



2018-2019 AUDIT MONITORING REPORT

August 2020

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ABOUT THIS REPORT

This Report summarises the results of the DFSA’s oversight visits to Registered Auditors (RAs) of Public Listed Companies (PLCs), Authorised Firms (AFs), Authorised Market Institutions (AMIs) and Domestic Funds (DFs) conducted over a two-year period and sets out key issues identified during 2018 and 2019.

Over the course of the review, selected audit files and audit monitoring visits may identify ways in which a particular audit file is deficient. It is not the purpose of an audit monitoring visit, however, to review all of a RA’s audits or to identify every deficiency, which may exist for any particular audit. Accordingly, this Report does not provide any assurance of any audits of financial statements conducted by a RA, nor that such audits are free of other deficiencies not specifically described in this Report. This Report is not intended to be all encompassing and should not be relied upon on any basis whatsoever as any form of advice, but rather as general observations. Unless stated otherwise, not all matters in this Report apply to every RA.

This Report also includes the findings from our inspections, which focused on RAs’ Anti-Money Laundering (AML) obligations, System of Quality Control and RAs’ compliance with the DFSA’s Auditor (AUD) Module for the purposes of issuing Regulatory Returns Auditor’s Reports, Client Money Auditor’s Reports, Insurance Monies Auditor’s Reports, and Safe Custody Auditor’s Reports (collectively referred to as Regulatory Reports). However, this Report does not cover any enforcement actions taken by the DFSA on RAs. We report all outcomes of enforcement actions on the DFSA’s website (www.dfsa.ae) and through separate media releases.

Reference to “instances”, “occasions”, “audit files” and “audit teams” in the findings should be considered in relation to a finding on a particular audit while reference to “RA” should be considered in relation to firm-wide related issues.

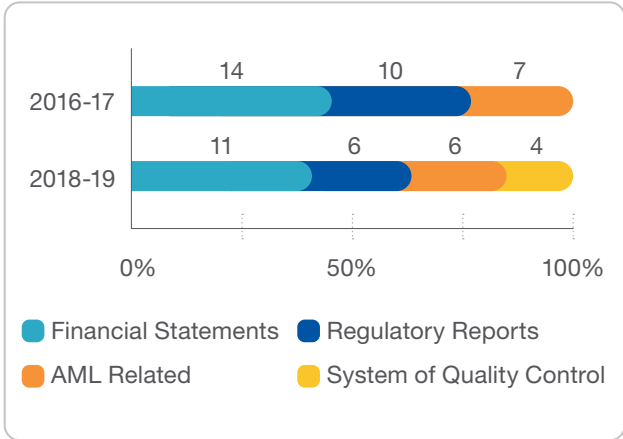


Chart 1: Types of inspections

FOREWORD

Welcome to the Dubai Financial Services Authority's (DFSA) Audit Monitoring Report for 2018-19. I am pleased to share some of the significant milestones and achievements from this period.

In September 2019, the Dubai International Financial Centre (DIFC) was ranked among the top 10 global financial centres in the Global Financial Centres (GFC) Index, coming in at 8th place. We are extremely proud of this achievement, which is testament to the dedication and vision of the UAE's Vice President and Prime Minister and Ruler of Dubai His Highness Sheikh Mohammed bin Rashid Al Maktoum, to develop and grow the DIFC into a world-class financial hub. The Centre is the only financial centre within the Middle East, Africa and South Asia (MEASA) region to be included in the top 10 rankings, placing the DIFC alongside financial centres in London, Singapore and New York. In addition to the GFC Index, we also celebrated a significant moment in the 15-year history of the DIFC by registering the 500th firm conducting financial services in or from the DIFC.

The years of 2018 and 2019 were busy years for our audit inspection team. I am pleased that the majority of RAs maintained sound practices in the audits we reviewed. The number of "satisfactory" and "generally acceptable" files has increased from our last Report covering 2016 - 2017. At the DFSA, we have also taken steps to strengthen our inspection activity and have introduced dedicated inspections to assess the systems of quality control within the RAs with a significant footprint in the DIFC.

For 2020, the DFSA reminds RAs to maintain Professional Scepticism in the work they do, specifically including usage of reports made by third parties such as valuation firms. This is of paramount importance during a period of uncertainty. We strongly encourage RAs to take a holistic approach to understanding group and related party transactions, even when the audited entity might seem to have a relatively minor role in the overall group. We are too often seeing complex organisational structures possibly set up to disguise or obfuscate asset values and overall activity. The DFSA will take action in these cases against an entity or any party helping management to disguise the true condition of an entity.



