



UNITED ARAB EMIRATES
MINISTRY OF ECONOMY



The Institute of Chartered
Accountants of India
(Setup by an Act of Parliament)

Statutory Auditing: Reflection on current and future of the Profession

Presented to you in collaboration with ICAI Abu Dhabi and Dubai Chapters

23th May 2023



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Current State: Where We Are

Auditors Contribute to about 0.5% of UAE's GDP

This profession had long been a key pillar in UAE's economy, playing a critical role in developing the trust and robustness in the Business Environment. First regulated in 1976, it had since addressed the demand for independent assurance on financial reports.

879

Total number of
licensed auditors as
of May 2023

62%

Total number of
Emirati's who are
licensed to practice

~75k

Total available workforce
of non-licensed, qualified
workforce



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Current State: Changes in The Business Environment

Many economic policies and legislations that affect the scope of work of practitioners have been activated, among the most important revisions:



Practitioners are now required to examine records of various taxable establishments and issue an independent opinion on the fairness of the financial statements

**Value added
taxes and
corporate tax**

Economic Diversification

The UAE is working on diversifying its economy and this has led to new opportunities for practitioners to offer their services to an increasing number of developing economic sectors



The UAE have shift it's policy to allow foreign investors to freely own businesses, which means new types of potential clients for practitioners.

**Foregin Direct
Investment**



The government has been introducing many legislations to facilitate doing business, which has increased the number of potential clients whom require practitioners' services

**Ease of Doing
Business**

Focus on innovation and creativity

Creating the need to develop services and work mechanisms for practitioners to keep pace with the changing business environment





Our Vision and Strategic Objectives

Vision

1. Increasing the profession's contribution to the GDP
2. Enhancing the confidence of the Business community in doing business in the UAE
3. Increase oversight and governance over institutions of all kinds
4. Adopt the best international practices in regulating this profession
5. Increasing the transparency as well as output quality and encouraging innovations in work methodologies

Objectives

Enhancing Scope of Work

Increase the Number of Practitioners

Increasing Emiratis Practitioners

Enhancing Knowledge

Attracting Top-tier firms

Freezones

Developing appropriate frameworks

Enhancing Oversight

Initiatives

Profession's restructuring

Attracting expertise

Empowering Emiratis cadres working in the profession

Increase awareness and career empowerment

Curriculum development

Cooperating with international regulators

Attracting expertise

Extending the regulatory framework's scope of application to include non-financial free zones

Cooperating with international regulators

Leveraging A.I. enabled-tools to build & maintain a national database

Proper Oversight

Targeted Output

- Enhancing stakeholders confidence in the profession
- Making the profession an economically profitable industry that contributes to the creation of quality job opportunities
- Cementing the profession's role in ever-changing business environment



Introduction to Regulatory Framework

This profession is part of the regulatory scope of the Ministry of Economy, through the following legislations:

Federal Law (12) of 2014

This law was enacted on November 2014, during which several key changes were introduced, such as but not limited to:

- The law had identified specific percentage in relation to the mandatory Emirati partnership rate;
- Extended the authority of the Disciplinary Council with regard to the regular and legal procedures related to the accountability of auditors;
- Introduced changes to the licensing requirements for both natural (Emirati and non-Emirati) and legal persons (local firm or branch of foreign firms)

Executive Regulation

The current release is issued through the Cabinet as part of their resolution no. (48) of 2022, which had introduced in late September several key changes in light of the current Law, Some of the key changes:

- Introduction for the first time, a national-level fellowship to be the only qualifying qualification for all auditors;
- Amending the insurance requirements against liability for professional errors
- Introducing few changes to the licensing requirements for natural persons, allowing non-accounting degree holders to be licensed, among other changes.

