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## **UAE Official Gazette**

### **Federal Law No. (12) of 2014 On the Regulation of the Audit Profession**

**We, Khalifa bin Zayed Al Nahyan, the President of the United Arab Emirates,**

After cognizance of the Constitution;

Federal Law No. 1 of 1972 on the Authorities of Ministries and Competencies of Ministers;

Federal Law No. 8 of 1980 on the regulation of work relations as amended;

Federal Law No. 8 of 1984 on business enterprises, as amended;

Federal Law No. 5 of 1985 promulgating the Civil Code as amended;

Federal Law No. 3 of 1987 promulgating the Penal Code as amended;

Federal Law No. 10 of 1992 promulgating the Law on Evidence in Civil and Commercial Transactions;

Federal Law No. 35 of 1992 promulgating the Criminal Procedure Code, as amended;

Federal Law No. 18 of 1993 promulgating the Commercial Transactions Code, as amended;

Federal Law No. 22 of 1995 regulating the Audit Profession, as amended;

Federal Law No. 4 of 2000 on the Emirates Securities Market (ESM), as amended;

Federal Law No. 4 of 2002 on the Criminalization of Money Laundering;

Federal Law No. 6 of 2007 on the Establishment of the Insurance Authority and the Regulation of Its Operations, as amended;

Federal Law No. 8 of 2011 on the Reorganization of the State Audit Institution;

Federal Decree-Law No. 8 of 2011 on rules of the preparation of State Budget and the Final Account;

Federal Law No. 6 of 2012 on the regulation of the profession of translation; and

Based on the submission by the Minister of Economy, approval of the Cabinet and the Federal National Council and ratification of the UAE Supreme Council,

**Enacted the following law:**

## **Chapter One General Provisions**

### **Article 1 Definitions**

For purposes of the present law, the following words and expressions shall have the meanings ascribed thereto unless the context specifies otherwise:

State: United Arab Emirates

Ministry: Ministry of Economy

Minister: Minister of Economy

Authority: Securities and Commodities Authority

Competent Authority: relevant local authority in each Emirate

Profession: Audit profession

Auditor: natural person or legal entity registered in an auditors' record at the Ministry

Ethics and conduct of the profession: A set of principles explaining the ideal ethics and conduct of an auditor

Related parties: Chair, members of the board of directors and members of the senior executive management of public and private companies and institutions; and companies where any one of these has a least of 30 percent of capital shares as well as subsidiary, sister or allied companies

## **Chapter Two Auditors' Records and Requirements to Register Therein**

### **Article 2**

1. Records shall be created at the Ministry for registering auditors as follows:
  - a. Auditors' record of practicing natural persons;
  - b. Auditors' record of non-practicing natural persons;
  - c. Trainee auditors' records; and
  - d. Auditors' record of practicing legal entities.
2. The Minister may create other records as required.
3. The Executive Regulations of the present law shall define the form and requirements of

the record, data and information, which should be recorded therein and rules on the transfer of registration from one record to another.

### **Article 3**

No natural person or legal entity may practice the profession in the State unless his name is registered in a record of practicing auditors at the Ministry.

### **Article 4**

1. For a person to be registered in an auditors' record of practicing natural persons, he must fulfill the following requirements:
  - a. Should be a national of the State.
  - b. Should be fully eligible.
  - c. Should hold a university degree of accounting or a higher academic qualification in the same field from a recognized university or higher institute in the State.
  - d. Should be of a good conduct and has not been convicted in any crime or offense involving honor or honesty, even if rehabilitated.
  - e. Should not have been subject to a disciplinary ruling for reasons involving the integrity, honor and ethics of the profession or job he used to occupy, unless at least three years have passed after the issuance of the final ruling.
  - f. Should have a professional experience following the academic qualification as follows:
    - a. One year for holders of PhD of accounting or fellows of chartered accountants institutes or associations identified by virtue of a decree of the Minister.
    - b. Two years in the field of audit for holders of M.A of accounting.
    - c. Three years in the field of audit for holders of bachelor of accounting.
  - g. The Executive Regulations of the present law shall specify conditions and cases, where professional experience may be considered as a requirement for registration in the record. To pass the qualification test to practice the profession; the Minister shall define measures and rules on taking and passing the exam.
2. The audit companies and offices shall carry out the training programs developed or adopted by the Ministry for those willing to be registered; the methodology and terms of training shall be identified in the Executive Regulations.