We issued further guidance to RAs on considering ways to gather sufficient appropriate audit evidence, recognising that the planned audit approach may need adjustment for current circumstances. We also asked RAs to give special attention to the adequacy of disclosures made by management about the impact of current uncertainties, to ensure that users of the financial statements are appropriately and adequately informed.

We continue to contribute and engage with the international standard-setting bodies and audit regulators regionally. In 2019, the International Forum of Independent Audit Regulators (IFIAR) recognised the DFSA for its contribution as the leader of the Emerging Regulators Group (ERG). The DFSA was appointed the founding chair of ERG in 2015 and completed its term in 2019. We also worked closely with the World Bank to transfer our experience and knowledge to new and potential audit regulators. Closer to home, we continue to work alongside UAE regulators and other G20 regulators from the region to share knowledge.

A handwritten signature in dark ink, appearing to read "Bryan Stirewalt".

BRYAN STIREWALT

Chief Executive

INSPECTION RESULTS OF RAs OF PLCs, AFS, AMIS AND DFS

FINANCIAL STATEMENTS AUDITS



COMPLIANCE CRITERIA

- DFSA Auditors (AUD) Module
- International Standards on Auditing (ISA)
- International Standards on Quality Control (ISQC1)
- International Code of Ethics for Professional Accountants
- International Financial Reporting Standards (IFRS)

DFSA FILE GRADING STRUCTURE

Grade	Description
1	Satisfactory
2	Generally acceptable
3	Improvement required
4	Significant improvement required

During 2018-19, the DFSA focused on the substance of RAs' work and whether RAs obtained and documented sufficient and appropriate evidence to support the conclusions reached in relation to key audit judgements.

We selected files to review after consideration of a number of risk factors and we covered a wide spectrum of regulated entities as illustrated below:

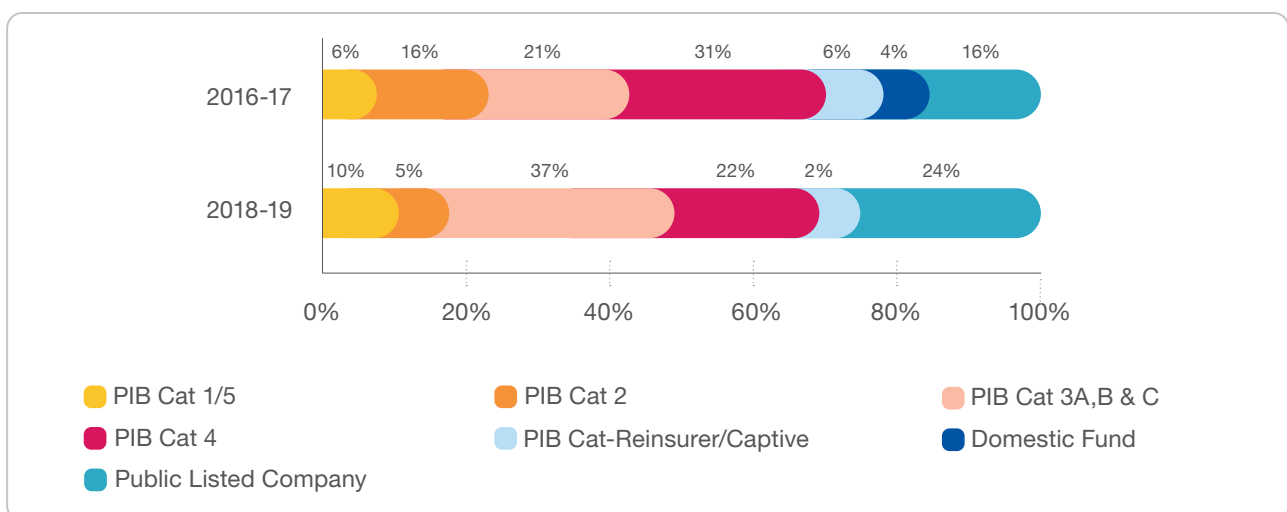


Chart 2: Distribution of reviewed audit engagement files by financial services category

Our audit file reviews involved detailed discussions with the relevant Audit Principals and the auditor in-charge of critical aspects of the audit. The DFSA’s staff discussed their observations with audit teams and provided detailed written review notes detailing queries arising from the review. Based on the level of findings and associated response, the DFSA assigns a grade¹ to an audit file.

The DFSA reviewed 41 engagement files during 2018-19, of which we assessed 95% as either “satisfactory” or “generally acceptable”. This has improved from 2016-17 where 92% of files assessed fell under the same categories.

