

## **Federal Law No. 12 of 2014**

Issued on 20/11/2014

Corresponding to 27 Muharram 1436 H.

### **ON THE REGULATION OF THE AUDITING PROFESSION**

#### **Abrogating**

**Federal Law No. 22/1995 dated 18/12/1995**

#### **Amended by**

**Federal Decree Law no. 14/2019 dated 29/08/2019**

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

- After perusal of the Constitution,
- Federal Law No. (1) of 1972 on the Competencies of the Ministries and Powers of the Ministers, and its amending laws,
- Federal Law No. (8) of 1980 regulating Labour Relations, and its amending laws,
- Federal Law No. (8) of 1984 on the Commercial Companies and its amendments,
- Federal Law No. (5) of 1985 promulgating the Civil Transactions Law and its amendments,
- Federal Law No. (3) of 1987 promulgating the Penal Code, and its amendments,
- Federal Law No. (10) of 1992 promulgating the Law of Evidence in Civil and Commercial Transactions and its amendments,
- Federal Law No. (35) of 1992 promulgating the Criminal Procedure Law and its amendments,
- Federal Law No. (18) of 1993 promulgating the Commercial Transactions Law,
- Federal Law No. (22) of 1995 on the Regulation of the Auditing Profession and its amendments,
- Federal Law No. (4) of 2000 on the UAE Securities and Commodities Authority and Market, and its amendments,
- 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 Regulation of its Operations, and its amendments,
- Federal Law No. (8) of 2011 on the Reorganization of the State Audit Institution,
- Federal Decree-Law No. (8) of 2011 on the Rules for Drafting the Public Budget and Balance Sheet,
- Federal Law No. (6) of 2012 Regulating the Profession of Translation,

- And based on the proposal of the Minister of Economy, the approval of the Cabinet and the Federal National Council and the ratification of the Federal Supreme Council,

Issued the following Law:

## **Chapter 1**

### **General Provisions**

#### **Article 1- Definitions**

In the implementation of the provisions of this Law, the following words and expressions shall have the meanings stated beside them unless the context requires otherwise:

**State:** The United Arab Emirates

**Ministry:** Ministry of Economy.

**Minister:** Minister of Economy.

**Authority:** The Securities and Commodities Authority.

**Competent Authority:** Local authority concerned in every Emirate.

**Profession:** Auditing profession.

**Auditor:** Physical or legal person registered at one of the auditors' registers at the Ministry.

**Profession's Rules of Conduct and Ethics:** A set of principles showing the moral values and exemplary behavioural characteristics of the auditor.

**Related Parties:** Chairman, members of the Board and members of the senior executive management at the public and private shareholding companies and institutions and the companies in which any of these contributes by not less than 30% of their capital, as well as the subsidiaries, sister companies or affiliated companies

## **Chapter 2**

### **Auditors' Records and the Registration Conditions**

#### **Article 2**

1- Records for the registration of auditors shall be established at the Ministry as follows:

- a- Auditors' record for physical persons practising the profession.
- b- Auditors' record for physical persons not practising the profession.
- c- Trainee auditors' record.
- d- Auditors' record for legal persons practising the profession.

2- The Minister may establish any other records required by the work need.

3- The Implementing Regulations to this Law shall determine the form of the record, the conditions to be met by it, the data and information to be registered therein and the provisions of transfer of the registration from one record to another.

### **Article 3**

No physical or legal person shall practise the profession at the State if its name is not registered at the Ministry's record of the auditors practising the profession.

### **Article 4**

**The text of Article 4 was replaced by virtue of Article 1 of Federal Decree-Law no. 14/2019 dated 29/08/2019 to read as follows:**

First: The Implementing Regulation determines the conditions and controls deemed necessary for the registration of the physical persons practicing the Profession in the Auditors' Register.

Second – The auditing companies and offices shall implement the training programs set by the Ministry or adopted by the latter for those interested in the registration. The Implementing Regulations to this Law shall determine the training method and conditions.

