

**Decision of the Chairman of the Abu Dhabi Accountability
Authority No. (88) of 2021**

**Regarding the Financial Statements Auditing Standards for
Entities Subject to the Oversight of the Abu Dhabi
Accountability Authority**

The Chairman of the Abu Dhabi Accountability Authority,

Having reviewed Law No. (19) of 2020 concerning the reorganisation of the Abu Dhabi Accountability Authority.

And Federal Law No. (12) of 2014 concerning the regulation of the auditing profession.

And Federal Law No. (2) of 2015 concerning commercial companies.

And Law No. (1) of (2017) concerning the financial system of the Government of Abu Dhabi.

And Decree No. (4) of 2020 appointing the Chairman of the Abu Dhabi Accountability Authority.

And Cabinet Resolution No. (12) of 2016 concerning the Executive Regulations of Law No. (12) of 2014 on the regulation of the auditing profession.

And Ministerial Decision No. (403) of 2015 concerning the international standards for the auditing profession.

And the Decision of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 concerning the audit of financial statements of subject entities.

And the Decision of the Chairman of the Abu Dhabi Accountability Authority No. (53) of 2020 concerning the rules for appointing auditors in entities subject to the oversight of the Abu Dhabi Accountability Authority.

Has issued the following decision:

Article One

All auditors of entities subject to the oversight of the Abu Dhabi Accountability Authority shall comply with the "Financial Statements Auditing Standards" attached to this decision.

Article Two

Decision of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 concerning the audit of financial statements of subject entities is hereby replaced by the Financial Statements Auditing Standards issued pursuant to this decision.

Article Three

This decision shall be effective from the date of its issuance and shall be published in the Official Gazette.

Humaid Obaid Abushibs

Chairman of the Abu Dhabi Accountability Authority

Attachments:

Financial Statements Auditing Standards for Entities Subject to the Oversight of the Abu Dhabi Accountability Authority.

Issued in Abu Dhabi on:

Date: 24 August 2021

Corresponding to: 16 Muharram 1443

Financial Statements Auditing Standards for Entities Subject to the Oversight of the Abu Dhabi Accountability Authority

August 2021

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Article (1)

Definitions

For the purposes of applying these Standards, the following words and phrases shall have the meanings assigned to each of them, unless the context indicates otherwise:

The Emirate	: Emirate of Abu Dhabi.
The Authority	: Abu Dhabi Accountability Authority.
Chairman of the Authority	: Chairman of the Abu Dhabi Accountability Authority.
The Government	: The Government of the Emirate of Abu Dhabi.
The Authority's Law or the Law	: Law No. (19) of 2020 concerning the reorganisation of the Abu Dhabi Accountability Authority.
Subject Entities or the Entity	: The entity subject to the provisions of the Authority's Law.
Auditor Appointment Rules or the Rules	: The rules for appointing an auditor for entities subject to the Authority's oversight, issued by the Authority under the provisions of the Law, and any amendments, guidelines, or regulations issued by the Authority for the purpose of implementing those rules.
Financial and Administrative Violations	: The financial and administrative violations specified in the Authority's Law.
Auditor	: The auditor responsible for auditing the financial statements and preparing and signing the audit report on the financial statements and related reports on the assurances regarding the effectiveness of internal control systems, compliance control, and the statement of service performance.

These include the following:

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|---|---|---|
| International Auditing Standards | : | <ul style="list-style-type: none">• International Standards on Auditing, Review, and Assurance issued by the International Auditing and Assurance Standards Board (IAASB).• International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB).• Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). |
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Those Charged with Governance	:	<p>The highest authority responsible for governance in the subject entity, such as the Chairman of the Department, Board of Directors, Board of Trustees, Audit Committee, or their equivalents, which is responsible for overseeing the entity's activities, providing direction, holding executive management accountable, as well as overseeing the financial statement audit process and internal audit activities.</p>
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Management	:	<p>Undersecretaries, general managers, executive directors in subject entities, and their equivalents, regardless of their appointment instrument, who are responsible for implementing policies and procedures aimed at achieving the strategic objectives of the entity.</p>
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Financial Statements	:	<p>The statutory annual financial report prepared in accordance with recognised accounting standards to show the performance of an economic unit.</p>
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Internal Control Systems over Financial Reporting	:	<p>The systems adopted by the entity to ensure the achievement of its objectives, protect its assets, and control and review its financial activities related to the financial reporting process, and its compliance with legislation, regulations, bylaws,</p>
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**Statement of
Service
Performance**

policies, decisions, and governance rules that have an impact on its financial statements.