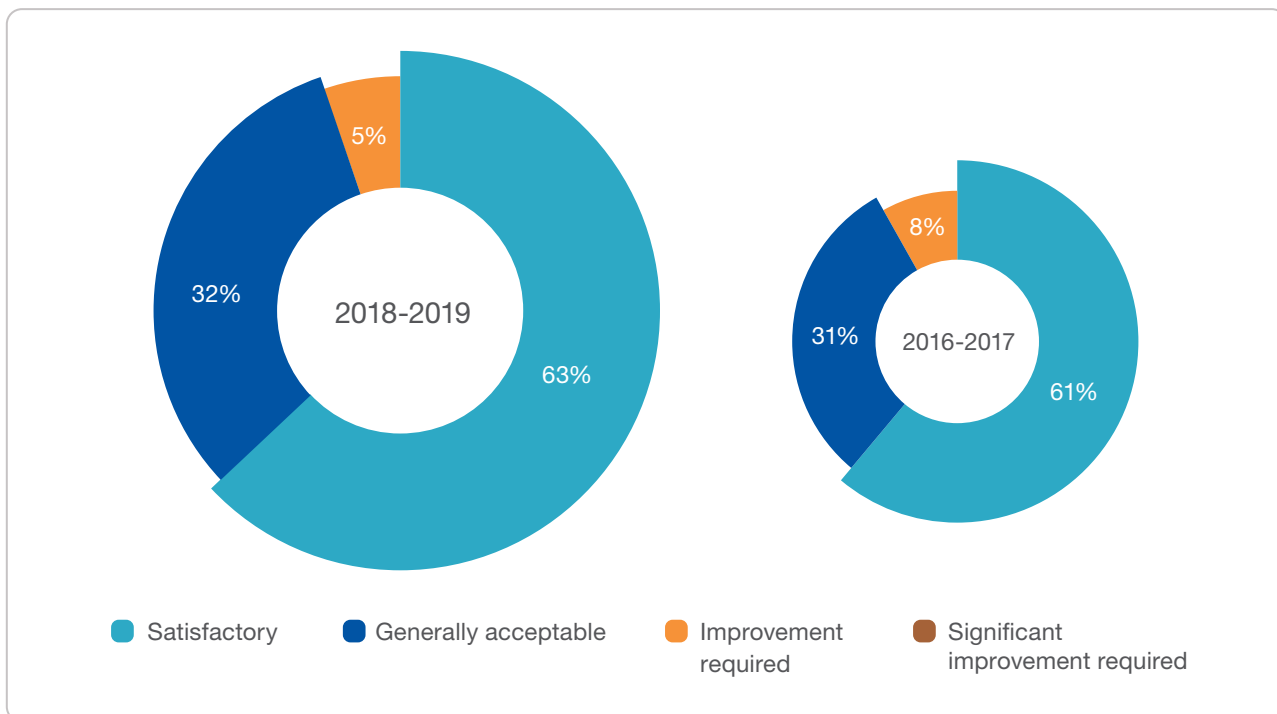


Chart 3: File grading

Reviews of audit files across RAs inspected raised a small number of issues about the sufficiency and appropriateness of evidence obtained by RAs to support their conclusions on significant areas of audit.

The DFSA continued to conduct follow-up inspections of RAs of PLCs, AFs, AMIs and DFs. Where we identified significant issues in previous inspections, we escalated follow-up inspections to ensure RAs were taking prompt and appropriate action to address our observations and findings.

¹ Over the course of review of a sample of selected audit files, we may identify ways in which a particular audit file is deficient. It is not the purpose, however, to identify every deficiency, which may exist in an audit. Accordingly, the DFSA file grading is based on the review of certain areas of audit files and is indicative only.

PRINCIPAL FINDINGS

The DFSA reports the key matters, including significant thematic issues, as Principal Findings. Principal Findings may result in non-compliance with the DFSA Rulebook (AUD Module), Regulatory Law (DIFC Law No.1 of 2004 as amended), ISAs or IFRs. RAs are required to submit a remedial plan and the DFSA monitors how these Principal Findings are remediated. Below are some of the Principal Findings identified from 2018 to 2019.

RECOVERABILITY OF A MATERIAL RECEIVABLE BALANCE

For a long outstanding material receivable balance, the engagement team placed significant reliance on a letter from the client's legal adviser and the Audit Report referred to him as "management-appointed legal counsel". The engagement team verified that the letter originated from the adviser but argued that he is not a management expert and therefore, has not performed any audit work to assess competence, experience etc. The engagement team referred to the legal adviser's opinion in various internal meetings including with those charged with governance and used the letter as evidence to confirm the balance is recoverable.

