

Administrative Resolution No. (143) of 2022
Regulating the Appointment, Reappointment, and
Performance Evaluation of
Auditors by the Entities Subject to Audit¹

The Director General of the Financial Audit Authority,

After perusal of:

Federal Law No. (12) of 2014 Regulating the Audit Profession, its amendments, and its Implementing Bylaw;

Federal Law No. (4) of 2000 Establishing the Emirates Securities and Commodities Authority and Market and its amendments;

Federal Law by Decree No. (32) of 2021 Concerning Commercial Companies;

Law No. (1) of 2016 Concerning the Financial Regulations of the Government of Dubai, and its Implementing Bylaw and its amendments;

Law No. (4) of 2018 Establishing the Financial Audit Authority; and

Law No. (12) of 2020 Concerning Contracts and Warehouse Management in the Government of Dubai,

Does hereby issue this Resolution.

Definitions
Article (1)

The following words and expressions, wherever mentioned in this Resolution, will have the meaning indicated opposite each of them unless the context implies otherwise:

Emirate: The Emirate of Dubai.

FAA: The Financial Audit Authority.

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¹Every effort has been made to produce an accurate and complete English version of this legislation. However, for the purpose of its interpretation and application, reference must be made to the original Arabic text. In case of conflict, the Arabic text will prevail.

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Government Entity:	Any of the Government departments; public agencies and corporations; public councils and authorities; or other public entities affiliated to the Government of Dubai.
Auditee:	An entity that is subject to audit by the FAA in accordance with the provisions of the above-mentioned Law No. (4) of 2018 and the resolutions issued in pursuance thereof.
Auditor:	A natural or legal person who is registered in accordance with the above-mentioned Federal Law No. (12) of 2014 and who is appointed by an Auditee, in accordance with the provisions of this Resolution, to conduct professional audit.

Scope of Application Article (2)

The provisions of this Resolution apply to all Auditors appointed by Auditees by the effective date of this Resolution and to all Auditors to be appointed by them after the effective date hereof.

Objectives of this Resolution Article (3)

This Resolution aims to:

1. regulate the appointment, reappointment, and performance evaluation of Auditors in accordance with the relevant international best practices;
2. contribute to protecting, preserving, and safeguarding public funds;
3. ensure effective audit of the financial transactions of Auditees and effective inspection of the data and documents related to their accounts and records;
4. support the FAA's efforts in maintaining effective control over Auditees; and
5. ensure proper implementation by the Auditees of the legislation, policies, regulations, bylaws, and resolutions governing their work.

Standards and Procedures for Appointment of Auditors Article (4)

- a. Without prejudice to any applicable legislation, Auditees must observe the following standards and procedures when appointing Auditors:

1. The legislation or charter regulating the work of the Auditee must contain provisions that require engaging an external auditor.
 2. At least three (3) technical and financial Bids must be solicited from the specialised audit firms and establishments licensed to operate in the Emirate. These Bids must be accompanied by the documents set out in Schedule (1) attached to this Resolution and by the documents supporting the validity of the information referred to in that schedule.
 3. The Bids submitted by Auditors must be evaluated from technical and financial perspectives in accordance with the procurement principles and rules adopted by the Auditee and the technical standards set out in Schedule (2) attached to this Resolution.
 4. A bidder may not be a person whose contract with the Auditee has been terminated on the grounds of lack of professional competence or objectivity.
 5. Any other standards or procedures prescribed by the legislation and regulations applicable to the Auditee must be complied with.
- b. The winning bidder determined based on the outcome of the technical and financial evaluation will be appointed by the Auditee under a one-year contract, renewable in accordance with the provisions of this Resolution.

Reappointment of Auditors Article (5)

An Auditor will be reappointed by an Auditee based on the outcome of his annual performance evaluation by renewing his contract on an annual basis, for up to four (4) years.

Performance Evaluation of Auditors Article (6)

Upon completion of the annual audit of its financial statements, an Auditee must evaluate the performance of its Auditor in accordance with the evaluation standards set out in Schedule (3) attached to this Resolution and any other relevant standards adopted by the Auditee. The FAA must be notified of the outcome of the performance evaluation.