Information about the services provided by the entity, linking them to the entity's objectives, and measuring performance or progress in achieving those objectives, which helps users of the financial statements to assess the efficiency and effectiveness of the services provided by the entity.

**Management
Letter**

A report that includes deficiencies in the internal control systems identified by the auditor during the audit process, which he/she must communicate to the entity's management or those charged with governance in a timely manner.

Article (2)

Auditing Standards Adopted by the Authority

The auditor who audits the financial statements of any of the subject entities must comply with the International Auditing Standards and the additional auditing requirements contained 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 their issuance and publication, with due consideration to the legislation for listed subsidiary companies in the state's financial markets and subsidiary companies established outside the state, and the requirements of the legislation governing the government's financial system.

Article (3)

General Objectives of the Additional Auditing Requirements

The additional auditing requirements aim to improve the quality of audit services provided to subject entities in the Emirate and to enhance and consolidate the principles of integrity, transparency, accountability, and sound management practices in subject entities when the auditor of the subject entities performs the following tasks:

1. Ensuring that the financial statements fairly present the financial position and performance of the entity.
2. Ensuring the effectiveness of the internal control systems over financial reporting, which include regulations and procedures related to significant operations.
3. Verifying the subject entity's compliance with applicable legislation, regulations, bylaws, policies, decisions, and governance rules that have an impact on the entity's financial statements.

Article (4)

Commencement of Application

These Standards shall apply to the audit of financial statements of subject entities for the fiscal year beginning on or after January 1, 2021, except for audits of financial statements that were contracted before the date of issuance of these Standards.

Article (5)

Details of Additional Auditing Requirements in Accordance with Relevant International Standards

First: ISA 200 - Overall Objectives of the Independent Auditor of Subject Entities

In addition to the audit requirements in the above-mentioned International Standard, the auditor shall:

1. Verify that subject entities have spent in accordance with their approved annual budget items and ensure that they have been used for their intended purposes in accordance with approved authorities and in line with approved control systems.
2. Verify the accuracy, completeness, and collection of public revenues and financial returns resulting from the subject entities' provision of their services and practice of their various activities, including but not limited to fees, prices, tariffs, fines, sales proceeds, profits, and other revenues.
3. Test the effectiveness of internal control systems over financial reporting, which include regulations and procedures for operations with a significant financial impact.
4. Examine the effectiveness of control procedures related to information systems, applications, and software for financial activities.

1. Verify the subject entity's compliance with applicable laws, legislation, regulations, bylaws, policies, decisions, and governance rules that have an impact on the financial statements of the subject entity.
2. Obtain reasonable assurance about whether the "Statement of Service Performance" is free from material misstatement and express an opinion on the accuracy of the information contained therein, whether due to fraud or error, taking into account the legislation and circulars specific to the nature of the subject entity.
3. Verify the adequacy of the systems, policies, and procedures in the subject entity to combat financial and administrative corruption and fraud.
4. Report and inform the Authority of cases of fraud or financial or administrative corruption, or anything that compromises integrity, transparency, accountability, and sound management practices that come to the auditor's attention during the audit process, or through whistleblowers, witnesses, or other external parties.
5. Submit a "letter to the subject entity" that includes all significant observations and matters arising from the audit process, including proposed improvements to financial and other operational systems, policies, and procedures.

Second: ISA 210 - Agreeing the Terms of Audit Engagements between the Auditor and Subject Entities

In addition to the audit requirements in the above-mentioned International Standard, the auditor shall ensure the following regarding the engagement letter:

1. The terms and conditions of the engagement letter must include a provision stating that the auditor must comply with the professional standards, rules, and methodologies issued by the Authority, and report financial and administrative corruption to the Authority immediately upon discovery.
2. If the auditor audits the financial statements of a group, he/she must include the group's subsidiary entities covered by the scope of the audit in the engagement letter.
3. There must be a clause in the engagement letter about the auditor's responsibility, without setting a cap on his/her liability, to

compensate for damages incurred by the entity or third parties due to professional error or negligence in the performance of his/her profession.