We expected the engagement team to have performed procedures over the legal adviser and his work including a review of the engagement terms, the scope of work and consideration of his competence / experience.

ASSIGNMENT OF WORK TO A NON-REGISTERED AUDIT PRINCIPAL

A non-registered Audit Principal led an engagement. The RA identified this breach when the engagement was already completed. It then forwarded the audit file to a registered Audit Principal for a quality control review. The conduct of an audit of a DFSA AF by a non-registered Audit Principal is a breach of Article 97C (2) of the Regulatory Law.

.....
"A RA shall not permit any person to undertake any of the responsibilities of an Audit Principal unless that person is registered by the DFSA as an Audit Principal for that RA."
.....

The RA did not advise the DFSA of this audit engagement led by a non-registered Audit Principal. The matter was only disclosed to the DFSA during the course of the onsite assessment as part of the introductory engagement meeting with the Audit Principal.

GOING CONCERN

The audit client has been incurring losses since its inception to the date of the audit and was dependent on the support of its parent, a small private bank, to be able to continue as a Going Concern. The parent has provided a letter of comfort to auditors advising of its continued support.

However, there was insufficient audit work conducted to ensure that the parent had the financial ability to continue to provide financial support to the audit client.

LACK OF CONTROL OVER BANK CONFIRMATION PROCESS

A number of engagement teams and a few RAs did not take full control of the process for obtaining bank confirmations, as required by ISA 505 - External Confirmations.

The client, rather than the individual teams, completed certain information on the confirmation requests.

SUBMISSION OF INACCURATE PRE-VISIT INFORMATION TO THE DFSA

As part of the pre-visit information, the RA provided the DFSA with a list of all audits signed by it in a particular calendar year. The list contained inaccurate information as a number of audits signed by one Audit Principal were not listed against his/her name. The issue was identified at the closing meeting and the RA swiftly undertook corrective measures by providing the updated list. Had this information been known at the start of inspection, the DFSA would have selected some of that Audit Principal's engagements. The RA offered to make itself available for another inspection to rectify this error.

INSUFFICIENT AUDIT EVIDENCE AND USE OF EXPERTS

On one engagement file, there was insufficient audit evidence on the valuation of investment properties. The engagement team performed calculations based on the figures derived from the external valuation report. The engagement team then compared the valuation per their calculation to the valuation report. The end result is therefore the same.

There were no minutes of the engagement team's meeting with the external valuer demonstrating any specific challenge on the methodology of the external valuation report.

The engagement team involved the RA's internal valuation experts who provided a written memo to the engagement team. There were no comments or statements in the audit working paper file to show that the Audit Principal was comfortable in accepting their assumptions.

VALUATION OF INVESTMENT PROPERTIES

Our review focused on the highest valued property within the investment properties portfolio. Our challenge to the engagement team focused on the year-end valuation of this property and the procedures to support the assumptions used in arriving at the value.

The engagement team outlined the reliance it placed on the work of the internal valuation expert. There was insufficient record on the engagement file of the procedures performed by the internal expert, including corroborating the assumptions used in the valuations. The audit procedures described in the key audit matters of the Audit Report in our opinion do not fully align with the audit work carried out.

NON-COMPLIANCE WITH AUD PRINCIPLES

An RA failed to notify the DFSA about relocation of key staff. The DFSA became aware of this relocation as part of the risk assessment process. It had not been made aware of the proposed changes, which we understand happened a few months earlier.

AUD PRINCIPLE 5

“An Audit Principal must deal with the DFSA in an open and cooperative manner and must promptly disclose to the DFSA any information of which the DFSA would reasonably expect to be notified.”

The failure to advise the DFSA in advance of the proposed relocation is not in line with the spirit of the AUD Principle 5: AUD Rule 2.6.6.

ASSET CLASSIFICATION

On one engagement file, the receivables balance related to advisory services were classified as “Current Assets”, however, during our onsite discussions, the engagement team indicated that these receivables would only be paid on the realisation of private equity investments, which would not be realisable within 12 months from the end of the financial year.

Further, the collectability of the receivables was dependent on the realisation of the private equity investments in excess of the fees owing. There was no assessment on the engagement file of the private equity valuation.



With respect to the Principal Findings in this Report, the DFSA has taken a range of actions, including written observations, specific requirements for RAs to implement, and placing Audit Principals under close supervision.