Obligations of Auditors Article (7)

An Auditor appointed by an Auditee must:

1. comply with the legislation regulating the work of the Auditee;

2. ensure that his licence and the registration of the auditors working for him are valid, as per the relevant federal and local legislation, throughout the period of his appointment by the Auditee;
3. audit the financial statements of the Auditee and give opinion on whether the Auditee has complied with the accounting standards it adopts, in accordance with the International Standards on Auditing;
4. ensure that his report on the financial statements of the Auditee is signed by the auditor in charge and is prepared in accordance with the International Standards on Auditing adopted in this respect;
5. prepare a plan for the financial audit of the Auditee and have it implemented by experienced specialised auditors;
6. obtain the approval of the Auditee prior to replacing any auditor it assigns to audit the Auditee;
7. notify the Auditee's senior management of any challenges he faces in the audit process, any observations he reaches during the audit, and any incidents of non-compliance with the legislation and rules regulating the work of the Auditee;
8. notify the FAA of any violations detected in the course of auditing the Auditee;
9. maintain the confidentiality of the Auditee's information and not disclose or divulge such information to any person or entity without first obtaining the relevant approval of the Auditee;
10. not accept or undertake any work for the Auditee that may compromise the Auditor's independence or professionalism; and
11. enable the FAA's authorised employees to examine the documents and reports prepared by the Auditor.

Termination of Auditor's Services Article (8)

In case of termination of the services of the Auditor appointed by an Auditee before expiry of the contract concluded with him, the Auditee must inform the FAA of the reasons for that termination within fifteen (15) days from the date of termination.

**Publication and Commencement
Article (9)**

This Resolution will be published in the Official Gazette and will come into force on the day on which it is published.

Abdulrahman Hareb Al Hareb
Director General
Financial Audit Authority

Issued in Dubai on 5 October 2022
Corresponding to 9 Rabi al-Awwal 1444 A.H.

Schedule (1)
Data and Documents to be Provided by Auditors

SN	Description
1	The names of the Auditor's managing partner and all other partners involved in the audit, together with the names of the team members conducting the audit
2	A copy of the commercial licence, and the permit to practise the Profession, issued by the competent entities
3	An undertaking that all team members conducting the audit are independent and not involved in any conflict of interest
4	The details of any professional services, other than audit, provided by the Auditor to any Auditee during the past three (3) years
5	The résumés, professional qualifications, and work experience of the managing partner and all the audit team members. These include the résumés of the experts specialised in certain technical fields, such as tax audit and information technology, where necessary.
6	The proposed audit plan and methodology
7	Description of the quality control system and methodology implemented by the Auditor
8	Proof that the Auditor has never been a party to any litigation arising from misconduct or gross negligence in performing audit services during the past five (5) years

Schedule (2)
Technical Standards for Auditors

SN	Technical Standards	Description
1	Independence	<ul style="list-style-type: none"> - In conducting audit, an Auditor must comply with the rules of professional conduct in accordance with the relevant auditing standards, and with any other rules to be adopted in the Emirate. - The managing partner, and other partners and team members participating in the audit process, must not have any personal interest in the Auditee.

SN	Technical Standards	Description
2	Proposed Audit Methodology and its Conformity with the International Standards on Auditing	<ul style="list-style-type: none"> - The Auditor must cover the risks related to the organisational structure and nature of the operations of the Auditee. - The Auditor must cover the scope of audit, including: <ol style="list-style-type: none"> 1. auditing the financial statements; 2. testing, in accordance with the International Standards on Auditing, the effectiveness of the control systems as part of the audit of financial statements; and 3. in case of Government Entities, verifying compliance with the requirements stipulated by the Law Concerning the Financial Regulations of the Government of Dubai, and the Department of Finance instructions, in respect of preparing and implementing the budget; with the relevant circulars; and with any other legal and regulatory requirements that have substantial effect on financial statements. - The Auditor must be knowledgeable of the international accounting standards applicable to the public and private sectors, as the case may be, and of any previous auditing processes of the Auditee.
3	Résumés of Audit Team Members	<ul style="list-style-type: none"> - The percentage of audit team members holding professional qualifications must be taken into account as a priority upon selection. - Members of the proposed audit team must have the skills and experience required and relevant to the field of work of the Auditee. - The audit team must be formed taking into consideration the years of experience of each member.
4	Auditor's Performance	It must be verified that the Auditor has never been a party to any litigation arising from misconduct or gross negligence in performing audit services during the past five (5) years.
5	Auditor's Quality Control Procedures	The submitted Bid must include proof that the Auditor implements quality control procedures in accordance with the adopted auditing standards

Schedule (3)
Auditor Performance Evaluation Criteria

Evaluation Criteria	Evaluation Outcomes		Remarks
	Yes	No	
<p>The Auditee's Satisfaction with the performance of the Auditor, taking into account the following:</p> <ol style="list-style-type: none"> 1. participation of the auditor in charge in the Auditee's board meetings; 2. response of the audit team formed by the Auditor to the emergencies arising at the Auditee; and 3. provision by the Auditor of his services to the Auditee in a timely manner. 	<input type="checkbox"/>	<input type="checkbox"/>	
Effective coordination with the Auditee to ensure compliance with the key audit deadlines agreed upon in the contract	<input type="checkbox"/>	<input type="checkbox"/>	
Compliance by the Auditor with the obligations stipulated in this Resolution.	<input type="checkbox"/>	<input type="checkbox"/>	