

17th Annual Audit Outreach

05 February 2026

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Agenda

1. Opening Remarks
2. Financial Statements Audits
3. Regulatory Reports
4. Firmwide Observations
5. Audit Working Papers Thematic Review
6. Audit Monitoring Focus for 2026
7. Closing Remarks

Opening Remarks

Mark Steward

Chief Executive

Dubai Financial Services Authority (DFSA)

Financial Statements Audits

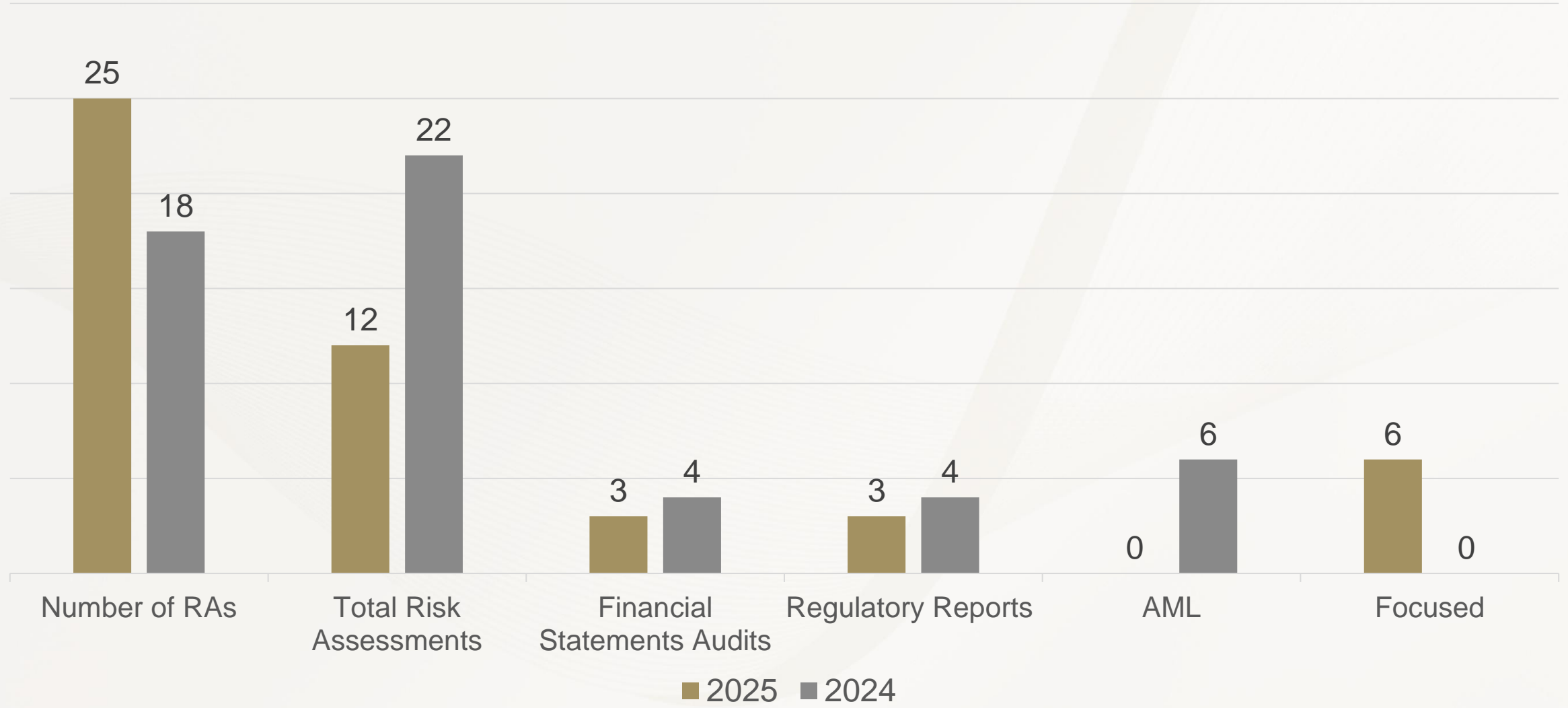
Tom Crous

Senior Manager, Audit Supervision

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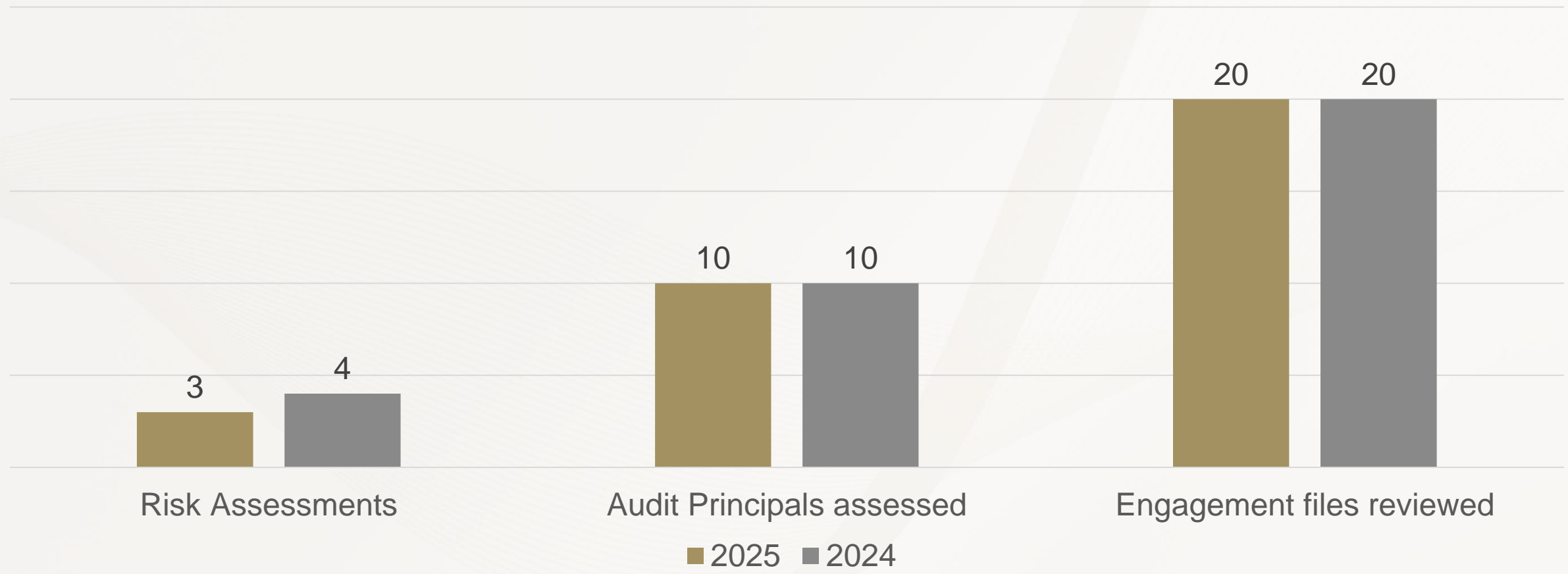