### **Article 5**

The physical persons, not citizens of the State, may be registered at the record of the auditors practising the profession whenever they meet the rest of the conditions set forth in this Law, in addition to the following conditions:

1- Shall be partner with one of the national auditors registered at the records of the auditors practising the profession, provided that the rate of national participation in the capital is not less than 25%, a worker at an auditing company or office registered at the record, or worker at the branch of a foreign auditing company registered at the auditors' record.

2- Shall be holder of fellowship from an accounting institute or college regarding which a decision is issued by the Minister.

3- Shall have a valid residence permit at the State.

### **Article 6**

Companies may be established to practise the profession at the State and the following conditions shall be met for their registration in the record of the auditors exercising the profession:

1- One of the partners therein shall be a citizen of the State.

2- The national participation rate shall not be less than 25% of the capital and the Cabinet may increase this rate.

3- The company's contract shall be written in Arabic and authenticated before the official competent authorities.

4- All the partners shall be registered at the record of the auditors practising the profession. If one of the partners is a legal person established outside the State, it shall be licensed to practise the profession in

its country of nationality and shall have a period of experience in the practise of the profession for a period not less than five years.

#### **Article 7**

Without prejudice to the provisions regulating the branches of foreign companies stated in any other Law, branches of foreign auditing companies may be licensed to open at the State according to the following conditions:

1- Their license shall be valid at their country of nationality and they shall have practised the profession therein for a period of not less than ten years.

2- Every branch thereof at the State shall have an authorized representative registered at the record of the auditors for physical persons practising the profession at the State according to the provisions of this Law.

The Implementing Regulations to this Law shall determine the conditions of registration and renewal of registration of the branches of foreign companies in the record of the auditors for legal persons practising the profession.

### **Chapter 3**

#### **Registration Tasks and Procedures**

#### **Article 8**

The Ministry shall, through a department specialized for this purpose, carry out the following tasks:

1- Keep the auditors' records.

2- Issue registration certificates and renew the registration of those practising the profession.

3- Investigate the complaints and violations attributed to the auditors.

4- Prepare continuous qualification and training mechanisms for the profession.

5- Supervise and control the auditing offices and companies, ensure the validity thereof in order to verify the implementation of the provisions of this Law, its implementing regulations and the decisions issued in implementation thereof.

6- Any other relevant tasks decided by the Minister.

#### **Article 9**

1- The applications for registration in the auditors' record shall be submitted to the Ministry on the form prepared for the same, accompanied with documents supporting the application.

2- The Ministry may request any clarifications or additional information should it deem it necessary.

3- The Ministry shall study the registration applications in the auditors' records and shall decide upon the same according to the provisions of this Law within a period not exceeding (30) thirty working days from the date of submittal thereof. If the applicant was assigned to fill data or submit documents to

complete the application this period shall start from the date of fulfilling the required documents and data.

4- The Implementing Regulations to this Law shall specify the data that shall be contained in the registration application and the documents to be enclosed thereto.

#### **Article 10**

1- The Ministry shall notify the applicant of its decision within five working days from the date of issuance thereof by means of a registered letter to the address stated in the application submitted to the Ministry, by direct delivery or by one of the modern communications means determined by the Minister, provided that the notification, in case of rejection of the request, includes a statement of the reasons of rejection.

2- The approval upon the registration shall be considered void if the applicant or the representative of the legal person does not complete the registration procedures by paying the due fees and signing the undertaking stated in Article 12 of this Law and the rules of conduct and ethics of the profession within ninety days from the date of his notification of the approval of his application.

#### **Article 11**

If the Ministry rejects the application or the period set forth in Clause 1 of Article 10 of this Law expires without deciding upon the same, the applicant may appeal before the Minister within fifteen days from the date of his notification of the rejection or upon expiry of the period decided for the application. If the appeal was rejected or not decided upon within fifteen working days from the date of submittal thereof, the appellant may appeal the decision before the competent Court within thirty days from the date of his notification of the rejection of the appeal or upon expiry of the period necessary for the settlement thereof. The competent Court shall study the appeal on an urgent basis.

The case of appeal against the decision shall not be accepted before submittal of the appeal and expiry of the periods of settlement thereof, as stated in the previous paragraph.