FITNESS AND PROPRIETY OF AUDIT PRINCIPALS

Audit Principals are subject to certain ongoing fitness and propriety requirements including relevant experience and continuous training requirements.

RELEVANT EXPERIENCE

RAs must ensure that all Audit Principals remain fit and proper to carry out the function of an Audit Principal, as fitness and propriety requirements for each Audit Principal apply at all times, whether or not the Audit Principal signs any Audit Report during the relevant period.

**“Five years of relevant post qualification audit experience in the past seven years, including at least one year of experience in a managerial role supervising and finalising audits”
AUD 2.4.2 (C)**

The DFSA closely monitors the number of Audit Reports signed by an individual Audit Principal as it is directly connected to the experience requirements as set out in AUD 2.4.2 (C).

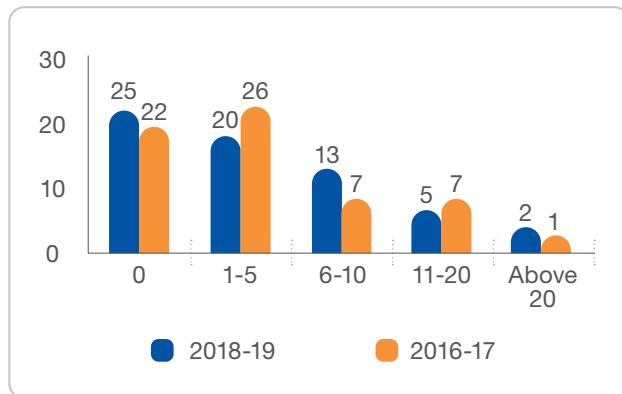


Chart 4: Number of Audit Reports signed by Audit Principals in the relevant Period

Where Audit Principals did not meet the relevant requirements, the DFSA has taken a number of actions including withdrawing their registration with the DFSA.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The DFSA also monitors the time spent by Audit Principals on relevant training and professional development. During 2018-19, Audit Principals spent over 9,000 hours on training with an average of 148 hours per Audit Principal. Accounting and audit-related training accounted for 66% of the total training. This is in line with the requirements imposed by internationally-recognised professional accounting bodies.

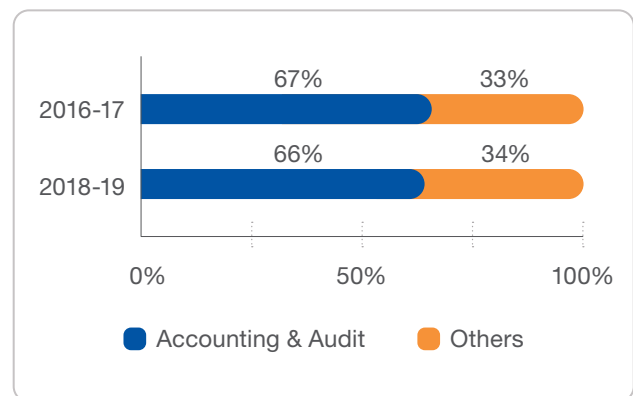


Chart 5: Time spent by Audit Principals on training

In accordance with AUD Rules [AUD Rule 4.2], a RA must ensure that all its relevant employees, including Audit Principals undertake continued professional development. We pay specific attention to assessment of engagement teams with respect to their competencies and the level of training provided by the RAs to perform work on the Regulatory Reports.

QUALITY CONTROL INSPECTIONS

An effective system of quality control is key to ensuring the consistent delivery of high-quality audits. A RA's senior management is ultimately responsible for the RA's system of quality control. The DFSA requires RA's to comply with the ISQC1, as issued by the International Auditing and Assurance Standards Board (IAASB). As per ISQC1, the RA must establish appropriate policies and procedures to ensure high-quality audit engagements.

During 2019, the DFSA, for the first time initiated a dedicated ISQC1 inspection for selected RAs. ISQC1, which is commonly known as the System of Quality Control, was previously part of routine risk-based inspection programmes. As part of our efforts to further probe inspection activity around the relevant risk factors, the DFSA piloted dedicated ISQC1 inspections.

We are pleased to report that, for the RAs inspected, the System of Quality Control is operating effectively. We also identified certain improvement opportunities, which we communicated to respective RAs.



ISQC1 - SYSTEM OF QUALITY CONTROL

A	Leadership responsibilities for quality within the RA;
B	Ethical requirements (including independence);
C	Acceptance and continuance of client relationships and specific engagements;
D	Human resources (including assignment of engagement teams);
E	Engagement performance (including consultation, resolution of differences of opinion); and engagement quality control review); and
F	Monitoring (including dealing with complaints and allegations).

