law and any amendments or guidance or regulations issued by The Authority for the purposes of applying these rules.
- Financial and Administrative Violations** : The financial and administrative violations as stipulated in The Authority's Law.
- Statutory Auditor** : The statutory Auditor responsible for performing financial statements audits, preparing and issuing the audit report of the financial statements audit and other relevant related reports, concerning assurance of the effectiveness of internal control systems, compliance monitoring, and the statement of service performance information.
- International Standards on Auditing** : They include the following:
- International Standards on Auditing, International Standards on Review Engagements, and International Standards on Assurance Engagements as issued by the International Auditing and Assurance Standards Board (IAASB).
 - International Standard on Quality Control as issued by the International Auditing and Assurance Standards Board (IAASB).
 - The International Code of Ethics for Professional Accountants as issued by the International Ethics Standards Board for Professional Accountants (IESBA).
- Those Charged with Governance** : The highest authority responsible for governance at the subject entity, such as the Chairman of a Department, the board of directors, the board of trustees, or the audit committee, or equivalent, and is responsible for



oversight and directing the activities of the entity and holding the executive management accountable for it, in addition to supervising the process of the financial statements audit and internal audit activities.

- Management** : The Deputies, Undersecretaries, General Managers and Executive Directors and Managers of subject entities, or equivalent, irrespective of their appointment method, whom are responsible for implementing and executing the policies and procedures aimed at achieving the strategic objectives of the entity.
- Financial statements** : A structured representation of historical financial information, including disclosures, intended to communicate an entity's economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with a financial reporting framework.
- The internal control systems over financial reporting** : The process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, safeguarding and protecting its assets, effectiveness and efficiency of operations, and compliance with applicable laws and regulation.
- Statement of Service Performance** : Information about the services provided by the entity in line with the entity's objectives and performance evaluations or progress in achieving those objectives, which helps users of financial statements in evaluating the efficiency and effectiveness of the services provided by the entity.
- Management Letter** : A report that includes the deficiencies in internal control systems that were revealed to the Statutory Auditor during the audit process, which the Statutory Auditor shall convey to the management or those charged with governance in the entity in a timely manner.

Article (2) **Standards on Auditing Approved by the Authority**

The Statutory Auditor that performs the financial statements audit of any Subject Entity shall abide by the application of international standards on auditing and the additional auditing requirements stipulated in Articles 5 and 6 of these standards and any other additional requirements issued from time to time by the Authority, regardless of the method of issuance and publication, taking into account the regulatory and legislative requirements relevant to the Subject Entities listed in the financial markets within the country and the Subject Entities established outside of the country, and the regulatory and legislative requirements of the financial system of the government.



Article (3)
Additional Audit Requirements General Objectives

The objective of the additional audit requirements is to enhance the quality of audit services provided to subject entities in the Emirate and to strengthen and consolidate the principles of integrity, transparency, accountability, and sound management practice at the subject entities when the Statutory Auditor performs the following tasks:

1. Ensure that the financial statements fairly reflect the financial position and performance of the entity.
2. Ensure the effectiveness of internal controls over financial reporting, which covers regulations and procedures relating to key Transactions.
3. Verify subject entities' compliance with laws, regulations, rules, policies, resolutions, and governance principles/rules applicable to the subject entity and that has an impact on the entity's financial statements.

Article (4)
Start of Implementation

These standards shall be effective for the purposes of auditing subject entities' financial statements for the fiscal year starting on or after January 1st, 2021, with the exception of the financial statements audit for which a contractual agreement was in place prior to the date of issuance these standards.

Article (5)
Additional Audit Requirements' Details in Accordance with the Relevant International Standards

First: International Standard on Auditing (ISA) 200 - Overall Objectives of Subject Entities' Auditors

In addition to audit requirements contained in the international standard referred to above, the Statutory Auditor shall:

1. Ensure that subject entities disburse funds in accordance with their approved annual budgets, and ensure that the funds are utilized as intended in accordance with the approved authority and as per the applicable control systems.
2. Ensure the calculation accuracy, completeness, and collection of public revenues and financial returns to the subject entity, that results from providing its services and performing various activities, which includes but is not limited to: fees, prices, tariffs, fines, sale prices, profits and other income.