### **Article 4**

First: The Executive Regulations shall determine the requirements and controls necessary for recording in the register of auditors for natural persons who practise the profession.

Second: Auditing companies and offices shall perform the training programs set or approved by the Ministry for persons who desire to be registered. The executive Regulations of this Law shall determine the method of training and its requirements.

## **Article 5**

Natural persons of non-nationals of the State may be registered in the practicing auditors' record as long as they fulfill other requirements specified herein in addition to the following requirements:

1. He should be a partner of a national auditor registered in the practicing auditors' record, provided that the national stake is not less than 25 percent of capital, be employed by an audit company or office, which is registered in the practicing auditors record or employed by a branch of a foreign audit companies, which is registered in the auditor's record;
2. He should hold a fellowship of an accounting institutes or associations identified by virtue of a decree of the Minister; and
3. He should have a valid residence in the country.

## **Article 6**

It is permissible to establish companies to practice the profession in the State and they should fulfill the following requirements to be registered in the practicing auditors' record:

1. One partner should be a national of the State;
2. The national contribution should not be less than 25 percent of capital; this percentage may be increased by the Cabinet;
3. The company's contract should be written in Arabic and authenticated before competent official bodies.
4. All partners should be from persons registered in the practicing auditors' record. If one partner is a legal entity set up outside the State, it should be licensed to practice the profession in the State, which it holds its nationality and should have a term of experience of practicing the profession of not less than five years.

## **Article 7**

Without prejudice to provisions regulating branches of foreign companies specified in any other law, it is permissible to license branches of foreign audit companies in the State as per the following requirements:

1. It should have a valid license in the state, which it has its nationality and should have practiced the profession for at least ten years.
2. Each branch in the State should have an authorized representative registered in practicing auditors' record of natural persons in the State as per provisions herein.

The Executive Regulations of the present law shall identify conditions to register and renew the registration of branches of foreign companies in the practicing auditors' record of natural persons.

## **Chapter Three Tasks and Procedures of Registration**

### **Article 8**

Through an ad-hoc department, the Ministry shall carry out the following activities:

1. Keeping auditors' records.
2. Issuing certificates of registration and renewal of registration to practice the profession.
3. Investigating complaints and violations attributed to auditors.
4. Preparing mechanisms for ongoing qualification and training of the profession.
5. Supervising and overseeing audit offices and companies and guaranteeing quality of their performance to ensure the implementation of provisions of the present law, its Executive Regulations and decisions issued to implement it.
6. Any other related tasks decided by the Minister.

### **Article 9**

1. Applications for registration in auditors' records shall be submitted to the Ministry on the form prepared for this purpose together with supporting documents.
2. The Ministry may ask for any explanations or additional information if deemed necessary.
3. The Ministry shall consider applications for registration in auditors' records and shall decide upon them as per provisions of the present law within a period of not more than thirty working days as of the date of its submission. If the applicant is asked to complement data or submit documents to complete the application, this period shall commence as of the date of complementing required documents and data.
4. The Executive Regulations of the present law shall define data, which should be included within the application for registration and documents, which should be enclosed.

### **Article 10**

1. The Ministry shall report its decision to the applicant within five working days as of the date of its issuance by virtue of a registered mail to the address indicated in the application, by direct delivery or by any modern means of communication identified by the Minister. Should the application be rejected, the report must specify reasons for rejection.
2. Approval of registration shall be deemed null and void if the applicant for registration or the representative of a legal entity finalized procedures of registration by payment of due fees and signature of the pledge stipulated in Article (12) hereof and the Ethics and conduct of the profession within ninety days from being informed that his application is accepted.

