

Complying with UAE Accountability Authority (UAEAA) governance requirements

December 2024

Introduction

Statutory auditor appointment

The UAE Accountability Authority (UAEAA) issued Resolution No. (154) of 2024 mandating compliance with the auditor appointment rules outlined in Federal Law No. (56) of 2023, as well as Resolution no. (159) of 2024 mandating Internal Audit Rules for UAEAA subject entities. These new requirements are already effective and there are many similarities with the requirements which the Abu Dhabi Accountability Authority (ADAA) has been applying to ADAA entities for many years.

Key highlights of these rules include:

1. Subject entities

The rules apply to subject entities which are broadly defined as federal entities and entities in which the federal government has an ownership stake of more than 25%.

2. Auditor appointment rules

- a) Subject entities are required to appoint a statutory auditor from the authorised auditors list which is issued by UAEAA every 3 months and published on the UAEAA website.
- b) The auditor's appointment / reappointment duration shall not exceed 6 consecutive years.
- c) Audit quality is paramount, and subject entities are required to monitor and evaluate this.
- d) Naturally, the rules will require a significant investment in Emiratisation.



3. Audit scope

Similar to ADAA requirements, the statutory auditor is required to opine on the financial statements in accordance with International Auditing Standards (ISA) as well as the effectiveness of internal controls over financial reporting (ICOFR).

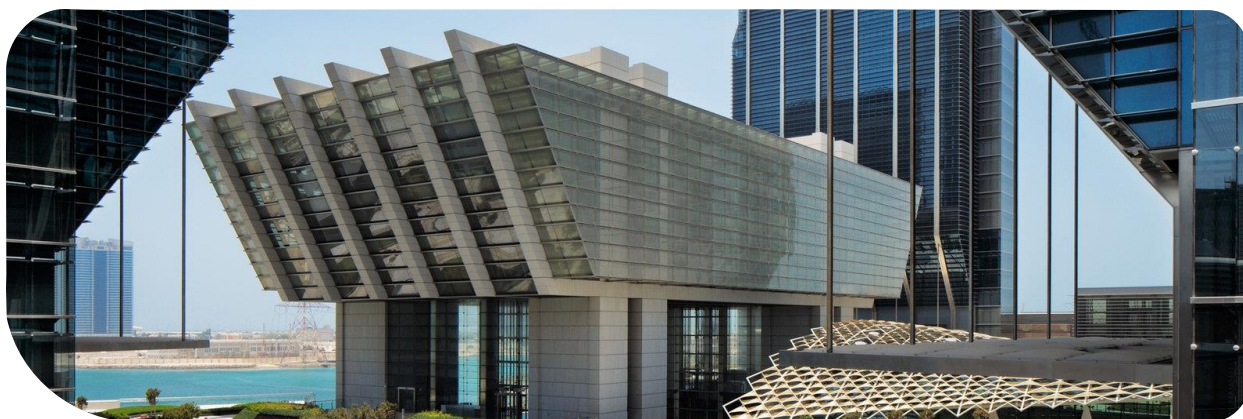
Internal auditor appointment

The UAE Accountability Authority (UAEAA) has also issued Resolution No. (159) of 2024 regarding Internal Audit Regulations for the subject entities. These new requirements are also already effective and emphasise the critical role of internal auditors in ensuring integrity, transparency and efficiency in the management of public funds.

Key highlights of these requirements include:

- a) Internal auditors have the responsibility of overseeing public funds management which includes ensuring their collection and verifying that expenditures are allocated to their intended purposes with efficiency, effectiveness and economy.
- b) Framework and Standards: Internal audit activities must align with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors and its updates.
- c) Environmental, Social, and Governance (ESG) Audits: Internal audit functions are now required to develop a framework for auditing sustainability practices in the areas of Environment, Social and Governance.
- d) Quarterly and Annual Reporting Requirements: Internal audit units must submit quarterly reports in addition to comprehensive annual reports to those charged with governance detailing the performance of the audit function.
- e) Governance and Internal Control Assessments: Internal audit units are now required to assess governance and internal control systems annually based on prior-year audit results.

These regulations serve as a comprehensive guide for enhancing governance, risk management, and internal controls across UAEAA subject entities in the UAE, while integrating modern practices like ESG audits and in-depth assessments of governance systems.



Grant Thornton welcomes and supports these changes, and, in our view, they will lead to a landmark change in the quality of governance, control, risk management and reporting in the subject entities similar to that which has been taking place in ADAA subject entities in the past several years.

Grant Thornton has significant experience of working with both UAEAA and ADAA subject entities as well as the majority of regulators and authorities in the UAE. We are included in the UAEAA authorised auditors list and well positioned to support you explore these regulations together which strengthens our commitment to achieving excellence in all aspects of auditing and compliance with laws and regulations.



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Disclaimer: The above article is a summary of some but not all the elements in Resolution No. (154) of 2024 , Resolution no. (159) of 2024 and Federal Law No. (56) of 2023 and should be read in conjunction with the original documents.

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