3. Test the effectiveness of internal control systems over financial reporting, which covers regulations and procedures relating to key Transactions with a material financial impact.
4. Examine the effectiveness of control procedures related to information systems, applications and software utilized in financial activities.
5. Ensure subject's entity compliance with the applicable laws, legislation, regulations, rules, policies, resolutions, and governance principles/rules applicable to the subject entity and that has an impact on the entity's financial statements.
6. Obtain reasonable assurance that the "Statement of Service Performance Information" is free from material misstatements and express an opinion on the correctness of the information contained therein, whether resulting from fraud or error, and taking into account the legislation and circulars specific to the nature of the subject entity.
7. Verify the adequacy of the systems, policies and procedures in place in the subject entity to combat financial and administrative corruption and fraud.
8. Report to the Authority on cases of fraud, financial or administrative corruption, or issues that violate integrity, transparency, accountability and sound management practices that are revealed to the Statutory Auditor during the audit process, or through whistleblowers, witnesses or other external parties.
9. Submit a "Letter to the Subject Entity" containing all important observations and issues arising from the audit process, including recommended improvements on financial and operational systems, policies, and procedures.

Second: ISA 210 – Letter of Engagement between the Statutory Auditor and Subject Entities

In addition to audit requirements contained in the international standard referred to above, the Statutory Auditor shall ensure the following in respect of the engagement letter:

1. The terms and conditions of the engagement letter should stipulate that the Statutory Auditor must comply with the professional standards, rules and methodologies issued by the Authority, and report any financial and administrative corruption to the Authority immediately upon discovery.
2. In the event that the Statutory Auditor performs the financial statements audit of a group, then he shall list all the subsidiaries of the group covered in the audit scope of the engagement letter.
3. The inclusion of a clause in the engagement letter regarding the statutory auditor's responsibility for compensating any damages resulting from errors or professional failure on his part in carrying out his duties, without setting the limitation of the Statutory Auditor's liability towards the entity or others.



4. The personal signature of the engagement partner registered at the Ministry of Economy on the engagement letter, to identify the responsible person from the Statutory Auditor for understanding and applying the terms and conditions contained in the engagement letter, in addition to the possibility of referring back to the identified partner when necessary.

Third: ISA 220 - Quality Control for an Audit of Financial Statements

In addition to audit requirements contained in the international standard referred to above, the Statutory Auditor shall, when performing an audit on subject entities, engage an independent engagement quality control reviewer to oversee the “quality control review of the audit process” to ensure the quality of the audit process carried out by the Statutory Auditor and team, and to evaluate the significant judgments made and the conclusions reached by the Statutory Auditor and the team.

Fourth: ISA 230 - Audit Documentation

In addition to the audit requirements contained in the international standard referred to above, the Statutory Auditor shall, when performing an audit on subject entities, prepare sufficient and appropriate audit documentation for the procedures performed in response to the additional audit requirements and document audit evidence obtained in the audit file.

Fifth: ISA 240 – The Auditor’s Responsibility Relating to Fraud

In addition to audit requirements contained in the international standard referred to above, the Statutory Auditor shall perform the following:

1. When identifying and assessing the risks of material misstatement due to fraud, consideration should be given to the risks arising from the following violations:
 - a) Violation in respect of the funds or property of Subject Entities, such as negligence in collection of revenues, or commitment to expenditures and their payment without financial appropriation, or violation of the quorum or the approved financial authorities at the Subject Entities, or manipulation of Subject Entity’s bank accounts, or any violation of the financial system applicable to the Subject Entity and the Emirate.
 - b) Manipulate the Subject Entity’s procurement, or commit fraud or dishonesty in executing its contracts, or violate any procurement law or regulation applicable to the Subject Entity or the Emirate.
 - c) Any negligence or omission that directly results in financial harm to the Subject Entity, the Emirate, other persons, or other Subject Entities.
 - d) Manipulating the financial statements of the Subject Entity, or any other financial reports it issues.