#### **Article 12**

1- The auditor whose name was accepted to be registered in the record of the auditors practising the profession, shall, before starting the work, sign the following undertaking: "I undertake to carry out my works in all honesty and honour, to respect the laws of the State, to preserve the integrity of the profession and respect its traditions and morals, to observe the accounting and auditing standards approved in the State and not to reveal the secrets of my customers or any information entrusted to me due to my work, unless within the extent required by the laws and regulations in force."

2- Minutes shall be prepared for the undertaking to be deposited in the auditor's file at the Ministry.

#### **Article 13**

1- The Ministry shall, in case of acceptance of the registration application, register the data of the applicant in the record of the auditors practising the profession and hand over to the applicant a registration certificate stating his name, address, nationality, registration number and date and type of the record in which he was registered. The registration in the record shall be for a period of not less than

three years with effect from the date of the decision of approval of the registration, as determined by the Implementing Regulations to this Law.

2- The registration shall be renewed upon a request submitted to the Ministry according to the conditions and provisions set forth in the Implementing Regulations to this Law.

#### **Article 14**

1- The profession or any of its activities shall not be practised unless through an office licensed for this purpose.

2- The auditor who was registered at the record of the auditors practising the profession may apply before the competent authority for a license to open a company, office or branch in any Emirate to practise the profession.

3- The competent authority shall notify the Ministry of the names of the persons approved to open companies, offices or branches of offices to practise the profession within thirty days from the date of granting the approval.

4- The license to practise the profession shall not be granted unless after concluding an insurance at an insurance company licensed by the State, against liability for professional errors. The company or office shall insure the auditors working for them according to the rules determined by the Implementing Regulations to this Law.

#### **Article 15**

1- Without prejudice to the provisions of registration of auditors set forth in this Law, companies other than the auditing companies registered in the record prepared for this purpose at the Authority, shall not have the right to audit or prepare reports on the periodic or annual accounts or the financial statements of the public national shareholding companies and investment funds. The Authority shall issue a decision determining the rules, procedures and conditions necessary for the registration in this record.

2- Taking into account the previous clause of this Article and any other conditions required by the laws in force in the State, the auditor, in order to approve the budgets of banks, insurance companies, companies of investment for the account of others and public shareholding companies, shall be registered at the record of the auditors practising the profession and shall have practised the profession for a period not less than five years.

#### **Article 16**

Whoever whose name was registered in the record of the auditors practicing the profession shall notify the Ministry within a period not exceeding ninety days from the date of his registration, of the address of his office or the office or company that he joined for work.

In case of expiry of the period without notifying the Ministry of the same, his name shall be transferred to the record of the auditors not practicing the profession.

#### **Article 17**

The auditors shall notify the Ministry and the competent authority of any amendment or change occurring to the data of the application of registration or the documents enclosed thereto, within thirty days from the date of the amendment or change. The Implementing Regulations to this Law shall determine the conditions and method of notification as well as the documents to be enclosed thereto.

#### **Article 18**

The auditor, a physical person, registered in the record of the auditors practicing the profession, who was prevented from practicing the profession for some reason, shall apply to the Ministry - within thirty days from the date of occurrence of the prevention - to transfer the registration of his name to the record of the auditors not practicing the profession. If the reason of prevention is removed, he may apply to the Ministry to re-register his name in the record of the auditors practicing the profession according to the conditions and situations set forth in the Implementing Regulations to this Law.

### **Chapter 4**

#### **Rights and Obligations of Auditors**

#### **Article 19**

Taking into account Article 15 of this Law, the auditor practising the profession registered in the record of auditors shall have the right to audit and prepare reports on the financial statements and budgets of companies of all types, institutions, public and private establishments, and prepare reports on the periodic and annual accounts of the establishments and companies audited by him. He shall have, in general, the right to audit the accounts and budgets of the customers of all categories.