Ministerial Resolutions

- Ministerial Resolution No. (111) of 2022 on Conditions of Professional Indemnity Insurance
- Ministerial Resolution No. (111-2) of 2022 for the Fellowship Certificate and Continuing Professional Education Program
- Ministerial Resolution No. (633) of 2016 regarding controls and procedures for conciliation in crimes committed by auditors
- Ministerial Resolution No. (403) of 2015 regarding international standards for the auditing profession



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Introduction to our Licensing Services

In accordance with the provisions of Article No. (8) of Federal Law No. (12) of 2014, and based on the provisions of Cabinet Resolution No. (68) of 2020 regarding the organizational structure of the Ministry of Economy, the Auditors Department has been assigned the task of professional licensing for practitioners. Accordingly, the Ministry provides the following services in this regard:

Branch of Foreign Companies



- Registering branches of foreign companies
- Renewal and amendment of the registration of branches of foreign companies
- Cancellation of the registration of branches of foreign companies

Local Firms



- Registering local companies
- Registering branches of local firms
- Renewal and amendment of the registration of local companies
- Cancellation of the registration of local companies practicing the profession

Natural Persons



- Registration of natural persons
- Renewal and amendment of the registration of natural persons
- Re-registration and transfer between the records of practitioners and non-practitioners
- Cancellation of the registration



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General conditions for professional licensing

In accordance with the provisions of the law regulating the profession, its executive regulations, and the ministerial decisions issued for its implementation, the general conditions for registration in the records of practitioners have been determined as follows:



- The applicant must be of good conduct and behavior
- University qualification with a minimum of a Bachelor's degree in Accounting or any other Major, with at least 15 credit hours in Accounting
- Fellow to the Emirates Association of Accountants and Auditors
- He has at least (5) years of experience in the profession



- One of the partners who is an Emirati with a share of at least (25)% of the capital
- All partners are registered in the register of natural persons practicing the profession
- The license issued by the competent licensing authorities within the scope of the establishment's business
- An insurance policy against liability for professional errors



- A copy of the Memorandum of Association - or its equivalent - of the parent company
- A copy of the professional license granted to the parent company in its country of origin
- Registration in the register of foreign companies at the Ministry's Record for foreign companies
- Determine the names of the representatives of the operating branches in the country, provided that they are all registered in the natural persons register
- The license issued by the competent licensing authorities within the scope of the establishment's business



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What is the process to become licensed to practice?

Taking into account all various conditions mentioned in the regulatory framework, the following is the standard for most cases:



Become a fellow to EAAA

As a preliminary measure, the applicant to practice the profession must obtain fellowship membership with the Association, as it is a prerequisite for professional licensing at the Ministry.



Register in the Natural Persons Registry

The Ministry must be provided with all documents proving that the licensing requirements have been met, including notifying the Ministry of the workplace



Certificate of whom it may concern

The auditor applies to obtain a certificate as a preliminary approval indicating that he has fulfilled the basic conditions for opening an audit firm.



Registration in the register of legal persons

After obtaining the license from the licensing authorities, the company, office or branch of the foreign company shall be registered in the register of legal persons practicing the profession.



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Basic provisions regulating the audit profession (1/2)

The following are some of the key provisions within the Regulatory Framework:



Articles (5) and (6) of the law oblige the national participation rate to be 25% as a minimum



Article (6) of the Law mandates that all partners to be registered in the Register of Natural Persons



Article (6) of the law allow for partnership with a legal person established outside the country, provided that it is licensed in its home country for a period of not less than 5 years.



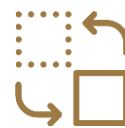
Article (7) of the law commands that the parent company must be licensed in its home country for at least 10 years before registering an operating branch in the country



Article (14) of the Law states that any work related to this profession may not be practiced except through an office licensed for this purpose by the relevant licensing authorities.



Article (16) of the law require all newly registered persons to notify the Ministry of their workplace (employee or partner) within a period of 90 days



Article (17) of the law require auditors to inform the Ministry of every amendment or change that occurs to his registration data within a period not exceeding 30 days



Article (21) of the law obliges the auditor to disclose their registration number in all their correspondence and to clearly show the registration certificate at their place of work.



Basic provisions regulating the audit profession (2/2)



Article (22) of the Law requires that personal name of the auditor must be an essential part of the trade name used when establishing their office or company.



Article (29) of the law provide the right to the competent authority to file a complaint or submit a report on violations that the auditor may commit while performing his duties.



Ministerial Resolution (111) for the year 2022 regulating indemnity insurance requires all auditors to provide insurance against professional errors based on the insurance coverage segments specified in the resolution.



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Kindly scan the following QR code to access the currently enacted regulatory framework



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