- e) Conflicts of interest, such as the participation or influence of the Chairman of a Subject Entity, or any members of its board of directors, or its employees in a decision-making process, wherein themselves or one of their relatives or their partners have a personal interest.
2. In the event the Statutory Auditor uncovers fraud, financial or administrative corruption during the audit process in the subject entity or through whistleblowers, witnesses or other external parties, the Statutory Auditor must report it to the Authority immediately, regardless of the amount, and must keep the Authority informed of any important developments.
 3. Ensure that the subject entity adheres to the Integrity and Transparency Regulations issued by the Authority.
 4. Inform the Authority of any violations perpetrated by the subject entity, that the Statutory Auditor intends to report to external parties, in accordance with the requirements of federal or local laws.
 5. Inform the Authority in the event that the Statutory Auditor intends to issue an audit report containing a qualification, whether as a result of fraud, or modification of opinion.
 6. Document the assessment of the sufficiency and adequacy of the control systems, policies and procedures in place at the subject entity to prevent and detect fraud, and conduct an assessment of high likelihood risks (fraud scenarios) based on the auditor's understanding of the entity's operations.
 7. In the event that there are no control systems, policies or procedures in place at the subject entity to combat financial and administrative corruption and fraud, or in the event that they are ineffective, the Statutory Auditor must raise this matter to those charged with governance at the entity and mention it in the management letter, and provide recommendations for the internal control system areas that require improvement.



Sixth: ISA 250 - Consideration of Laws and Regulations in an Audit of Financial Statements

In addition to audit requirements contained in the international standard referred to above, the Statutory Auditor shall perform the following:

1. Obtain from the management of the entity a list of all laws, legislation, regulations, resolutions, rules, and circulars that apply to the subject entity and document them in the audit file.
2. Ensure the compliance of the subject entities with the laws and regulations, including, but not limited to:
 - a) Verify the entity's compliance with the requirements of its establishment law, and circulars and resolutions in the event they have a financial impact on the entity's financial statements.
 - b) Verify the entity's compliance with the Authority's Law.
 - c) Verify the entity's compliance with Law No. 1 of 2017 concerning the Financial System "the Financial Law" and the instructions of the Department of Finance regarding the preparation and implementation of the budget and supporting resolutions and circulars.
 - d) Verify the entity's compliance with the laws, legislations, regulations and rules governing the procedures and transactions of human resources and procurement in accordance with the laws and financial authorities applicable to each entity, in the event of financial impact on the entity's financial statements.
 - e) Verify the entity's compliance with the requirements of the laws applicable to its activities, in the event of financial impact on the entity's financial statements and related circulars and resolutions.
3. The Statutory Auditor shall inform the Authority of any cases of non-compliance with the laws, legislation, regulations, resolutions, rules, and circulars, including any instance that calls into question the ethical conduct or behavior of the administration or an employee, or in cases of suspicion of fraud or financial or administrative corruption, including abuse of public office, or waste of public funds, or misuse of public resources.
4. The Statutory Auditor shall understand and document the results of any examinations or review activity performed by any other government agencies that indicate negative results in relation to any legal or regulatory requirements, or involve suspicion or discovery of fraud or financial or administrative corruption, or relate to the entity's failure in the performance of its assigned functions, or may result in obligations to the entity as a result of its non-compliance with binding instructions, or as a result of cases raised against the entity.



Seventh: ISA 260 - Communication with those Charged With Governance

In addition to audit requirements contained in the international standard referred to above, the Statutory Auditor shall perform the following:

1. Inform the persons charged with governance in writing and in a timely manner regarding not only matters relating to the preparation of financial statements, but also relating to any deficiencies or weaknesses in the procedures that may be revealed to the Statutory Auditor during the audit process or through whistleblowers, witnesses, or external parties.
2. Adhere to the following regarding the Management Letter issued to the entity:
 - a) Issue the management letter in an official manner to those charged with governance at the entity.
 - b) The letter shall include the date and the signature of the auditor.
 - c) The management letter shall include an action plan to address the issues or shortcomings, according to a timeline agreed upon with management.
 - d) In the event that the Statutory Auditor is reappointed for a subsequent year, they shall evaluate the action taken by the entity's management in respect of addressing the issues or deficiencies, and inform those charged with governance at the entity.
 - e) In the event that a new Statutory Auditor is appointed, they shall evaluate the action taken by the entity's management in respect of addressing the issues or deficiencies reported by the previous Statutory Auditor, and inform those charged with governance in the entity.
 - f) If there are no important matters to be raised, the Statutory Auditor shall state this explicitly and in writing.

