

# DFSA

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DRAFT AUDITOR RULES  
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## 8 ACCOUNTING AND AUDITING

### 8.1 Application

8.1.1 This chapter applies to every:

- (a) Authorised Person;
- (b) applicant for registration as an auditor with the DFSA; and
- (c) A auditor registered with the DFSA.

8.1.2 In this chapter in relation to an Authorised Person which is a Domestic Firm a reference to an “auditor” include references to an “Auditor”.

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### 8.7 REGISTRATION OF AUDITORS

#### Registration of an Auditor

8.7.1 A Person intending to audit Authorised Firms and Authorised Market Institutions (that are Domestic Firms), or Domestic Funds must apply to the DFSA for registration in accordance with the Rules in this Chapter.

#### Guidance

Authorised Firms and Authorised Market Institutions that are Domestic Firms and Operators of Domestic Funds are required to appoint and retain Auditors who are registered for the duration of the audit. See Rule 8.4.1(c) and CIR Rule 12.2.1 (c).

8.7.2 An applicant for registration must:

- (a) complete and submit the appropriate form in AFN, supported by such additional material as may be required by the DFSA; and
- (b) pay to the DFSA the prescribed application fee in GEN App 6.

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### **Guidance**

There are additional requirements that apply to Auditors that are appointed for a Domestic Firm or Domestic Fund (see GEN 8.4.4 and CIR Rule 12.2.4). These requirements must be met independently of the requirements that are set out in the Rules in this Chapter.

### **Consideration of the application**

- 8.7.3** (1) An applicant for registration must be able to demonstrate to the DFSA's satisfaction that:
- (a) it is fit and proper as provided in (2);
  - (b) it has professional indemnity insurance as required under Section 8.17;
  - (c) it has adequate systems, procedures and controls to ensure due compliance with:
    - (i) the International Standards on Auditing;
    - (ii) the International Standards on Quality Control; and
    - (iii) the Code of Ethics for Professional Accountants;
  - (d) where applicable, it has adequate systems, procedures and controls to ensure due compliance with:
    - (i) the Islamic Accounting and Auditing Standards; and
    - (ii) the Code of Ethics for Accountants and Audit Firms of Islamic Financial Institutions;
  - (e) it is controlled by Persons each of whom hold a Recognised Professional Qualification from a Recognised Professional Body; and
  - (f) it has complied with any other requirement as specified by the DFSA.
- (2) For the purposes of assessing whether an applicant for registration meets the fit and proper requirement under (1)(a), the DFSA will consider:
- (a) the application and submissions;
  - (b) background and history;
  - (c) the ownership and the Group structure;
  - (d) resources, including human and technological;

(e) whether the applicant's affairs are likely to be conducted and managed in a sound and prudent manner; and

(f) any other matter considered relevant by the DFSA.

(3) For the purposes of (1)(e):

(a) "control" means:

(i) in a body corporate, a majority of the directors and a majority of the votes of the shareholders; or

(ii) in a partnership (except a limited partnership) means a majority of the partners unless there are only two partners in which case the partner holding a Recognised Professional Qualification must have the casting vote; and

(iii) in a limited partnership means a majority of the general partners unless there are only two partners in which case the partner holding a Recognised Professional Qualification must have the casting vote;

(b) "majority" means:

(i) where under the Auditor's constitution matters are decided on by the exercise of voting rights, a majority of the rights to vote on all, or substantially all, matters; or

(ii) in any other case a majority of the Persons having rights under the constitution of the Auditor to enable them to direct its overall policy or alter its constitution.

**8.7.4** The DFSA may impose in its absolute discretion any terms or conditions on the registration.

## **8.8 Regulatory appeals**

**8.8.1** An applicant may appeal to the Regulatory Appeals Committee against any refusal to grant registration, or any condition of registration imposed under Rule 8.7.4 and the Regulatory Appeals Committee has jurisdiction to hear any such appeal.

### **Guidance**

Under Article 98 of the Regulatory Law the DFSA may in its absolute discretion grant or refuse to grant registration.

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## **8.9 Obligations of Auditors and Audit Principals**

### **8.9.1 An Auditor must:**

- (a) continue to comply with all its obligations including those in Chapter 8;
- (b) comply with the applicable International Standards of Auditing, Quality Control and Codes of Ethics referred to in Rule 8.7.3(c) and (d); and
- (b) ensure that each Audit Principal is fit and proper to conduct audit work on behalf of the Auditor.

### **8.9.2 An Audit Principal must:**

- (a) manage the conduct of audit work undertaken by the Auditor;
- (b) sign audit reports on behalf of the Auditor; and
- (c) sign any other report as may be required by the DFSA from time to time.