#### **Article 20**

Without prejudice to the provisions of the Commercial Companies Law, the auditor shall not:

- 1- Work in trade.
- 2- Exercise his profession or advertise the same in a way contradicting the rules of conduct and duties of the profession or the laws and regulations in force at the State.
- 3- Carry out any services that are inconsistent with the auditing works commenced by it.
- 4- Have any transaction or interest with the customer for whom he is auditing the accounts or any of the related parties.
- 5- Purchase securities for the customer for whom he is auditing the accounts, sell them directly or indirectly or provide any consultancies to any person in their regard.
- 6- Combine the work of auditing with the entity covered by the auditing, and any of the following:
  - a- Participate in the establishment thereof, participate therein or manage the same or in case he already worked at it permanently or as a consultant unless he abandoned work thereat two years earlier.
  - b- Be a partner or agent of any of its founders or partners, an employee at any of them or a second degree relative.
  - c- Be a partner or auditor at any other auditing company or office.

7- Be creditor or debtor to the customer for whom he is auditing the accounts, except for the fees of the services rendered for this customer.

#### **Article 21**

The auditor shall add to his name the number of his registration in the auditors' record in all his publications, correspondences, certificates and reports issued or signed by him.

He shall place the registration certificate and the license of practise of the profession in a prominent place in his office or headquarters of the company and its branches.

#### **Article 22**

The auditor, a physical person, shall use his personal name as a key element in the address of his office. In case of auditing companies, their address shall include one or more names of the partners in addition to an indication to the legal form of the company.

#### **Article 23**

1- The auditor shall be liable for the safety of the auditing works and for the correctness of the data stated in his report. He shall be diligent in the performance of his work.

2- The auditor, a physical person, shall be liable for the compensation of the damage occurring to the customer or to others because of a professional error or negligence caused by him in the performance of his profession. In case of several auditors, they shall be jointly liable unless the rate of damage is attributed to the negligence or fault of one of them.

3- If the auditing is carried out by a company, the partners shall be jointly liable towards third parties for the damages occurring to them due to errors or negligence in the practise of the profession.

#### **Article 24**

The auditor shall, upon carrying out the auditing works, abide by the rules of conduct, morals of the profession and the decisions and regulations issued by the Ministry or the Authority for these companies, concerning the following:

1- The international accounting standards and principles.

2- The governance controls and institutional disciplinary standards.

#### **Article 25**

1- The auditor shall keep the records, files and data of his customers for a period of not less than five years with effect from the end of the last financial year in which he audited their accounts, provided that the period is calculated from the date of the judgment in case these registers, files and data are related to cases pending before the judicial authorities.

2- The suspension of the profession or retirement of the auditor shall not prevent the latter from keeping these records, files and data for the period set forth in Clause 1 of this Article.

This commitment shall be transferred to the partners in case of termination of the auditing company.



3- The Implementing Regulations to this Law shall determine the rules necessary for keeping the above-mentioned records, files and financial data.

#### **Article 26**

The auditor shall, when necessary, provide the Minister or his representative with any information required concerning the companies and establishments that he is or was auditing the accounts thereof.

#### **Article 27**

1- The auditor, physical person, shall sign himself the auditing reports issued by his office.

2- The auditing reports prepared by the auditing companies shall be signed by one of the partners or managers registered in the record of the auditors practising the profession. No other person shall sign on their behalf.

### **Chapter 5**

#### **Accountability and Discipline of Auditors**

#### **Article 28**

A Disciplinary Board for auditors shall be formed by a decision from the Minister, presided by a judge chosen by the Minister of Justice, with the membership of four experienced and competent persons chosen by the Minister. The board shall have a rapporteur to carry out the secretariat works of the board, specified by the Minister.

The Implementing Regulations to this Law shall include the Statute of this board.

#### **Article 29**

1- The Ministry or the Authority - according to the case - may by itself, at the request of the competent authority, or based on a complaint submitted to it, conduct an investigation with the auditor concerning the violations attributed to the latter.

2- The Ministry or the Authority - according to the case - shall transfer the violations to the Disciplinary Board. In case it was found that the violation attributed to the auditor involves a criminal offense, the violator shall be referred to the competent public prosecution.

3- The referral of the auditor to public prosecution shall not prevent the continuity to take action and impose disciplinary sanctions against him, unless the settlement of the disciplinary case depends on the issuance of a definitive Court judgment in the criminal case.