Eighth: ISA 315 - Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment

In addition to audit requirements contained in the international standard referred to above, the Statutory Auditor shall ensure the following with respect to identifying and assessing the risks:

1. Examine whether the subject entity's internal control systems guarantee that the subject entity has utilized its assets and financial resources with integrity, effectiveness and efficiency and has disbursed funds in accordance with the approved laws, resolutions, regulations, and approved procedures.
2. Understand and evaluate the internal control systems over financial reporting to include the key operations of the entity, such as:



- a) Procurement (operational and capital projects) and funds disbursements.
 - b) Human Resources.
 - c) Investments.
 - d) Budget.
 - e) Revenue and accounts receivable collection.
 - f) Management of cash and bank accounts.
 - g) Inventory Management.
 - h) Asset Management.
 - i) Recording, closing and preparation of financial statements.
3. Consider circumstances and events that may indicate a high risk of material misstatement, including but not limited to:
- a) The lack of segregation between oversight, executive and regulatory roles, in addition to defining authorities, and the use of organizational structures that do not enable and promote accounting and accountability.
 - b) Funds disbursements that exceeds the approved budget.
 - c) Non-compliance instances with the entity's establishment law or the laws regulating its activities.
 - d) Non-compliance instances with laws, regulations, rules, and systems, including for example: violations of procedures and transactions relating to procurement and human resources.
 - e) Indicators of lack of effectiveness, efficiency, or lack of integrity.
 - f) Issuance of new laws, legislation, regulations, resolutions, rules and circulars.
 - g) The entity undertakes and assumes new programs, initiatives, and responsibilities or provides new services.
 - h) Implementation of new financial and budgeting systems.
 - i) Partnerships between more than one governmental entity or partnerships between the public and private sectors.



- j) Self-financed programs.
4. To take into consideration the results of any examinations or review activity conducted on the subject entity by regulatory or supervisory government entities, that may affect the auditor's understanding of any aspect of the internal controls.

Ninth: ISA 320 – Materiality in Planning and Performing an Audit

In addition to audit requirements contained in the international standard referred to above, the Statutory Auditor shall ensure the following with respect to materiality:

1. Regarding subject entities whose primary objective is the provision of public services, total expenditure is an appropriate basis for determining the level of audit materiality, unless a more appropriate basis exists.
2. Regarding subject entities whose objectives are to make profit, the level of materiality shall be chosen in line with the profitability objectives, such as net profit for the relevant period, and in cases of net loss, total revenue shall be used as a basis, unless a more appropriate basis exists.
3. During the process of auditing subject entities, the level of materiality must be determined and transactions shall be audited by taking into account important aspects that includes not only financial information and the materiality of transactions or account balances, but also other nonfinancial aspects, regardless of the financial amounts, such as:
 - a) The nature of transactions, for example: whether they are related to compliance with laws, regulations, and resolutions or are of importance to the government in general.
 - b) Stakeholders' requirements relating to the purpose of the subject entity's the establishment, and information that outlines the performance of the subject entity.
 - c) Transaction sensitivity in regards to users of financial and performance information.
 - d) The public interest, in accordance with the instructions and directives issued by the relevant authorities.
 - e) Transactions that may involve financial or operational ineffectiveness and inefficiency, or squandering, or that are associated with indicators of lack of financial integrity or fiscal prudence.



Tenth: ISA 330 - The Auditor's Responses to Assessed Risks

In addition to audit requirements contained in the international standard referred to above, the Statutory Auditor shall ensure the following with respect to assessed risks:

1. Design and implement tests of internal control systems to obtain sufficient and appropriate audit evidence to support the auditor's opinion on the effectiveness of internal control systems over financial reporting.
2. Design and implement procedures in response to instructions or additional requirements issued by the Authority or as may be issued from time to time.