2025 Overview





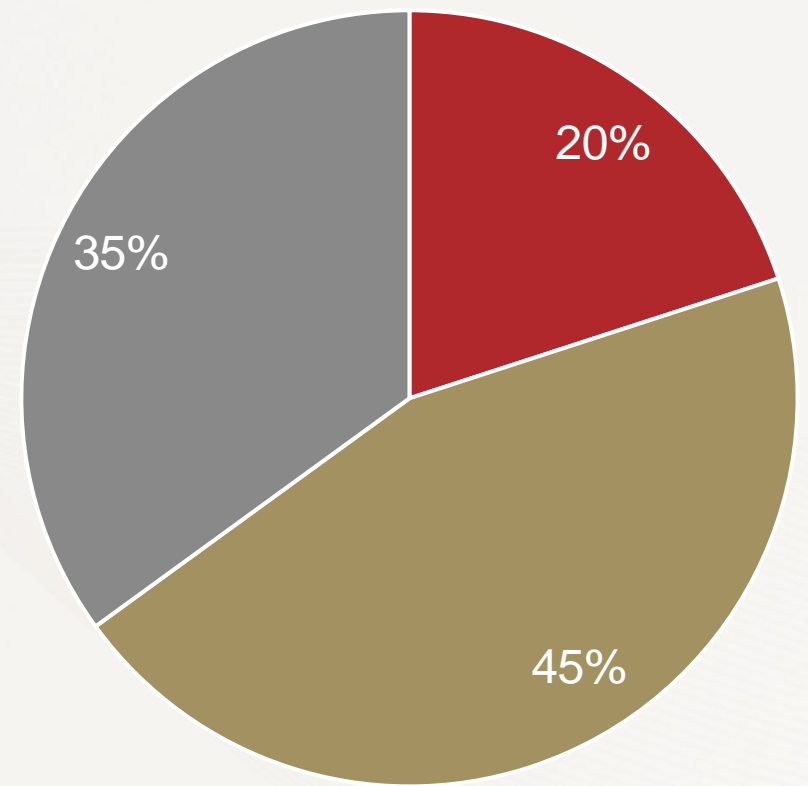
Financial Statements Auditor's Reports



*Audit Principals assessed, and Engagement files reviewed include the Focused Risk Assessments



Types of engagement files reviewed

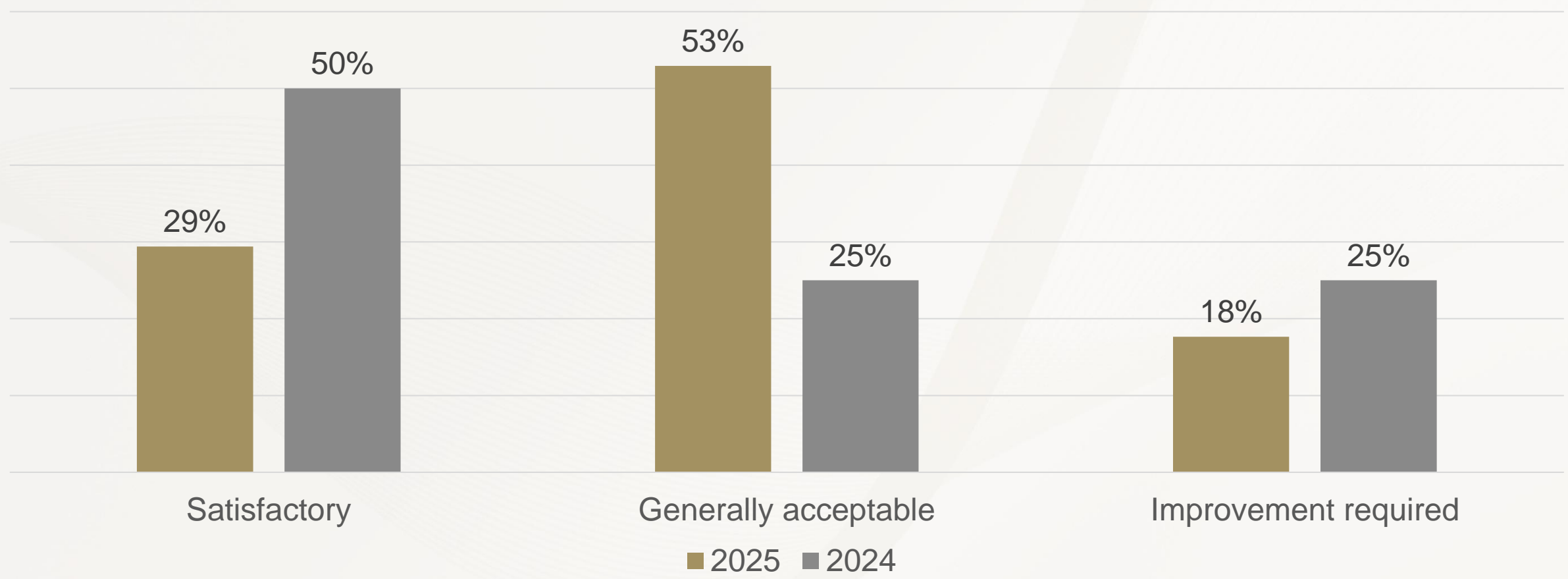


- PIB Cat 1/2
- PIB Cat 3A, 3B, 3C, 3D
- PIB Cat 4

- Total Audit Files: 20



File Grading



Focused Risk Assessments



- Audit Principal Workload and Capacity Concerns
- Internal and external concerns raised on the quality of audits performed
- Archiving of Working Papers

Concerns inspected in 2025





Starting Position

**IF IT'S NOT
APPROPRIATELY
DOCUMENTED
IT'S NOT DONE!**

Good Practice



Comprehensive documentation of group instructions and responses.



Multi-source audit evidence to support both the occurrence and accuracy of Revenue.



