

FEDERAL LAW No. (7) FOR 1976 ON THE ESTABLISHMENT OF THE STATE AUDIT INSTITUTION

We, Zayed Bin Sultan Al Nahyan, President of the United Arab Emirates, After having perused the provisional constitution, Law No. (1) for 1972, pertaining to the jurisdictions of the ministers and the powers of the ministers and the laws amending thereof, Law No. (8) for 1973 pertaining to the Civil Service in the Federal Government,

And in accordance with the Prime minister's proposal, the approval of the Cabinet and Federal National Council and the Sanction of the Federal Supreme council, Issued the following law

Chapter One - Definition Of The State Audit Institution

Chapter Two - Powers Of The S.A.I.

Chapter Three - Exercise Of Powers And Audit Sanctions

Chapter Four - S.A.I Staff

Chapter Five - Final Provisions

CHAPTER ONE

DEFINITION OF THE STATE AUDIT INSTITUTION

Article (1)

An independent authority called the "State Audit Institution" (S.A.I.) shall be established and attached to the Federal National Council. The S.A.I. shall audit the funds of the state and other authorities stated in article (4) herein. The S.A.I. shall particularly ensure the safety and legality of managing such funds and the implementation of development projects, all as provided for in this law and its internal regulation. The State Capital shall be the headquarter of the S.A.I. Branches for the S.A.I. can be established in the S.A.I. president.

Article (2)

The S.A.I. shall be formed of the S.A.I. President assisted by the Vice president and a sufficient number of professional, administrative officials and employees.

The Internal Regulation shall specify the rules of the S.A.I. Personnel, especially the rules and conditions of their appointment, promotion, transfer, delegation, secondment, fixing their salaries and remuneration's and the provisions relating to their disciplinary procedures without the adherence (reference) to the provisions stipulated in the law and regulations of the Civil Service. The number of posts shall be annually fixed in the S.A.I. budget.

Article (3)

The S.A.I. shall be composed of a number of departments and audit sections. The Internal Regulation shall fix the manner of organization, competence's and method of work performance therein.

CHAPTER TWO POWERS OF THE S.A.I.

Article (4)

The S.A.I. shall practise audit over the following bodies:-

- 1- The ministries and departments of the Federal Government.
- 2- The Federal National Council.
- 3- The public corporations and bodies.
- 4- The companies or bodies, in which capital the State or any public artificial person may have a share not less than 25% or for which the State guarantees a minimum limit of profit or offers a financial subsidy.
- 5- Any other body of which audit is charged to the S.A.I. By the Federal Supreme Council (F.S.C.), the President of the State or the Cabinet.

Upon a written request from the ruler of any Emirate, the S.A.I. may practise audit over the government departments of such Emirate, as well as the finance of corporations and bodies attached to it and all companies in which capital the Emirate may have a share not less than 25%, or those for which the Emirate government guarantees a minimum limit of profit, offers financial subsidy.

Article (5)

The S.A.I. shall exercise prior (preventive) audit and post-audit on the funds referred to in article (1), according to the provisions stipulated in this law

Article (6)

Shall be subject to the S.A.I. prior (Preventive) audit, every draft agreement or contract relating to public works, supply, lease and other contracts or agreements which establish rights for the State or for other public artificial persons or which include obligations or commitments incumbent on them, should the amount of each agreement or contract reach 500.000 dirhams or more, whatever the method of choosing the contractor has been. It is not allowed, whatsoever, to divide any contract or agreement in order to decrease its value to an amount which is excluded from the prior (Preventive) audit of S.A.I.

Article (7)

The S.A.I. shall perform audit on the draft agreement or contract, referred to in article (6) , and inform the concerned authority of the result within seven days, as a maximum period, from the date of receiving the papers and documents of the agreement or contract and the relating documents.

The effective date of the period referred to in the preceding paragraph will be the date of receiving the documents and inquiries required by the S.A.I. The S.A.I. audit shall extend to ensure that the appropriations allocated in the budget permit contracting, that all procedures required before contracting have been implemented according to the rules stated in laws and regulations and that the draft agreement or contract, with its included conditions and provisions, conforms with the financial laws and ensures the financial interest of the State or public artificial persons.