Eleventh: ISA 510 - Opening Balances

In addition to the audit requirements mentioned in the international standard referred to above, the Statutory Auditor must, when performing an audit on the opening balances of subject entities that were audited directly by the Authority prior to the auditor's appointment, take into consideration that there are legal and regulatory restrictions on the information that the Statutory Auditor can obtain from the Authority, which restricts access to the working papers, declarations, and other information submitted by the Authority to the newly appointed auditor. In such cases, audit evidence should be obtained directly from the subject entity or by other means.

Twelfth: ISA 600 - Audits of Group Financial Statements

In addition to audit requirements contained in the international standard referred to above, the Statutory Auditor shall:

1. Before accepting the audit assignment as the principal auditor of the group, ensure that their participation in the audit is sufficient to express an opinion on the group's financial statements by evaluating the following:
 - a) The materiality of the financial statements that the auditor of the group will audit directly in comparison to those relied upon and audited by another auditor.
 - b) The degree and extent of knowledge of the activities of the subsidiaries and entities affiliated with the group and their impact on the financial statements of the group.
 - c) The assessment of the risks of material misstatement in the financial statements of the subsidiaries and their impact on the group's financial statements.
2. Ensure that the audit instructions sent to the component auditors include the additional audit requirements.
3. Design procedures that enables the auditor of the group, to ensure that the component auditors comply with the additional audit requirements.



Thirteenth: ISA 700 - Forming an Opinion and Reporting on Financial Statements

In addition to audit requirements contained in the international standard referred to above, the Statutory Auditor shall ensure the following with respect to preparing the audit report:

1. The auditor's report or reports shall include the following:
 - a) Financial statement audit report.
 - b) Report on the effectiveness of internal control systems over financial reporting.
 - c) An opinion on the entity's compliance with legal and regulatory requirements.
 - d) An opinion on the statement of service performance information, taking into account the circulars and legislations related to the nature of the entity.
2. The auditor's report or reports issued to subject entities shall be signed in person by the engagement partner, with the inclusion of the partner's name and registration number in the auditor's register.

Fourteenth: ISA 701 – Communicating Key Audit Matters in the independent auditor's report

In addition to the audit requirements contained in the international standard referred to above, the Statutory Auditor shall ensure the following regarding the presentation of key audit matters in the auditor's report:

1. Determine key audit matters relating to the financial statements audit of the subject entities and describe these matters in the audit report or reports, in addition to how these matters were addressed dealt with by the auditor.
2. They key audit matters referred to above, shall include the following:

First: Matters related to the financial statements audit, such as:

- a) Matters related to the risks of material misstatement in accordance with the requirements of the amended ISA 315.
- b) Matters that involve significant accounting estimates and require the Statutory Auditor to make significant professional judgment.
- c) Matters related to the subject entity's ability to continue as a going concern and management's assumptions in this regard.
- d) Key audit matters repeated from the audit of previous years, whether be it by the same Statutory Auditor or another auditor.



Second: Matters related to the internal control system over financial reporting:

- a) Material Weakness in the internal control system over financial reporting - is a deficiency or a group of deficiencies in the internal control over financial reporting that lead to a reasonable possibility that a material misstatement of the financial statements will not be prevented or discovered in a timely manner.
- b) Significant Deficiency in the internal control system over financial reporting - is a deficiency or a group of deficiencies in the internal control over financial reporting, considered less severe than a material weakness, but is of importance and deserves the attention of those charged with governance.

In the event that there are no major matters that needs to be reported according to the audit facts and circumstances, the Statutory Auditor shall include a separate statement in the audit report under the heading “Key Audit Matters”.

In the event that the statutory auditor disclaims an opinion on the financial statements, a separate paragraph relating to the key audit matters shall be added.

Article (6)
Code of Ethics for the Statutory Auditor

The employees of the Subject Entity’s Statutory Auditor bears the responsibility of safeguarding public funds and is considered a source of trust, honesty and credibility, which are qualities that the Statutory Auditor must display through commitment to implementing and adhering to the requirements of the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and any other rules and guidelines issued by the Authority.



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