Thorough documentation of consultations including consideration and conclusions.



Re-assessment of client acceptance after receiving new information.



Active engagement recovery monitoring.



Principal Findings



Total Principal Findings: 14



Principal Findings Theme 1: Non-compliance with International Standards on Auditing (ISAs)



Revenue

ISA 240 – The Auditor’s Responsibilities relating to Fraud in an Audit of Financial Statements.

- Presumed risk of fraud in revenue recognition rebutted without consideration of several fraud risk indicators
- Lack of IPE testing
- Lack of professional skepticism
- Revenue cut-off testing not done
- Sampling approach not documented



Principal Findings Theme 1: Non-compliance with International Standards on Auditing (ISAs)



Audit Principal Reviews

ISA 220 – Quality Management for an Audit of Financial Statements

- Evidence of the APs' involvement in significant risk areas was only noted after the auditor's reports dates
- Ineffective reviews

Auditor's Expert

ISA 620 – Using the work of an Auditor's Expert

- Inputs and assumptions not adequately tested
- Variances not adequately evaluated



Principal Findings Theme 1: Non-compliance with International Standards on Auditing (ISAs)



Going Concern

ISA 570 – Going Concern

- Shareholder's ability to provide support not adequately assessed
- Assessment period did not cover 12 months

Modified Audit Opinions

ISA 705 (R) – Modifications to the Opinion in the Independent Auditor's Report

- Firm's own policy for consultation not followed
- No adequate documentation of basis for the modified opinion

Principal Findings Theme 1: Non-compliance with International Standards on Auditing (ISAs)



Related Parties

ISA 550 – Related Parties

- No evaluation of unusual transaction outside the normal course of business
- Consideration of key terms of the AF's limited partnership agreement not retained



Principal Findings Theme 1: Non-compliance with International Standards on Auditing (ISAs)



Bonus Recognition

ISA 540 (R) – Auditing Accounting Estimates and Related Disclosures

- Inadequate assessment of multi-year bonus arrangements

Share Capital

ISA 500 – Audit Evidence

- Inadequate evidence for material equity discrepancy



Principal Findings Theme 2: Non-compliance with DFSA Laws and Rules



Principles for Audit Principals

AUD 2.6.5 – Due skill, care and diligence

- Auditor should avoid making conclusions about the client without giving them an opportunity to respond and communicate with integrity and transparency ensuring fairness
- Significant delays and period of unresponsiveness in communication



Audit – Other Matters

Materiality re-assessment not documented

IPE testing not done

Lack of control over related party confirmation

Insufficient JE testing

Other investments incorrectly classified as cash equivalents

Reliance on draft agreements

Various documentation issues

Inconsistency in risk assessment procedures

EQR objectivity concerns

Sampling basis not adequately documented

EL not on file

Limited documentation on significant matters

Trade receivables recoverability testing.