### **8.9.3 In assessing whether an Audit Principal is fit and proper, the Auditor must ensure that the Audit Principal at a minimum:**

- (a) holds a Recognised Professional Qualification;
- (b) has at least five years of prior relevant experience in the past seven years in auditing financial services; and
- (c) is a member in good standing of a Recognised Professional Body.

#### **Guidance**

When assessing a person's suitability to be appointed as an Audit Principal, an Auditor should ascertain matters such as whether any disciplinary action has been taken against that person by a Recognised Professional Body.

## **8.10 Notification of changes**

### **8.10.1 An Auditor must notify the DFSA in writing within 30 days:**

- (a) of any change of its Audit Principals, including the appointment of any new Audit Principal;
- (b) of any claims made against the Auditor including but not limited to those lodged against the Auditor's professional indemnity insurance;

- (c) of any matter that can reasonably be regarded as having a material adverse effect on the DFSA's registration of the Auditor;
- (d) of a change of name or address of the Auditor; and
- (e) if it no longer meets the requirements for registration as an Auditor.

## **8.11 Books and records**

**8.11.1** An Auditor must maintain proper books and records at all times to facilitate the proper performance of its functions and discharge of its duties under these Rules.

**8.11.2** An Auditor must maintain records demonstrating how it established the fitness and propriety of each Audit Principal for the purposes of Rule 8.9.

**8.11.3** An Auditor must:

- (a) maintain records and all relevant information relating to its professional indemnity insurance including the terms of cover and its duration; and
- (b) upon a request by the DFSA, provide to the DFSA forthwith evidence of the terms of cover and the validity of those policies.

**8.11.4** An Auditor must maintain records of insurance claims made under its professional indemnity insurance policy. Such records, together with each annual renewal proposal form, must be available for inspection by the DFSA.

**8.11.5** An Auditor must maintain records of proof of continuing professional development undertaken by its Employees, including Audit Principals.

**8.11.6** An Auditor must maintain books and records referred to in the above Rules for a period of at least 6 years. In the case of the books and records referred to in Rule 8.11.1, those records must be kept for at least a period of 6 years after the completion of each audit carried out in respect of each client that is an Authorised Firm, Authorised Market Institution or Domestic Fund.

## **8.12 Withdrawal of registration**

### **Guidance**

Under Article 98(3) of the Regulatory Law, the DFSA may make Rules setting out how and on what grounds registration may be withdrawn.

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**8.12.1** (1) The DFSA may withdraw an Auditor's registration either on its own initiative or at the request of the Auditor.

(2) A request for withdrawal by an Auditor must be in writing.

**8.12.2** In considering requests for the withdrawal of an Auditor's registration, the DFSA must be satisfied that:

(a) the Auditor has made appropriate arrangements with respect to its existing customers; and

(b) any other matter which the DFSA would reasonably expect to be resolved has been resolved;

before granting a request for a withdrawal.

**8.12.3** An application by an Auditor to withdraw its registration does not in itself result in a cancellation of its registration. Until such time as the DFSA withdraws the registration, the Auditor remains subject to, and must comply with, the Regulatory Law 2004, Rules and any other relevant legislation administered by the DFSA.

**8.12.4** Once an Auditor applies to withdraw its registration, the Auditor must not accept appointments as an Auditor nor issue any audit reports without obtaining the prior written consent of the DFSA.

**8.12.5** The DFSA must take the necessary steps to withdraw the registration of an Auditor as soon as practicable after an Auditor has applied to withdraw its registration.

## **8.13 Withdrawal on the DFSA's initiative**

**8.13.1** The DFSA may withdraw the registration of an Auditor on its own initiative if it has reasonable grounds to believe that:

(a) the Auditor is no longer fit and proper; or

(b) the Auditor has breached, or is breaching, the Regulatory Law 2004, Rules or other legislation administered by the DFSA.

**8.13.2** The DFSA may only withdraw the registration of an Auditor on its own initiative if it has given to the Auditor:

(a) a prior written notice setting out the DFSA's reasons for proposing to withdraw its registration; and

(b) a suitable opportunity for the Auditor to make representations in person and in writing to the DFSA in relation to the proposed withdrawal.

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**8.13.3** Upon deciding to withdraw the registration of an Auditor, the DFSA must without delay inform the Auditor in writing of:

- (a) such decision; and
- (b) the date on which the decision is to take effect.