REGULATORY INSPECTIONS FINDINGS

The DFSA performs a number of inspections to assess RAs' compliance with AUD Rules for the purposes of issuing Regulatory Reports.

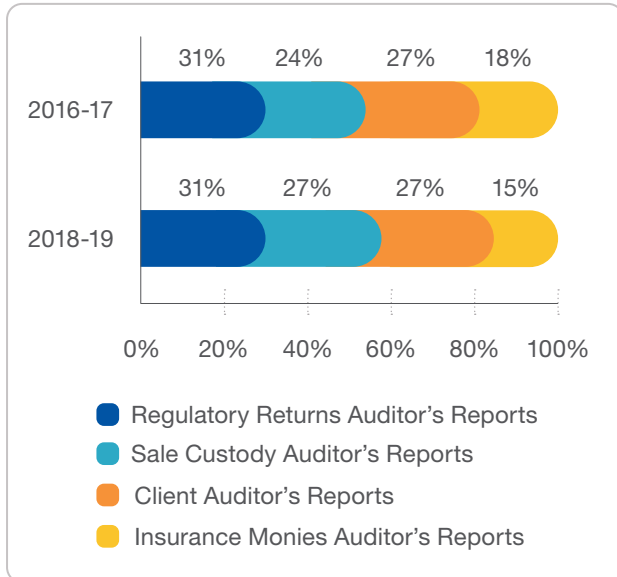


Chart 6: Distribution of reviewed audit engagement files by report type

- 16** Registered Auditors
- 7** Inspections
- 15** Audit Principals assessed
- 41** Engagement files reviewed



REGULATORY RETURNS AUDITOR'S REPORT

The work on Regulatory Returns Auditor's Reports was of satisfactory standard except for the following matters, which we noted on five engagement files:

- The quarterly returns were not appropriately reconciled with the annual return;
- There was no documentation verifying the capital resources; and
- There was no testing to ensure that the AFs maintained, at all times, capital resources calculated in accordance with the PIB Rules.



Satisfactory



Needs Improvements



Unsatisfactory

DFSA Expectations

DFSA Rules require AFs to meet the DFSA's capital requirements at all times during the year. RAs should ensure that capital adequacy is tested on random dates (other than month-ends, quarter-ends and year-end).



CLIENT MONEY AUDITOR'S REPORT

Client Money Auditor's Reports require some improvements, as we identified a number of issues:

LACK OF SYSTEMS AND CONTROLS

The DFSA Rules require that the Auditor reports on whether an AF has adequate systems and controls to enable it to comply with applicable Client Money Rules throughout the year. These systems and controls take various forms including performing suitability assessment of Third Party Agents (TPA), establishing a separate Client Money Account and seeking acknowledgement from the TPA regarding segregation of own funds versus client funds. We noted from our file reviews that there was no evidence of a systems testing being conducted on five Client Money engagements. However, the Client Money Auditor's Reports indicated that the AFs had maintained adequate systems and controls throughout the year.

PLACEMENT OF CLIENT MONEY WITH THE PARENT

One AF held the Client Money with its parent, who in turn deposited it with a TPA. The engagement team did not receive an independent bank confirmation from the TPA confirming that it held the Client Money nor did it undertake appropriate alternative audit procedures. The engagement team also failed to confirm if the Client Money was held in the AF's name instead of its parent. There was no documentation or evidence on the engagement file to substantiate any work done by the engagement team to verify the title of the account to ensure that the Client Money was placed in a segregated "Client Account". The engagement team also failed to bring these matters to the DFSA's attention through the Client Money Auditor's Report.

TERMS OF ENGAGEMENT AND FILE ASSEMBLY

On one engagement, the RA started the work (and potentially completed the work) before agreeing the terms of the engagement. Additionally, the engagement letter was not filed in the electronic audit file within the 60-day file assembly period.

FAILURE TO REPORT ABSENCE OF A CLIENT MONEY BANK ACCOUNT

Two AFs had not set up a segregated Client Money bank account as required by the COB Rules. This matter was not raised by the RA in the Client Money Auditor's Report. The RA advised that since there was no Client Money, a segregated Client Money bank account was therefore not required. However, DFSA Rules require the AF to have adequate systems and controls in place to manage Client Money at all times. The RA should have reported in the Client Money Auditor's Report the failure of the AF to set up a segregated Client Money account in accordance with the DFSA Rules.

SUITABILITY ASSESSMENT OF TPAS

On three engagement files, there was no evidence of testing to assess the work conducted by the AF on the suitability of TPAs. The RA relied on the management representation.