Subsequent event not considered on going concern assessment

Going concern considerations

Various misclassifications in the FS

Regulatory Reports

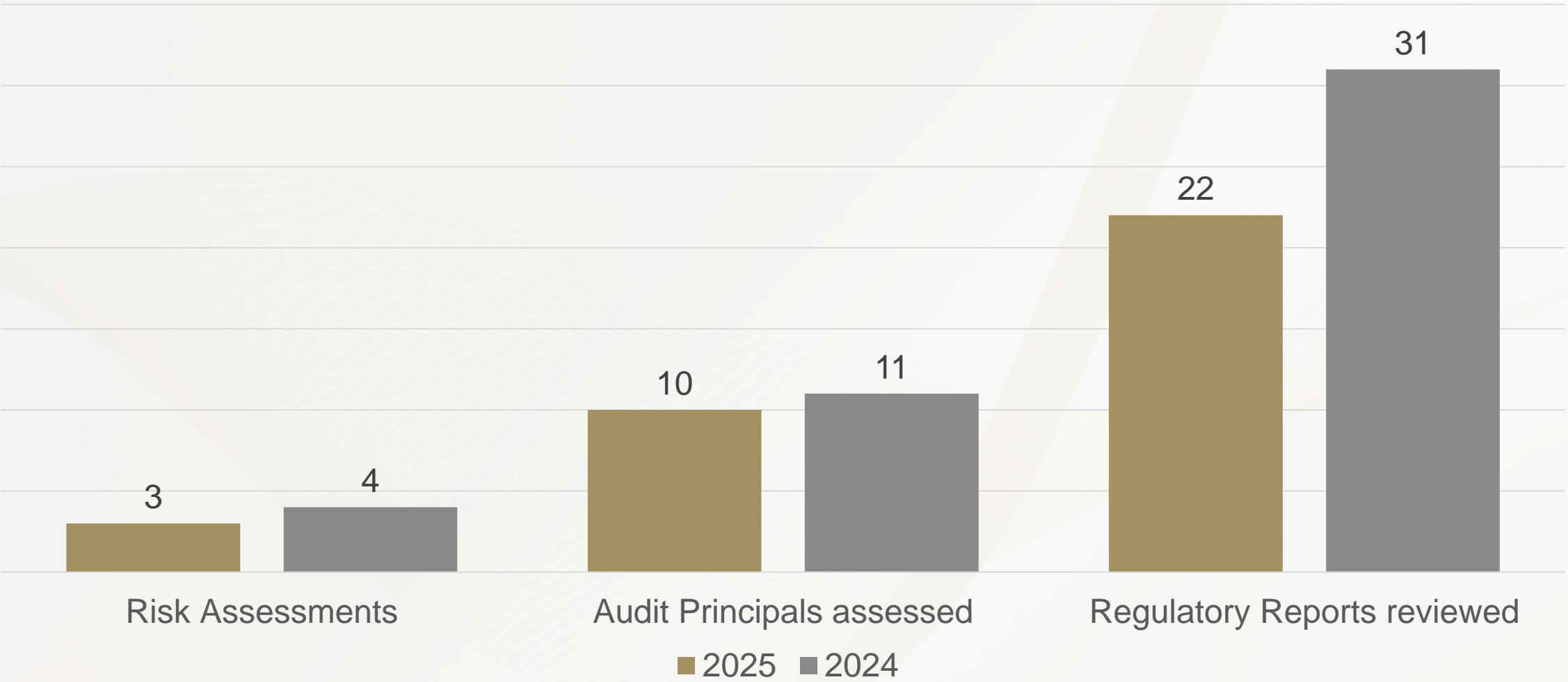
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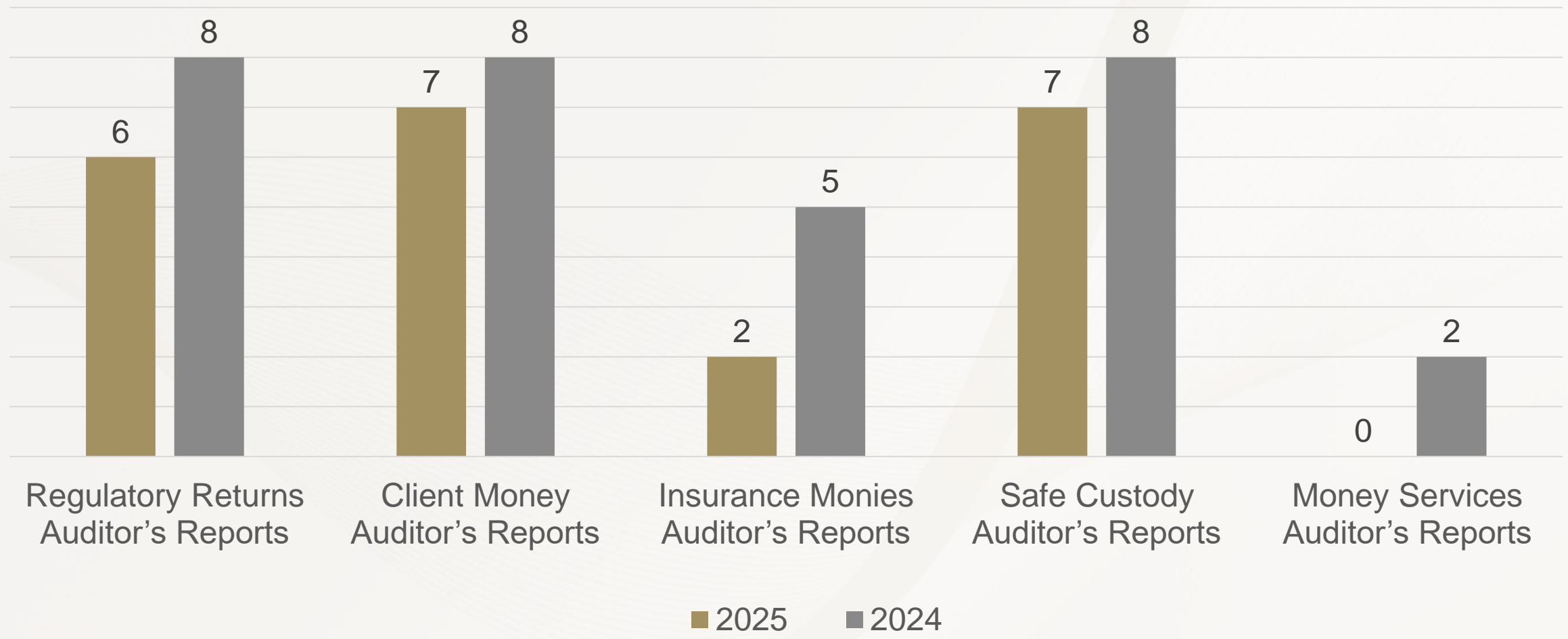
Regulatory Reports