#### **Article 30**

The Disciplinary Board shall impose the following disciplinary sanctions on each auditor who breaches his duties in practising the profession, acts in a way demeaning the same, commits any of the prohibitions set forth in this Law, regulation or decisions issued in implementation thereof, or commits a violation to the rules of the profession, the accounting standards or principles, the governance controls and institutional disciplinary standards in force at the State:

1- Written warning.

- 2- Fine not exceeding (1,000,000) one million Dirhams.
- 3- Suspension of work for a period not exceeding three years.
- 4- Removal of the registration from the record.

#### **Article 31**

1- The auditor referred to discipline shall be notified to appear before the Disciplinary Board, by means of a registered letter to the address stated at the Ministry or the Authority, according to the case, or by fax, E-mail or any modern communication means of which the data are stated in any of them. The notification shall state the date and place of the session and the summary of the violations attributed to him, ten days at least before the date of the session.

2- The auditor may appear by himself and submit his defence in writing or verbally, and may appoint a lawyer to defend him. The Disciplinary Board may order the attendance of the auditor by himself or the legal representative of the company if it deems it necessary. If the auditor or legal representative of the company does not attend despite being notified of the same, the Disciplinary Board may issue a decision in his absence.

#### **Article 32**

1- The Disciplinary Board may, by itself or at the request of the Ministry, the Authority, the competent authority, the complainant or the auditor referred to discipline, summon witnesses to listen to their testimonies by appearing before it and testify under oath.

If one of the witnesses fails to attend without an acceptable excuse or attends and declines to testify, he shall be referred to the competent public prosecution.

2- The Disciplinary Board may suspend the auditor temporarily from carrying out the profession until the end of his trial.

3- Arabic shall be the official language approved by the Disciplinary Board. Non-Arab speakers may be heard through an approved interpreter and the questions and enquiries addressed to them as well as their responses shall be stated in the report and it shall be signed by them.

4- The Disciplinary Board may assign whomever it deems necessary to submit an approved translation into Arabic of the documents made in a foreign language.

#### **Article 33**

The auditor shall be notified of the decision of the Disciplinary Board within ten working days from the date of its issuance or shall be handed over to him in person by one of the means set forth in Article 31 of this Law.

This decision may be appealed before the competent Court of Appeal within thirty days from the date of knowledge of the decision.

#### **Article 34**

The auditor against whom a disciplinary judgment was issued to remove his register from the record of the auditors in which he is registered, shall not have the right to apply for re-registration.

#### **Article 35**

If one of the auditors registered in the auditors' records no longer meets one of the conditions set forth in this Law, the Ministry shall remove his registration from the record. Such auditor may appeal this decision before the Minister within thirty working days from the date of his notification of the decision.

If the appeal was rejected or was not settled within fifteen working days from the date of submittal thereof, he may appeal before the competent Court within thirty days from the date of his notification of the rejection of the appeal or upon expiry of this period, according to the case.

#### **Article 36**

The employees of the Ministry, Authority and competent authority specified by a decision from the Minister of Justice, under agreement with the Minister and the competent authority, shall act as judicial officers as per the crimes that occur in violation to the provisions of this Law, its Implementing Regulations and the decisions issued in implementation thereof, within the jurisdiction of each.

### **Chapter 6**

#### **Crimes where Reconciliation is possible**

#### **Article 37**

Whoever violates any of the provisions of Articles 21, 22, 23, 24, 25, 26 and 27 shall be punished by a fine not less than (10,000) ten thousand Dirhams and not exceeding (200,000) two hundred thousand Dirhams.

#### **Article 38**

1- The criminal case for the crimes set forth in the previous Article shall only be filed by a written request from the Minister or his representative. Reconciliation may be made on any of these before referring the criminal case thereof to the competent Court against payment of an amount not less than double the minimum limit of the fine.

2- The Minister or his representative may reject reconciliation and request the referral of the case to criminal trial. The Court may not, in case of conviction, reduce the fine by half of the maximum limit thereof.

3- The Minister shall issue the controls and procedures of reconciliation.