FAILURE TO ISSUE CLIENT MONEY AUDITOR'S REPORT

One engagement team did not display Professional Scepticism to identify its audit client's reporting obligations related to Client Money. The RA relied on the Compliance Officer (CO) of its client who incorrectly advised that a Client Money Auditor's Report is not required. The RA should have challenged the CO, including on the basis that the AF had Managing Assets as a permitted Financial Services.



INSURANCE MONIES AUDITOR'S REPORTS

The work on Insurance Monies Auditor's Reports was of satisfactory standard and we did not identify any principal findings.

QUALITIES OF A GOOD INSURANCE MONIES AUDIT WORKING PAPERS

1. Check the DFSA's Public Register to verify an AF's ability to hold Insurance Monies;
2. Adopt a comprehensive approach involving detailed work programs mapped to the relevant DFSA requirements;
3. Obtain a complete list of bank accounts designated as Insurance Bank Accounts (IBAs);
4. Verify that the bank account titles were in accordance with the DFSA requirements;
5. Ensure that the AF has obtained written acknowledgement from the bank that it is not entitled to combine IBAs with AF's own bank accounts;
6. Obtain independent bank confirmations as to the balance held in the IBA;
7. Ensure that all Insurance Monies were paid directly into an IBA;
8. Ensure that the IBAs were only used for the deposit of Insurance Monies and that Insurance Monies were identifiable and secured at all times; and
9. Assess and document the Insurer's systems and controls for holding insurance money.



SAFE CUSTODY AUDITOR'S REPORT

Safe Custody Auditor's Reports require some improvements, as we identified a number of issues:

LACK OF SYSTEMS AND CONTROLS

The DFSA Rules require that the Auditor reports on whether an AF has adequate systems and controls to enable it to comply with applicable Safe Custody provisions throughout the year. These systems and controls take various forms including performing suitability assessments of TPAs, establishing a separate Client Assets Account and seeking acknowledgement from the TPA regarding segregation of own assets versus Client Investments. We noted on six engagements, that there was no evidence of testing being conducted on Safe Custody engagements. However, the Safe Custody Auditor's Reports indicated that the AFs had maintained adequate systems and controls throughout the year.

SUITABILITY ASSESSMENT OF TPAS

Three engagement teams failed to identify and report non-compliance with COB Rules with respect to the suitability assessment of TPAs. The RAs relied on management representations.

CONFIRMATION OF CLIENT ASSETS HELD WITH TPAS

The engagement team did not obtain an independent confirmation of Client Assets held with the TPA. The alternative procedures adopted were also insufficient to conclude on whether Client Assets were held by the TPAs.

AML-RELATED FINDINGS

The DFSA's AML module applies to all RAs and compliance with the AML Rules is the responsibility of every member of its senior management. The Money Laundering Reporting Officer (MLRO) is responsible for the implementation of the RA's day-to-day operations for compliance with its AML policies, procedures, systems and controls.

RAs have an important role to play in AML and CTF as gatekeepers for the financial services sector.

We performed six AML risk assessments of RAs in which we identified a number of improvement opportunities in their AML systems and controls. We have taken a number of steps including issuing specific risk-mitigation plans to be implemented by RAs and performed follow-ups to ensure that these risk-mitigation plans are complied with. Key findings are as follows:

1. Customer Due Diligence (CDD) requirements including ongoing CDD

Compliance with CDD requirements including ongoing CDD was a key finding across all RAs we inspected during the period. In undertaking CDD, we identify instances where the RAs did not verify the identity of the ultimate beneficial owner (UBO).

2. Assessing customer AML risks

Where we found RAs assessing the engagement risks associated with a particular audit in accordance with the applicable ISAs, the same is not the case when it comes to assessing customer's money laundering and terrorist financing risks.

16

Registered Auditors

6

Inspections

The DFSA is responsible for supervising and enforcing Anti-Money Laundering (AML), Counter Terrorist Financing (CTF), and sanctions compliance requirements that apply in the DIFC.

DFSA Expectations²

AML SYSTEMS AND CONTROLS

RAs are required to establish and maintain effective policies, procedures, systems and controls to prevent opportunities for money laundering and terrorist financing in relation to its activities.

A RISK-BASED APPROACH

RAs should assess and address their AML risks by adopting an approach that is proportionate to the risks to which they are exposed. In doing so, RAs are expected to have in place appropriate processes to identify, assess, monitor, manage and mitigate money laundering and terrorist financing risks.