*Audit Principals assessed, and Regulatory Reports reviewed include the Focused Risk Assessments



Regulatory Reports



*Includes additional Regulatory Reports reviewed as part of Focused Risk Assessments.

Good Practise

- Procedure mapping to underlying DFSA rules.
- Cross-referencing to audit engagements.
- Comprehensive documentation.

Regulatory Returns Auditor's Report



Principal Findings

- Financial Statements vs. Annual regulatory return reconciliations only performed at total level
- Incorrect use of the superseded ISRS 4400 standard

Case Study

In preparing the Safe Custody Auditor's Report, the Registered Auditor (RA) has taken the following steps in respect of Authorised Firm (AF)'s Third Party Agent (TPA):

1. Inquired on the systems and controls in place to ascertain that the TPA remains suitable; and
2. Obtained a copy of the TPA suitability assessment and attached it on the Working Paper.

Q: Are the above steps sufficient?

No. While it is positive that the RA has obtained the copy of TPA suitability assessment, the RA should also examine when the suitability assessment has been performed, whether the suitability assessment included the details including the guidance as required by COB APP 6 (A6.5.2) and whether the AF has procured written acknowledgment from the TPA which included the required provisions as per COB APP 6 (A6.6.1 (a) to (g)).

Thematic Findings – Client Money Auditor’s Report and Safe Custody Auditor’s Report



Principal Findings

- Amounts of Client Money and Client Investments not stated
- Inadequate assessment of the COB requirements vs. the policies
- Inconsistencies between the Auditor’s report, the working paper and the audit evidence
- Reconciliations testing – no assessment of seniority of reviewer and written statement
- Third Party Agent (TPA) Acknowledgement
- TPA Suitability Assessments