## **Article 11**

If the Ministry rejects an application or if the period specified in Article (10), Item (1) hereof without being decided upon, the applicant may appeal before the Minister within fifteen days as of the date being notified of rejection or the elapse of the period during which the appeal should be decided upon. So, if the appeal is rejected or not decided upon within fifteen working days as of the date of submitting it, the appellant may challenge the decision before the competent court within thirty days as of the date of being notified of the rejection of appeal or the elapse of the period during which it should be decided upon. The competent court shall consider the challenge as a matter of urgency.

## **Article 12**

1. An auditor who accepted to have his name registered in the practicing auditors' record shall sign the following pledge ahead of commencing his work: " I pledge to do my work with all honesty and honor; to respect the laws of the State; to maintain the integrity of the profession and respect its traditions and ethics; to abide by the accounting and auditing standards adopted in the State and not to divulge the secrets of my clients or any information, which is entrusted to me by virtue of my work unless within the limitations of applicable laws and regulations".
2. The pledge shall be recorded in a report to be deposited in the auditor's file at the Ministry.

## **Article 13**

1. In case that the application for registration is accepted, the Ministry shall write down the applicant's data in the practicing auditors' record and shall deliver to the applicant a certificate of registration, recording his name, address, nationality, registration number and date and type of record. Registration in the record shall be for a period of three years as of the date of approval of registration as specified by the Executive Regulations of the present law.
2. Registration shall be renewed by virtue of an application to be submitted to the Ministry as per terms and conditions specified by the Executive Regulations of the present law.

## **Article 14**

1. The profession or any of its activities may be practiced only through an office, which is licensed for this purpose.
2. An auditor who is registered in the practicing auditors' record may submit to the competent authority a request to permit him to open a company, office or branch in any Emirate to practice the profession.
3. The competent authority should report to the Ministry names of those approved to open companies, offices or branches to practice the profession within thirty days as of the

date of issuing the approval.

4. License to practice the profession may be granted only following insurance at a licensed insurance company in the State against liability to professional mistakes. The company or office shall insure auditors working for any of them as per measures specified by the Executive Regulations of the present law.

#### **Article 15**

1. Without prejudice to provisions on the registration of auditors specified herein, companies other than audit companies registered in the record prepared for this purpose at the Authority may not audit accounting or prepare reports on periodic or annual accounts or financial statements of national joint stock companies and investment funds. The Authority shall issue a resolution specifying measures, procedures and requirements for registration in this record.
2. Subject to the above item of this article and any other requirements imposed by applicable laws in the State, for an auditor to approve budgets of banks, insurance companies, companies investing money for the interest of others and joint stock companies, he should be registered in the practicing auditors' record and should have been practicing the profession for at least five years.

#### **Article 16**

Everyone whose name is registered in the practicing auditors' record should report to the Ministry, within a period of not more than ninety days as of the date of registration, the address of office or company, where he joined work.

If the period elapses without reporting that to the Ministry, his name shall be transferred to the non-practicing auditors' record.

#### **Article 17**

Auditors should report to the Ministry and the competent authority any amendment or change to the data of the application for registration or documents enclosed thereto, within thirty days from the occurrence of amendment or change. The Executive Regulations of the present law shall specify requirements and method of this report and documents, which should be enclosed thereto.

#### **Article 18**

An auditor whose name is registered in the practicing auditors' record of natural persons, who has a casual reason hindering him from practicing the profession, should submit to the Ministry a request, within thirty days from the occurrence of the hindrance, to transfer his name to the non-practicing auditors' record. When the hindrance no longer exists, he shall submit to the Ministry a request to register his name once again in the practicing auditors'

record as per terms and conditions specified by the Executive Regulations of the present law.

## **Chapter Four Auditors' rights and duties**

### **Article 19**

Subject to Article (15) hereof, an auditor registered in the practicing auditors' record shall be entitled to audit accounts, prepare reports on financial statements and budgets of companies of all legal forms, corporations and public and private institutions and prepare reports on periodic and annual accounts of institutions and companies he has already audited. Generally, he shall be entitled to audit accounts and budgets of clients of all types.

