

Appendix 4

All provisions shown as struck through in this appendix have been moved to the Islamic Finance Rules Module of the DFSA Rulebook. Please see the destination table for further information.



The DFSA Rulebook

General Module

(GEN)

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) Auditor registered with the DFSA.

Guidance

Chapter 4 of the Islamic Finance Rules (IFR) contains accounting and audit requirements that are specific to Islamic Financial Business.

8.2 Accounting standards

8.2.1 (1) An Authorised Person must prepare and maintain all financial accounts and statements in accordance with the International Financial Reporting Standards (IFRS) ~~unless (2) or (3) applies, except to the extent it complies with section 4.2 of the Islamic Finance Rules (IFR) module with respect of its Islamic Financial Business.~~

~~(2) If an Authorised Firm is an Islamic Financial Institution it must prepare and maintain all financial accounts and statements in accordance with the accounting standards of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).~~

~~(3) If an Authorised Person operates an Islamic Window it must prepare and maintain all financial accounts and statements in accordance with the IFRS, as supplemented by AAOIFI FAS 18 in respect of its Islamic Financial Business.~~

Guidance

~~1. AAOIFI FAS 18 sets out the accounting rules for recognising, measuring and presenting the assets managed and funds mobilised on the basis of Islamic Shari'a rules and principles in the financial accounts and statements of conventional financial institutions that offer Islamic financial services, as well as the income generated from these services. The standard also determines the necessary disclosures related to these services.~~

~~2. Under AAOIFI FAS 18, Authorised Persons which operate Islamic Windows must disclose (in their relevant financial statements) the following:~~

- ~~a. whether or not they co-mingle funds related to Islamic Financial Business with funds relating to conventional financial business;~~

- ~~b. the sources and applications of funds mobilised and invested through their Islamic Financial Business and the sources of funds used to cover a deficit if it occurs;~~
- ~~c. any reserves of expenditures prohibited by Shari'a and the disposition of any revenues, the latter shall be determined by the Shari'a Supervisory Board;~~
- ~~d. any reserves deducted from the funds mobilised according to Shari'a, the purpose of such reserves and to whom the reserves shall revert in the case where the activities in respect of which the reserves were deducted have ceased; and~~
- ~~e. the percentage amount of funds relating to Islamic Financial Business in comparison with the percentage amount of funds relating to conventional financial business.~~

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8.6 Function of the auditor

8.6.1 An Authorised Firm or Authorised Market Institution, as applicable, must in writing require its auditor to:

- (a) conduct an audit of the Authorised Person's accounts in accordance with the requirements of the relevant standards published by the International Auditing and Assurance Standards Board (IAASB) in respect of ~~its conventional financial business and the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) in respect of any Islamic Financial Business undertaken;~~
- (b) produce a report on the audited accounts which states:
 - (i) whether, in the auditor's opinion, the accounts have been properly prepared in accordance with the requirements imposed by this chapter;
 - (ii) in particular, whether the accounts give a true and fair view of the financial position of the Authorised Person for the financial year and of the state of the Authorised Person's affairs at the end of the financial year end; and
 - (iii) any other matter or opinion relating to the requirements of this chapter;
- (c) produce an Auditor's Annual Report which states whether:
 - (i) the auditor has audited the Authorised Person's annual financial statements in accordance with the IAASB ~~or AAOIFI in respect of Islamic Financial Business;~~
 - (ii) the auditor has carried out any other procedures considered necessary, having regard to the IAASB ~~and to AAOIFI auditing standards in respect of Islamic Financial Business;~~

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