Client Money Auditor's Report



Principal Findings

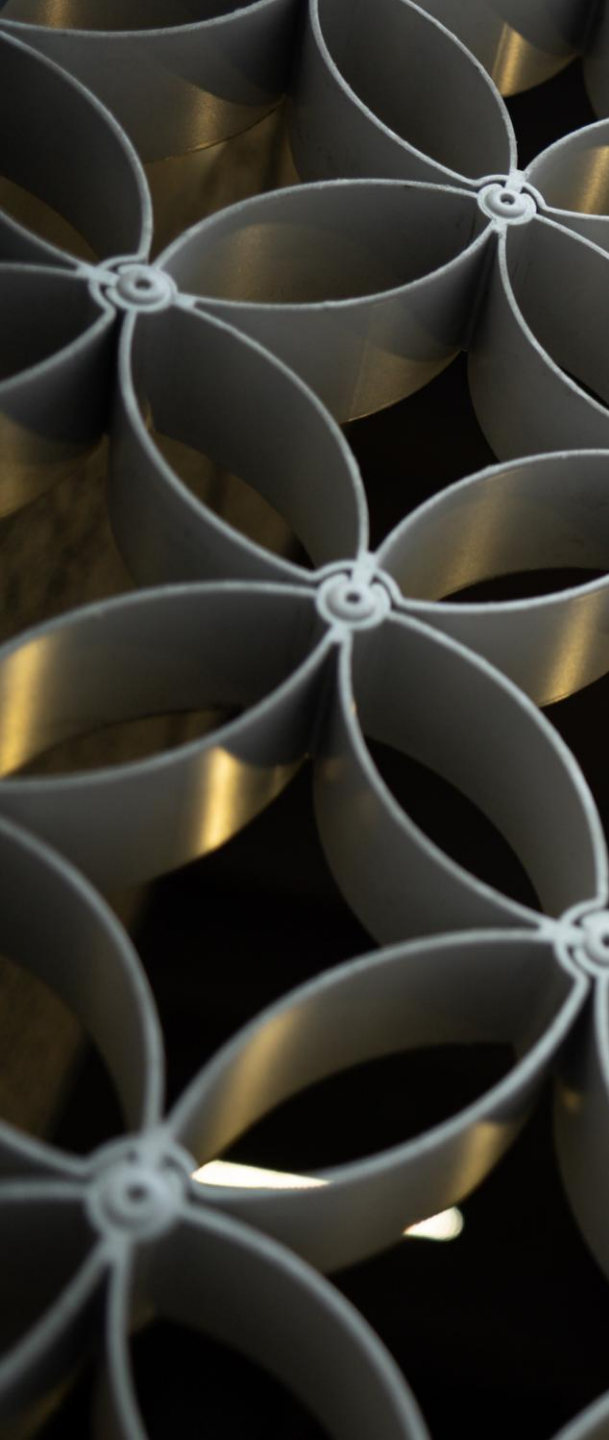
- No testing of controls to ensure the AF does not deposit its own funds into Client Money Accounts and for transferring such funds out without delay
- Not reporting that the AF had no Client Money Bank account



Insurance Monies Auditor's Report



There were no Principal Findings or Other Matters noted from our review of Insurance Monies Auditor's Reports audits conducted over the period.



Safe Custody Auditor's Report



Principal Findings

- No testing of controls on AF's compliance with COB 6.11.3(2) relating to mandates over accounts held with third-parties

AUD – Other Matters

Incorrect/
incomplete
statements in the
report

Sole reliance on
inquiries for some
controls

Client agreements
testing not
documented

Review of breach
and complaints
register not
documented

No accounting
records testing

Variances not
reported

Report states
totals level
reconciliation only

Liquid asset
resource
assessment not
done

Other forms not
tested

Sample not
representative of
the period under
audit

Client reporting
controls not
adequately tested

Multiple
inconsistencies
between report
and working
papers

2025 Firmwide Observations

Henry Gadagbui

Manager, Audit Supervision

Dubai Financial Services Authority (DFSA)

Firmwide Observations

- Appraisals for employees with SoQM responsibility not done
- Lack of objectivity in the consultation process
- Lack of remediation plan to address resourcing concerns
- SoQM evaluation inconsistencies in methodology
- Firm-level independence conflict checks not done
- Missing independence declarations
- Pre-issuance review comments not addressed

Firmwide Observations

- Use of physical working papers with no electronic copy on file
- Lack of formal documented organisational structure
- SoQM risk assessment procedures incomplete
- Whistleblowing communication and anonymisation
- Documentation based on UK standards
- RCA framework not detailed
- Inadequate evaluation of transfer pricing and tax expert work

Audit Working Papers Thematic Review

Erica Rose Francisco

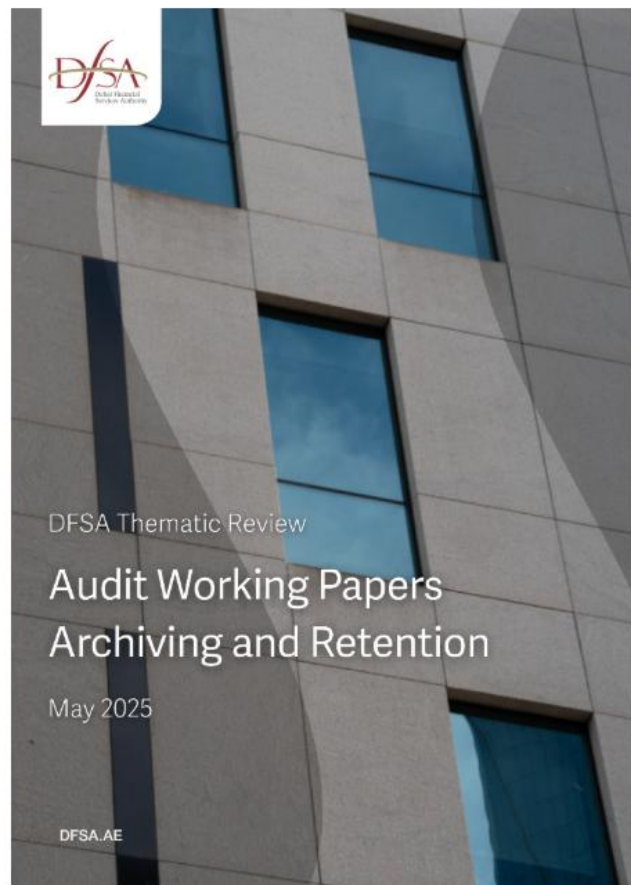
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Audit Working Papers Thematic Review