### **Article 20**

Without prejudice to provisions of the Commercial Companies Law, auditors may not:

1. Practice a commercial activity.
2. Practice or announce his profession in a manner, which contradicts with the professional Code of Ethics or laws and regulations effective in the State.
2. Provide any services, which contradict with the audit activities he is practicing.
4. Have any transaction or interest with a client whose accounts or accounts of related parties are audited thereby.
5. Purchase or sell securities of a client whose accounts are audited thereby, whether directly or indirectly or provide related advice to anybody.
6. Combine the audit of an audited entity with any of the following:
  - a. Take part in its foundation, partnership or management or has previously worked for it whether on a permanent or advisory basis unless he has left work there two years ago.
  - b. Be a partner, a representative of one of its partners or founders or an employee for any of them or for any of their relatives up to the second degree.
  - c. Be a partner or auditor in any another audit company or office.
7. Be creditor or debtor to a client whose accounts are audited thereby, with the exception of the fees of services he renders.

### **Article 21**

In all publications, correspondence, certificates and reports issued or signed by him, an auditor should pair his name with his number of registration in the auditors' record.

He should place his registration certificate and license to practice the profession in a visible position at his office or company and branches.



## **Article 22**

A natural person auditor should use his personal name as a main element of his office address. In the case of audit companies, their address should include one or more names of partners together with an indication of the company's legal form.

## **Article 23**

1. An auditor shall be responsible for the accuracy of the audit and correctness of the data included in his report. He shall exercise due diligence in practicing his work.
2. A natural person auditor shall be liable to compensate clients or others for the damages caused by professional error or negligence committed by him while practicing his profession. In case of multiple auditors, they shall have a collective liability unless the damage cannot be attributed to the error or negligence of any of them.
3. If the audit is performed by a company, the partners shall be jointly liable vis-a'-vis others for the damages caused to them due to errors or negligence while practicing the profession.

## **Article 24**

While performing an audit, the auditor must observe the Code of Ethics of the profession and the resolutions and regulations issued by the Ministry or the Authority for these companies concerning the following:

1. International accounting standards and principles.
2. Corporate governance measures and institutional discipline standards.

## **Article 25**

1. An auditor must keep his clients' records, files and data for a period of at least five years from the end of the last fiscal year when he audited their accounts. The period shall be calculated as of the date of final ruling should these records, files and data be related to litigations before the court.
2. An auditor may not stop or withdraw his profession without being committed to keeping these records, files and data specified in Item (1) of this article.
3. The commitment shall be transferred to partners in case that the audit company is dissolved. The Executive Regulations of the present law shall define measures necessary to keep the above-mentioned records, files and financial statements

## **Article 26**

When necessary, an auditor shall submit to the Minister or whoever is authorized by him any information he requires about companies and institutions, which he audits or has already audited.

## **Article 27**

1. A natural person auditor should sign by himself audit reports issued by his office.
2. Audit reports prepared by audit companies should be signed by one of the partners or directors registered in the practicing auditors' record; nobody else may be authorized for signature.

## **Chapter Five Accountability and Discipline of Auditors**

### **Article 28**

By virtue of a decree of the Minister, a disciplinary board shall be set up to be chaired by a judge selected by the Minister of Justice, including four expert and specialist members to be selected by the Minister. The board shall have a reporter to undertake the secretariat work of the board, to be identified by the Minister.

The Executive Regulations of the present law shall identify how this board operates.

### **Article 29**

1. The Ministry or the Authority, as the case may be, may, on its own or based on request from the competent authority or a complaint, make an investigation with the auditor concerning violations attributed to him.
2. The Ministry or the Authority, as the case may be, shall refer violations to the disciplinary board. If the violation attributed to the auditor turns out to be involving a penal offense, the violator shall be referred to the competent public prosecution.
3. The reference of an auditor to the public prosecution shall not prevent the pursuance of procedures and imposition of disciplinary punishments against him, unless the conclusion of the disciplinary proceedings is pending the issuance of a final ruling in the penal proceedings.