4. The engagement letter must be personally signed by the responsible partner registered with the Ministry of Economy to identify the person at the auditing firm responsible for understanding and applying the terms and conditions of the engagement letter and who can be contacted when necessary.

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

In addition to the audit requirements in the above-mentioned International Standard, when conducting an audit of subject entities, the auditor shall engage an independent audit professional for "quality control of the audit process" to ensure the quality of the audit performed by the auditor and the engagement team and to evaluate the significant judgments made and conclusions reached by the auditor and the engagement team.

Fourth: ISA 230 - Audit Documentation

In addition to the audit requirements in the above-mentioned International Standard, when conducting an audit of subject entities, the auditor shall prepare sufficient and appropriate audit documentation for the procedures performed in response to the additional auditing requirements and document the audit evidence obtained in the audit file.

Fifth: ISA 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

In addition to the audit requirements in the above-mentioned International Standard, the auditor shall do the following:

1. When identifying and assessing the risks of material misstatement due to fraud, take into account the risks resulting from the following violations:
 1. Misappropriation of the funds and property of the subject entities, such as negligence in collecting revenues, or committing or disbursing funds without financial appropriation, or violating the financial quorum or authorities established in the subject entities, or tampering with the bank accounts of the subject entity, or any violation of the financial system applicable in the subject entity and the Emirate.
 2. Tampering with the subject entity's procurement or fraud in the execution of its contracts or any violation of the procurement law and regulations applicable in the subject entity or the Emirate.
 3. Any negligence or default that directly results in financial damage to the subject entity, the Emirate, other persons, or other subject entities.
 4. Tampering with the financial statements of the subject entity or any other financial reports it issues.
 5. Conflict of interest, such as the participation or influence of the head of the subject entity or any of its board members or employees in any decision-making process in the entity in which he, one of his relatives, or partners has a personal interest.
2. In the event of fraud or financial or administrative corruption during the audit process in the subject entity or through whistleblowers, witnesses, or other external parties, the auditor must immediately

inform the Authority, regardless of the materiality of the amount, and must keep the Authority informed of any significant developments.

3. Verify the entity's compliance with the Integrity and Transparency Regulation issued by the Authority.
4. Inform the Authority of any reporting process related to violations of subject entities to external parties that the auditor intends to carry out in accordance with the requirements of federal or local laws.
5. Inform the Authority if the auditor intends to issue a qualified audit report, whether due to fraud or a modification of the opinion.
6. Document the assessment of the adequacy of the control systems, policies, and procedures in the subject entity to prevent and detect fraud, and assess high-probability risks (fraud scenarios) based on his/her understanding of the entity's operations.

1. If there are no systems, policies, or procedures in the subject entity to combat financial and administrative corruption and fraud, or if they are ineffective, the auditor must raise this matter with those charged with governance at the entity and include it in the management letter, with a recommendation for areas requiring improvement in the internal control systems.

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

In addition to the audit requirements in the above-mentioned International Standard, the auditor shall do the following:

1. Obtain from the entity's management a list of all laws, legislation, regulations, decisions, bylaws, and circulars applicable to the subject entity and document this in the audit file.
2. Ensure the compliance of subject entities with laws and regulations, including but not limited to:
 1. Verifying the entity's compliance with the requirements of its establishment law and related circulars and decisions if they have a financial impact on the entity's financial statements.
 2. Verifying the entity's compliance with the Authority's Law.
 3. Verifying the entity's compliance with the Financial System Law No. (1) of 2017 "the Financial Law" and the instructions of the Department of Finance regarding budget preparation and implementation, and supporting decisions and circulars.
 4. Verifying the entity's compliance with the laws, legislation, regulations, and bylaws governing human resources and procurement procedures and transactions according to the laws and financial authorities regulating each entity, if they have a financial impact on the entity's financial statements.
 5. Verifying the entity's compliance with the requirements of the laws regulating its work if they have a financial impact on the entity's financial statements and related circulars and decisions.
3. The auditor shall inform the Authority of any cases of non-compliance with laws, legislation, regulations, decisions, bylaws, and circulars, including anything that calls into question the ethics or conduct of management or a public official, or in the event of, or suspicion of,

fraud, financial or administrative corruption, including the exploitation of public office, waste of public funds, or misuse of public resources.