Key Themes and Findings

- Policies and Procedures
- Electronic Working Paper Systems
- Retention
- Failure to Archive on a Timely Basis and Ongoing Monitoring

2	Regulatory concerns letters	4	Private warning letters
1	Public enforceable undertaking	2	Private enforceable undertakings



Audit Monitoring Focus for 2026

Tom Crous

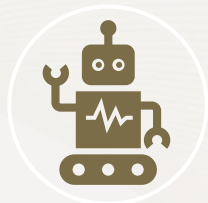
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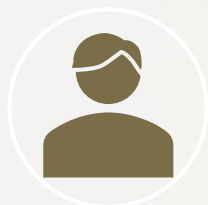
Audit Monitoring Focus for 2026



Resources



Use of Artificial Intelligence in Audit



Consultations



Revenue recognition



Resources

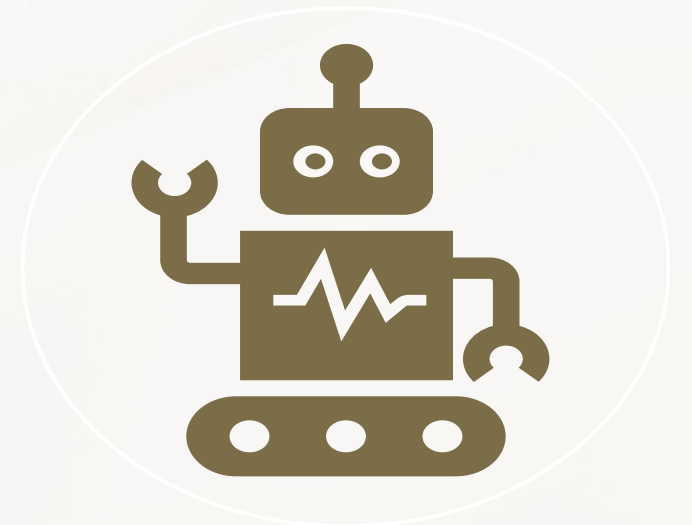
- Key areas of focus:
 - Allocation of sufficient and competent resources
 - Audit technology
 - Root Cause Analysis
 - Reporting and remediation





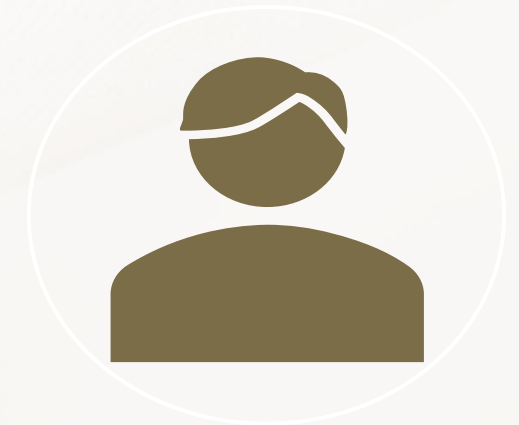
Use of Artificial Intelligence in Audit

- Key areas of focus:
 - Policies and procedures
 - Oversight and critical evaluation of outputs
 - Testing, validation and documentation
 - Training and monitoring



Consultations

- Key areas of focus:
 - Policies and procedures
 - Designation of individuals
 - Monitoring and documentation
 - Closure process





Revenue Recognition

- Key areas of focus:
 - Use of professional scepticism
 - Rigorous testing of performance obligations
 - Documentation from planning to completion
 - Test of inputs and assumptions used





Q&A

Closing Remarks

Justin Baldacchino

Managing Director, Supervision

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