### **Article 30**

The disciplinary board shall impose the following disciplinary punishments on each auditor who breaches the duties of the profession, does an act, which would demean it, commits a violation specified herein, in regulations or decisions issued to implement it or commits a violation to the principles or standards of the profession, accounting principles, corporate governance measures or institutional disciplinary standards effective in the State:

1. Written notice.
2. Penalty of not more than AED one million (1,000,000).
3. Suspension for a period not more than three years.

4. Delisting from the registration.

### **Article 31**

1. An auditor who is referred for discipline shall be summoned to present before the disciplinary board by virtue of a registered mail to his address recorded at the Ministry or the Authority, as the case may be, by fax, email or by modern means of communication, which data are available at either of them. The summon should specify the date and venue of the hearing and a summary of violations, at least ten working days before the session.
2. The auditor may attend in person and give his defense in writing or orally and may assign a lawyer to defend him. The disciplinary board may order the auditor to attend in person or the legal representative of the company if deemed necessary. If the auditor or the legal representative of the company does not attend in spite of being summoned, the disciplinary board may issue its decision in abstentia.

### **Article 32**

1. The disciplinary board may, on its own based on request from the competent authority, the complainer or the auditor referred to discipline, may summon witnesses who it would like to hear their testimony to attend before it to testify following making an oath.
2. If a witness fails to attend without an acceptable apology or attends and abstains from testimony, he shall be referred to the competent public prosecution. The disciplinary board may suspend the auditor temporarily from practicing the profession until the end of his trial.
3. Arabic shall be the official language adopted by the disciplinary board may; statements of non-speakers of Arabic shall be heard via a certified interpreter; questions and inquiries addressed to these people and their answers shall be noted down in the minutes to be signed by them.
4. The disciplinary board may assign anyone on its own discretion to provide a certified translation into Arabic of paper and documents issued in a foreign language.

### **Article 33**

The auditor shall be informed of the decision of the disciplinary board within ten working days as of the date of its issuance or shall be handed over in person to him via one of the means specified in Article (31) hereof.

The decision may be appealed before the Court of Appeal within thirty days as of the date of being informed of it.

### **Article 34**

An auditor against who a final disciplinary ruling was issued to have him stricken off from the auditors' record may not reapply for registration.

### **Article 35**

If an auditor who is registered in the auditors' record loses one of the requirements specified herein, the Ministry shall strike him off the record. Those whose registration has been deleted may appeal against this decision before the Minister within thirty working days as of the date of being informed.

If the appeal is turned down or not decided upon within fifteen working days as of the date of its submission, he may appeal it before the competent court within thirty days from being informed of the rejection of appeal or the elapse of that period as the case may be.

### **Article 36**

Staff members of the Ministry, Authority and the competent authority, identified by virtue of a decree of the Minister of Justice, in agreement with the Minister and the competent authority, shall have the capacity of a judicial officer in establishing actions in violation of provisions of the present law, its Executive Regulations and decisions issued to implement it, within the jurisdiction of each one of them.

## **Chapter Six Crimes Which May be Subject to Reconciliation**

### **Article 37**

Anyone who violates any provision of Articles (21), (22), (23), (24), (25), (27) or (27) shall be punished by a penalty of not less than AED 10,000 (ten thousand Dirhams) and not more than AED 200,000 (two hundred thousand Dirhams).

### **Article 38**

1. Criminal lawsuit may be instituted for crimes specified in the previous article only by virtue of a written request by the Minister or whoever delegated by him. Reconciliation may be concluded for any of them before the reference of the penal lawsuit to the competent course in respect for the payment of an amount, which is not less than double the minimum penalty.
2. The Minister or whoever delegated by him by reject reconciliation and ask that the lawsuit be referred to the penal court. In case of conviction, the court may not reduce the penalty below half of its maximum level.
3. Measures and procedures of reconciliation shall be issued by the Minister.