### **Chapter 7**

#### **Crimes where Reconciliation is not possible**

#### **Article 39**

1- Shall be punished by imprisonment for a period not exceeding one year and a fine not less than (AED 50,000) fifty thousand Dirhams and not exceeding (AED 1,000,000) one million Dirhams or by one of these penalties:

a- Whoever practises the profession without his name being registered at the record of the auditors practising the profession according to the provisions of this Law.

b- Whoever practises the profession after removing his registration from the record of the auditors practising the profession or during the period of his suspension from practise.

c- Whoever is able to register his name at the records of the auditors by giving incorrect data or by submitting certificates not conformant to reality. In such event, the registration shall be removed from the records and the office, company or its branch shall be closed.

d- Whoever misleads the public in any of the advertisement means that he has the right to practise the profession, despite not being registered in the record of the auditors practising the profession or despite being suspended or his registration removed from the auditors' record.

2- In all events, the competent Court shall rule the publication of the judgment at the expense of the convicted in two local daily newspapers issued in the State, one of them in Arabic.

#### **Article 40**

Shall be punished by imprisonment for a period not less than one year and a fine not less than (AED 200,000) two hundred thousand Dirhams and not exceeding (AED 2,000,000) two million Dirhams or by one of these penalties:

1- Whoever writes false statements in any report, account or document during the practise of the profession while being aware of the same.

2- Whoever prepares a report that is not conformant to the truth or ratifies incorrect facts in a document that shall be issued under the Law through the rules of practise of the profession.

3- Whoever approves the distribution of fictitious or unreal profits.

4- Whoever reveals the secrets of the company or establishment being audited by him.

5- Whoever ratifies, through his signature, financial reports not audited by him or by the employees working under his supervision.

#### **Article 41**

The penalties set forth in this Law shall not prejudice any other more severe penalty stipulated in another Law.

#### **Article 42**

The Public Prosecution shall notify the Ministry of the cases filed against the auditors and the judgments issued against them.

### **Chapter 8**

#### **General and Final Provisions**

#### **Article 43**

A decision shall be issued by the Cabinet stating the fees of registration, the renewal thereof and the annotation in the auditors' records, as well as the fees of the services provided by the Ministry according to the provisions of this Law.

#### **Article 44**

1- The auditors who are nationals of the State and registered in the accountants and auditors' record in any of the Emirates shall be exempted, according to the provisions of the Federal Law No. 9 of 1975 regulating the Accounting and Auditing Profession, from the requirement of obtaining the educational qualification set forth in Clause 3 of Article 4 of this Law, provided they submit a proof of their exercise of the profession upon entry into force of the provisions of this Law.

These persons, as long as they meet the other conditions stated in the table of practising auditors, shall be registered provided they practise the profession by themselves.

2- Non-nationals and physical persons registered before the entry into force of the provisions of this Law, shall continue to be registered as long as they have a national auditor as partner, registered in the records of the auditors practising the profession, provided that the rate of participation of the nationals in the capital is not less than 25%.

#### **Article 45**

The Cabinet shall issue, upon the suggestion of the Minister, the Implementing Regulations to this Law within six months from the date of entry into force of the latter.


#### **Article 46**

The Minister shall issue the code of conduct and ethics of the profession within six months from the date of entry into force of this Law. The violation of any provision thereof shall entail the imposition of the disciplinary sanctions set forth in Article 30 hereof.

#### **Article 47**

The regulations and decisions issued in implementation to the provisions of the Federal Law No. 22 of 1995 and its amendments shall continue to be in force until issuance of the regulations and decisions necessary for the implementation of the provisions of this Law without contracting its provisions.

#### **Article 48**

Any provision contrary to or inconsistent with the provisions of this Law, as well as Federal Law No. 22 of 1995  and its amendments, shall be cancelled.

#### **Article 49**

This Law shall be published in the Official Gazette and shall enter into effect ninety days from the date of publication thereof.

Issued by Us at the Presidential Palace

in Abu Dhabi :

On: 27 Muharram 1436 H

Corresponding to :  
November 20, 2014

**Khalifa bin Zayed Al Nahyan**

**President of the United Arab Emirates**