4. The auditor shall understand and document the results of any examinations or control actions by any other government bodies that indicate negative findings regarding any legal or regulatory requirements, or involve suspicion or discovery of fraud, financial or administrative corruption, or relate to a failure by the entity to perform its mandated tasks, or may result in liabilities for the entity due to its non-compliance with binding instructions, or as a result of lawsuits filed against the entity.

Seventh: ISA 260 - Communication with Those Charged with Governance

In addition to the audit requirements in the above-mentioned International Standard, the auditor shall do the following:

1. Inform those charged with governance in writing and in a timely manner, not limited to matters related to the preparation of financial statements, of any deficiencies or weaknesses in procedures that may come to the auditor's attention during the audit process or through whistleblowers, witnesses, or external parties.

1. Comply with the following regarding the management letter issued to the entity:
 1. Send the management letter officially to those charged with governance at the entity.
 2. The letter must include the date and the auditor's signature.
 3. The management letter must include an action plan to rectify the deficiencies or shortcomings according to a timeline agreed upon with the management.
 4. If the auditor's appointment is continued for a subsequent year, he/she shall assess the extent to which the entity's management has followed up on rectifying the deficiencies or shortcomings and inform those charged with governance at the entity.
 5. If a new auditor is appointed, he/she shall assess the extent to which the entity's management has followed up on rectifying the deficiencies or shortcomings reported by the previous auditor and inform those charged with governance at the entity.
 6. If there are no significant matters to be raised, he/she 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 the audit requirements in the above-mentioned International Standard, the auditor shall ensure the following regarding risk identification and assessment:

1. Examine whether the internal control systems of the subject entity provide assurance that the entity has used its assets and financial resources with integrity, effectiveness, and efficiency and has spent in accordance with approved laws, decisions, regulations, and procedures.
2. Understand and evaluate the internal control systems over financial reporting to include significant operations in the entity, such as:
 1. Operational and capital project procurement and payments.
 2. Human resources.
 3. Investment.
 4. Budgeting.

5. Revenue and collections.
 6. Cash and bank account management.
 7. Inventory management.
 8. Asset management.
 9. Recording, closing, and preparing financial statements.
3. Consider circumstances and events that may indicate the existence of high risks of material misstatement. These include, but are not limited to:
1. Lack of separation between supervisory, executive, and control roles, and failure to define authorities and design administrative structures in a way that enables accountability and responsibility.

1. Expenditure exceeding the approved budget.
 2. Instances of non-compliance with the entity's establishment law or the laws regulating its work.
 3. Instances of non-compliance with laws, bylaws, and regulations, including, for example, violations in procurement procedures and human resources transactions.
 4. Indicators of a lack of effectiveness, efficiency, or integrity.
 5. Issuance of new laws, legislation, regulations, decisions, bylaws, and circulars.
 6. The entity undertaking new programs, initiatives, tasks, or services.
 7. Implementation of new financial and budgeting systems.
 8. Partnerships between more than one government entity or partnerships between the public and private sectors.
 9. Programs that rely on self-funding.
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1. Take into account the results of any examinations or control actions conducted on the subject entity by government regulatory or supervisory bodies that may affect the auditor's understanding of any aspect of internal control.

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

In addition to the audit requirements in the above-mentioned International Standard, the auditor shall ensure the following regarding materiality:

1. For subject entities that primarily aim to provide public services, total expenditure is an appropriate basis for determining the level of audit materiality, unless there is a more suitable basis.
2. For subject entities whose objectives include pursuing profit, the level of materiality should be chosen in line with profit objectives, such as net profit for the period concerned. In the case of a net loss, total revenue is used as a basis, unless there is a more suitable basis.
3. The level of materiality and the examination of transactions in the audit of subject entities shall be determined taking into account other important aspects, not limited to financial information only, or

the materiality of transactions or account balances, but extending to other aspects regardless of the financial amounts, such as:

1. The nature of the transactions, such as whether the matter relates to compliance with laws, regulations, or decisions, or is of importance to the government in general.
2. Stakeholder requirements related to the purpose for which the subject entity was established, and information that demonstrates the performance of the subject entity.
3. The sensitivity of transactions for users of financial and performance information.
4. The public interest, in accordance with instructions and directives issued by relevant authorities.
5. Transactions that may involve financial or operational ineffectiveness or inefficiency, or waste, or are associated with indicators of a lack of integrity or financial prudence.