## **Chapter Seven Crimes Which May Not be Subject to Reconciliation**

## **Article 39**

1. An imprisonment of not more than one year and/or a penalty of not less than AED 50,000 (fifty thousand Dirhams) and not more than AED 1,000,000 (one million Dirhams) shall be imposed on anyone one who:
2. Practices the profession without having his name registered in the practicing auditors' record as per provisions of the present law.
3. Practices the profession after being stricken off the practicing auditors' record or during the period when he was suspended.
4. Manages to have his name registered in the auditors' record by giving incorrect data or providing unreal certificates. In this case, he shall be stricken off and the office, company or branches shall be shutdown.
5. Misleads the public by any means of declaration that he has the right to practice the profession although he is not registered in the practicing auditors' record, or is suspended or stricken off the auditors' record.
6. In all cases, the competent court shall rule to publish the ruling at the expense of the losing party in two local daily newspapers in the State, one of which is in Arabic.

## **Article 40**

An imprisonment of not less than one year and/or a penalty of not less than AED 200,000 (two hundred thousand Dirhams) and not more than AED 2,000,000 (two million Dirhams) shall be imposed on anyone who:

1. Writes down false data in any report, account or document within the course of practicing his profession, while knowledgeable.
2. Prepares a report against reality or ratifies unreal facts in a document, which he should issue by law or by virtue of the rules governing the practice of the profession.
3. Approves the distribution of fictitious or unreal profits.
4. Divulges the secrets of the company or institution he is auditing.
5. Approves, by his affixing his signature, financial statements, which have not been audited by him or by employees under his supervision.

## **Article 41**

Punishments specified herein shall not prejudice any more severe punishment prescribed in any other law.

## **Article 42**

The public prosecution shall be reported of lawsuits filed against auditors and rulings issued against them.

## **Chapter Eight General and Final Provisions**

### **Article 43**

Fees of registration, renewal, marking in the auditors' record and fees of services provided by the Ministry as per the provisions herein shall be determined by virtue of a resolution of the Cabinet.

### **Article 44**

1. Auditors from resident nationals of the State registered in the accountants and auditors' record in any Emirate as per provisions of the Federal Law No. 9 of 1975 on the regulation of the accounting and audit profession, shall be exempted from the requirement to obtain the academic qualification specified in Article (4), Item (3) hereof, provided that they submit an evidence that they already practice the profession at the time when the law becomes effective.
2. Those persons shall be registered once they fulfill other requirements in the practicing auditors' schedule provided that they practice the profession by themselves. Registration of non-national natural persons registered before the present law enters into force shall be maintained, provided that he is a partner to a national auditor who is registered in the practicing auditors' record, whereby the national's share is not less than 25 percent of capital.

### **Article 45**

Based on a submission by the Minister, the Cabinet shall issue the Executive Regulations of the present law within six months as of the date of coming into force thereby.

### **Article 46**

The Minister shall issue the Code of Ethics of the profession within six months as of the date of coming into force of the present law. Any violation of any its provisions shall lead to the imposition of disciplinary punishments specified in Article (30) hereof.

### **Article 47**

Regulations and resolutions issued in implementation of the provisions of Federal Law No. 22 of 1995 and its amendments shall remain in force until regulations and resolutions necessary to implement the provisions of the present law are issued, in consistence with its provisions.

### **Article 48**

Any provision, which violates or contradicts the provisions of the present law, shall be repealed. Moreover, Federal Law No. 22 of 1995 and its above-mentioned amendments shall be repealed.

#### **Article 49**

The present law shall be published in the Official Gazette and shall come into force ninety days following the date of its publication.

**Signed**

**Khalifa bin Zayed Al Nahyan**

**President of the United Arab Emirates**

Issued by us at the Presidential Palace, Abu Dhabi

On: 27 Moharram 1436 Hijri

Corresponding: 20 November 2014