



Effective From	AY 2024/25 (Fall term)
Compliance From	AY 2025/26 (Fall term)

SCHOOL POLICY

on

FINANCIAL AUDITING AND REPORTS



Introduction

As regulator of the school sector in Abu Dhabi, ADEK has a key remit to ensure that schools are transparent in their use of funds and the management of their finances. This policy sets out the basic requirements for financial auditing and reporting by schools.

Purpose

- Ensure that schools comply with financial reporting requirements, in line with International Financial Reporting Standards (IFRS) and the Federal Decree Law No. (18) of 2020 on Private Education and its amendments.
- Ensure that schools hold themselves accountable for the exercise of their functions and for their financial transactions.
- Enable the creation of a consistent record and bank of available data on the school sector for policymaking purposes.

Definitions

Accountants and Auditors Association	The national accountancy body of the UAE that governs the accountancy profession across the UAE.
Auditor	An individual qualified and authorized to review and verify the accuracy of financial records.
External Audit	A process via which an independent external auditor examines the financial statements prepared by the school.
Governing Board	The governing body of a school, appointed by the school owners, and including qualified representatives and parents. The governing board is the senior authority of the school, with responsibility for the overall governance of its activities.
International Financial Reporting Standards (IFRS)	A set of accounting standards issued by the International Financial Reporting Standards (IFRS) Foundation and the International Accounting Standards Board.
Owner	An individual or entity (local or foreign) with legal ownership rights of a school.
Related Party Transactions	Financial transactions including the transfer of resources, services, or obligations between two parties that have a pre-existing business relationship. This includes transactions between the parent company of the school group and the individual school entity.
School Development Plan (SDP)	A strategic plan for improvement, which outlines time-bound targets and goals linked to school improvement priorities. The SDP details actions a school will take to enhance its overall performance, the measures to raise standards and support students' personal development, the resources dedicated to these goals and includes monitoring, evaluation, and accountability for achieving the targets set. The process of creating an SDP involves a collaborative approach which takes account of stakeholder views, alongside outcomes of self-evaluation and external inspections.

Policy

1. Obligations of the Governing Board

1.1 Submission of Audited Financial Reports: The school shall submit the following to ADEK when applying for license amendments, fee increases, and annually upon request by ADEK:

1. The school's audited financial statements.
2. The auditor's report.
3. The completed ADEK's Financial Feasibility Plan template (applicable only for new schools).

2. Financial Statements

2.1 Information Required: Schools shall prepare and submit fair and accurate annual audited financial statements to ADEK, in a manner that meets the IFRS (with documents on the income statement, balance sheet, cash flow statement, and supporting schedules and notes), including data and statistics illustrating:

1. Income and expenditure with breakdown by various types (e.g., tuition, transportation, extracurricular income, and expenditures, etc.).
2. Calculated profit or loss.
3. Components of per-student operating costs.
4. Information on funding activities (e.g., funds received, source of funds, use of funds).
5. Loan contract details including tenure, duration, annual payments, interest rate, payments due in the next three months, guarantees provided, etc.
6. Corporate overhead allocation, if any.
7. Related party transactions, if any.
8. Management fees, if any.
9. Any other information that enables ADEK to fully consider the school's financial position.

3. External Auditors

- 3.1 Auditor Certification: Schools shall ensure that their accounts are audited by a certified external auditor in compliance with Federal Decree Law No. (41) of 2023 on the Regulation of the Accounting and Auditing Profession.
- 3.2 Auditor Independence: Schools shall ensure that the auditor is not related or connected to the school, its owner, or the governing board in any way, except contractually.
 1. Schools shall inform ADEK, in writing, of the name of the auditor immediately after their appointment.

4. Compliance

- 4.1 This policy shall be effective as of the start of the Academic Year 2024/25 (Fall term). Schools are expected to be fully compliant with this policy by the start of the Academic Year 2025/26 (Fall term).
- 4.2 Failure to comply with this policy shall be subject to legal accountability and the penalties stipulated in accordance with the ADEK's regulations, policies, and requirements, notwithstanding any other penalties imposed by Federal Decree Law No. (31) of 2021 Promulgating the Crimes and Penalties and its amendments or any other relevant law. ADEK reserves the right to intervene if the school is found to be in violation of its obligations.



References

- Federal Decree Law No. (41) of 2023 on the Regulation of the Accounting and Auditing Profession
- Federal Decree Law No. (18) of 2022 on Private Education and its amendments
- Federal Decree Law No. (31) of 2021 Promulgating the Crimes and Penalties and its amendments
- International Accounting Standards Board (latest edition). International Financial Reporting Standards.

Publication

2024 (September) ADEK_School_Financial Audits and Reports Policy_v.1.1

Department of Knowledge and Education, Abu Dhabi (ADEK)

This policy applies to Private and Charter Schools in Abu Dhabi. However, any circular issued prior to this policy or issued specifically for Charter Schools thereafter supersedes the requirements of this policy.

Past version:

2024 (January) ADEK_School_Financial Auditing and Reports Policy_v.1.0