ASSESSING BUSINESS AML RISKS

RAs should take appropriate steps to identify and assess money laundering and terrorist financing risks to which their businesses are exposed. The outcome of this assessment should be objective and proportionate to the risks, based on reasonable grounds, properly documented, reviewed and updated at appropriate intervals, and approved by senior management of the RA.

ASSESSING CUSTOMER AML RISKS

RAs should undertake a risk-based assessment of every customer and assign a risk rating proportionate to the customer's money laundering and terrorist financing risks. This should be done prior to undertaking CDD for new customers, and whenever it is otherwise appropriate for existing customers. They should also ensure that the methodology used in assessing customer risk is appropriate, taking account of all the relevant requirements and guidance provided under the AML Rules.

CDD REQUIREMENTS INCLUDING ONGOING CDD

RAs should undertake CDD for each of its customers. In undertaking CDD, the RA must verify the identity of the customer and any UBO in accordance with the applicable AML Rules. Additionally, RAs should also understand the customer's sources of funds and wealth, and verify these when undertaking Enhanced CDD. RAs should also undertake ongoing due diligence for each of its customers, using a risk-based approach to periodically review the adequacy of the CDD information of customers and UBOs to ensure that it is kept up-to-date. This also includes a periodic review of each client to ensure that the risk rating assigned to it remains appropriate.

SANCTIONS COMPLIANCE

RAs should screen all its customers at onboarding and on an ongoing basis. The screening should include UBOs, directors, controllers, guarantors, beneficiaries, trustees, settlors, and those with power of attorney. Customers, their business, and transactions must be reviewed against United Nations Security Council Sanctions lists, the UAE National List of Terrorist Individuals and Entities and any other relevant sanctions lists to comply with the DFSA Rules.

TRAINING AND AWARENESS

RAs must provide AML training to all relevant employees at appropriate and regular intervals. We expect that such training is provided to each relevant employee at least annually. RAs should be able to demonstrate that it has complied with the training and awareness requirements through appropriate measures, including the maintenance of relevant training records.

² RAs should read these expectations in conjunction with the DFSA AML Rules, which remains as the authoritative document over these expectations.

A REMINDER ON PROFESSIONAL SCEPTICISM



The DFSA, as part of its Audit Monitoring Focus for 2020, reminded RAs of their duty to remain professionally sceptic. Professional scepticism is critical to the assessment of audit evidence. It is an attitude, which requires the RAs to:

- a. have a questioning mind and be alert to conditions or factors which may indicate possible misstatement or contradictions in audit evidence;
- b. critically assess the audit evidence, management assertions and supporting audit evidence; and
- c. be independent from the client and adopt a questioning approach to the audit evidence presented and exercise professional judgment to ensure conduct of high quality audits.

The DFSA will continue to focus on whether RAs evidence an appropriate level of professional scepticism during the conduct of an audit. An audit conducted without a due degree of professional scepticism is likely to be a low-quality audit.

The DFSA will look for evidence of professional scepticism exercised at all stages of the audit, including but not limited to:

- a. client engagement acceptance;
- b. risk assessment during the audit planning stage;
- c. obtaining audit evidence; and
- d. evaluating audit evidence.

Our audit monitoring visits will continue to focus on whether the documentation prepared by engagement teams is timely, appropriate and sufficient.

In addition, RAs should consider how sufficient, appropriate audit evidence is gathered, recognising that the planned audit approach may need adjustment for current circumstances. Irrespective of any adjustment, RAs must be able to gather necessary and appropriate evidence to be able to report or consider modifying their audit opinion.

APPENDIX 1 – ABOUT DFSA

The DFSA is the independent regulator of financial services conducted in or from the DIFC, a purpose-built financial free zone in Dubai, United Arab Emirates.

The DFSA's regulatory mandate includes asset management, banking and credit services, securities, collective investment funds, custody and trust services, commodities futures trading, Islamic finance, insurance, Operating a Crowd Funding Platform, Operating an Employee Money Purchase Scheme and acting as an Administrator, an international equities exchange and an international commodities derivatives exchange together with credit rating agencies, RAs and designated non-financial businesses and professions.

With respect to RAs, the DFSA is responsible for the registration, oversight and suspension / removal of RAs and Audit Principals in the DIFC in respect of their audit of PLCs, AFs, AMIs and DFs.

In addition to regulating financial services and ancillary services, the DFSA is the competent authority for the administration of Federal AML/CTF legislation in the DIFC, which means it is the sole administrative body responsible for oversight of all AML/CTF legislation and direct supervision of Relevant Persons for compliance with the AML/CTF legislation, including the DFSA's AML/CTF Rules.



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