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

In addition to the audit requirements in the above-mentioned International Standard, regarding assessed risks, the auditor shall:

1. Design and perform 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 additional instructions or requirements issued by the Authority or that may be issued from time to time.

Eleventh: ISA 510 - Initial Audit Engagements — Opening Balances

In addition to the audit requirements in the above-mentioned International Standard, when conducting an audit of the opening balances in subject entities whose financial statements were audited directly by the Authority before his/her appointment, the auditor should consider that there are legal and regulatory restrictions on the information that the appointed auditor can obtain from the Authority, which limit access to working papers, representations, and other information provided by the Authority to the newly appointed auditor. In such cases, audit evidence should be obtained directly from the subject entity or through other means.

Twelfth: ISA 600 - Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors)

In addition to the audit requirements in the above-mentioned International Standard, the auditor shall:

1. Ensure, before accepting the audit engagement as the principal auditor of the group, that his/her involvement in the audit is sufficient to express an opinion on the group's financial statements by evaluating the following:
 1. The materiality of the portion of the financial statements that the principal auditor audits directly compared to that for which he/she will rely on another auditor.

2. The extent of his/her knowledge of the activities of the group's subsidiary companies and entities and their impact on the group's financial statements.
 3. His/her assessment of the risks of material misstatement in the financial statements of the subsidiary companies and their impact on the group's financial statements.
2. Ensure that the audit instructions sent to the auditors of the subsidiary companies of the subject entities include the additional auditing requirements.
 3. Design procedures that enable the auditor of the subject entities to verify the compliance of the auditors of the subsidiary entities with the additional auditing requirements.

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

In addition to the audit requirements in the above-mentioned International Standard, the auditor shall ensure the following regarding the preparation of the audit report:

1. The auditor's report or reports shall include the following:
 1. The audit report on the financial statements.

1. The report on the effectiveness of the internal control systems over financial reporting.
2. An opinion on the entity's compliance with legal and regulatory requirements.
3. An opinion on the Statement of Service Performance, taking into account the circulars and legislation specific to the nature of the entity.

1. The auditor's report or reports issued to the subject entities shall be personally signed by the responsible partner, stating his/her name and his/her registration number in the auditors' register.

Fourteenth: ISA 701 - Communicating Key Audit Matters in the Independent Auditor's Report

In addition to the audit requirements in the above-mentioned International Standard, the auditor must ensure the following regarding the presentation of key audit matters in the auditor's report:

1. Identify the "Key Audit Matters" for the subject entities and describe these matters in the audit report or reports, as well as how these matters were addressed by the auditor.
2. The key matters referred to above shall include the following:

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

1. Matters related to the risks of material misstatement in accordance with the requirements of ISA 315 (Revised).
2. Matters that contain significant accounting estimates and require significant professional judgment from the auditor.
3. Matters related to the going concern of the subject entity and management's assumptions in this regard.
4. Key audit matters recurring from the audit of previous years, whether by the same auditor or another auditor.

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

1. Material Weakness in the internal control system over financial reporting - a deficiency, or a combination of deficiencies, in internal

control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's annual or interim financial statements will not be prevented or detected on a timely basis.

2. Significant Deficiency in the internal control system over financial reporting - a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

If there are no key matters to be reported according to the facts and circumstances of the audit, the auditor must include a statement to that effect separately in the audit report under the heading "Key Audit Matters."

If the auditor disclaims an opinion, a separate paragraph on key audit matters is added.

Article (6)

Code of Ethics for the Auditor's Staff

The auditor's staff of a subject entity bears the responsibility for overseeing public funds and is considered a source of trust, honesty, and credibility. These are qualities that the auditor must support by adhering to the requirements of the 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.

Abu Dhabi Accountability Authority

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