**Guidance**

Generally, the DFSA will only consider exercising the power to withdraw the registration of an Auditor on its own initiative after a thorough investigation. For example, the DFSA may receive a notification of termination of that Auditor of a Domestic Fund under CIR 12.2.2. Whether or not the DFSA would exercise its discretion to withdraw registration of the Auditor would depend on the grounds upon which the cessation of the appointment had occurred and the DFSA's investigation.

**8.13.4** An Auditor may appeal to the Regulatory Appeals Committee against a decision of the DFSA to withdraw its registration, and the Regulatory Appeals Committee has jurisdiction to hear such an appeal.

## **8.14 Suspension by the DFSA**

**Guidance**

Under Article 105 of the Regulatory Law, the DFSA may make Rules setting out how and on what grounds registration may be suspended.

**8.14.1** The DFSA may suspend an Auditor's registration if it has reasonable grounds to believe that:

- (a) the Auditor is no longer fit and proper; or
- (b) the Auditor has breached, or is breaching, the Regulatory Law 2004, Rules or other legislation administered by the DFSA.

**8.14.2** Subject to Rule 8.14.3, the DFSA may only suspend the registration of an Auditor after it has given to the Auditor:

- (a) a prior written notice setting out the DFSA's reasons for proposing to suspend its registration; and
- (b) a suitable opportunity for the Auditor to make representations in person and in writing to the DFSA in relation to the proposed suspension.

**8.14.3** Where the DFSA forms the view that any delay likely to arise as a result of having to comply with the requirements in Rule 8.14.2 is likely to be prejudicial to the interests of the DIFC, it may suspend an Auditor's registration immediately. In such circumstances, the Auditor may make representations during the suspension period.

**8.14.4** An Auditor may appeal to the Regulatory Appeals Committee in relation to the DFSA's decision to suspend the Auditor's registration, and the Regulatory Appeals Committee has jurisdiction to hear such an appeal.

**8.14.5** Upon deciding to exercise its powers under Rule 18.14.1, the DFSA must, without delay, inform the Auditor in writing of:

- (a) its decision;
- (b) the reasons for the suspension; and
- (c) the date on which the decision is to take effect and, if known, the duration of the suspension.

**Guidance**

The decision of the DFSA to suspend an Auditor's registration remains in effect until the appeal is heard and a decision is rendered, unless the Regulatory Appeals Committee orders a stay of the suspension decision.

## **8.15 Continuing professional development**

**8.15.1** An Auditor must ensure that all Employees, including Audit Principals, engaged in audit work undertake continuing professional development in accordance with the requirements of:

- (a) in the case of an Audit Principal, the Recognised Professional Body of which the Audit Principal is a member;
- (b) any applicable internal standards of the Auditor; and
- (c) any direction or order given by the DFSA.

## **8.16 Anti Money Laundering**

**8.16.1** An Auditor must comply with the U.A.E. Federal Law No. 4 of 2002 regarding Criminalisation of Money Laundering.

**8.16.2** An Auditor, in relation to its duties as an Auditor of a Domestic Firm or Domestic Fund, must comply with the same anti money laundering requirements in Chapters 5 and 6 of the ASP module. In that Chapter, references to Ancillary Service Providers are to be treated as references to Auditors unless the context requires otherwise.

**8.16.3** Rule 5.2.2 of the ASP module does not apply to an Auditor.

## **8.17 Professional indemnity insurance**

**8.17.1** An Auditor must hold adequate professional indemnity insurance covering all civil liability arising in connection with the conduct of the Auditor's business by Employees including its Audit Principals.

**8.17.2** An Auditor must, upon request of the DFSA, provide to the DFSA any information relating to the Auditor's professional indemnity insurance policy including the terms and duration of, and any claims made under, such policy.

**8.17.3** An Auditor's professional indemnity insurance may be effected with any reputable insurance company or other underwriter provided that the DFSA may require Auditors not to use certain insurance companies or underwriters or forms of insurance cover.

### **Run-off cover**

**8.17.4** An Auditor, who intends to cease operations in the DIFC, must make appropriate arrangements to cover its liability in connection with past conduct of the Auditor for a period of at least 2 years.

## **8.18 Register of Auditors**

**8.18.1** The DFSA must maintain a register of Auditors by recording the following information in respect of current and former Auditors:

- (a) full name of the Auditor;
- (b) names of the Audit Principals of the Auditor;
- (c) address of the Auditor;
- (d) contact details of the Auditor;
- (e) date of registration of the Auditor;
- (f) date of withdrawal of registration of the Auditor;
- (g) date of any suspensions of registration applicable to an Auditor; and
- (h) date of cessation of suspension or registration.