Article (8)

If the S.A.I. has not notified the concerned authority of its decisions regarding the draft of contract or agreement within the period referred to in the previous article, the concerned authority shall have the right to conclude the contract without prejudice to the S.A.I.'s powers in practicing the post-audit and verifying the contract or agreement after its conclusion.

Article (9)

If the S.A.I. objected to the draft contract or agreement and if the concerned authority did not find it suitable to take its objection into account, when such authority must inform the S.A.I. about its point of view supported with evidences which it relies upon. If the S.A.I. President insists on the S.A.I. opinion, the matter should be referred to the concerned minister or the official who exercises the minister's powers in that authority. If the minister's opinion is different from that of the S.A.I.'s President, the first shall refer both points of view to the Council of Ministers (Cabinet) who will decide in the matter, finally, after hearing the S.A.I. President's point of view. The Cabinet's decision shall be adopted. However, in case the Cabinet's decision is contradicting that of the S.A.I. president's point of view, the latter has to submit a detailed report on the case to Federal National Council (FNC) within a week from the date of issuing the Cabinet's decision accepting the contract or agreement.

The report shall be forward to the F.N.C. to be considered in the first session following its receipt.

Article (10)

In the field of Post- audit, the S.A.I. shall exercise the following powers :

1- To ensure that the administrative authorities have collected the revenues accrued for the State and added them to the related accounts. For this purpose the S.A.I. shall scrutinize the documents, sheets, and accounts to ensure the sound calculations of such dues, that the collected amounts are the legally accrued and that the financial operations relating to the collection of these accrued amounts and to their entry, have been accomplished regularly and according to the financial and accounting laws, regulations and rules.

2- To ensure that the expenditures have been adequately disbursed within the limits of appropriations allocated in the budget and in accordance with the objectives for which such appropriations had been allocated, and that the expending operation, in all stages, has been accomplished according to the accounting and financial laws, regulations and rules of the budget. For this purpose the S.A.I. shall ensure that appropriations have been used without extravagance, according to the rules of the Internal Regulation and that the financial disposals have been executed according to the accounting and financial laws and regulations, in addition to the rules of the budget.

3- To audit the reconciliation accounts; such as trusts, advances and current accounts, in order to ensure soundness of their operations, that their numbers have been entered in the accounts and that they are supported with legal documents. 4- To audit the loans concluded by the public artificial persons in order to ascertain:

- (a) The soundness of the financial conditions provided in the loan contract, and,
- (b) That the original loan plus its interests have been repaid according to the rules adopted in this respect.

But as for the loans concluded by the State, the S.A.I. audit of them shall be limited to the rules to what fell under clause (b) above.

5- To audit the investment of the State's funds and of other public artificial persons to ensure the extent of soundness and security of the fields where such funds have been invested as well as the expediency of the return of the investment.

6- To audit the accounts of warehouses and stores and their entries, reviewing their books, registers and relating documents, as well as ensuring the soundness of annual inventory operations and studying the reasons resulting accumulation or damage of stored materials, and to propose appropriate means for safe-keeping and maintaining such materials and necessary rules for sound planning to supply the warehouses and stores.

7- To control of the implementation of development projects as stated in the Plan to ensure of the sound utilization of appropriations allocated in the budget for such projects, and that the said projects are implemented within the adopted costs and time limits, and has realized the targets of the plan, as well as explaining the reasons of deviation and deficiency.

8- Examining the final and appropriation accounts of all authorities audited by the S.A.I., as well as balance sheets, profit and loss accounts, operating and trading accounts of the corporations and companies of the economic sector subject to the S.A.I. audit, and their documents. To identify the exact financial position of the authorities corporations and companies and to determine that their returns are sound and expedient and to limit the

rights and obligations of the State and the public artificial persons vis-a-vis these companies. The S.A.I. shall also examine the reports presented by external auditors to the general assemblies.

9-Making the inventory of money, stamps and papers of value to ensure their conformity with entries.

Article (11)

Within the limits of its powers stipulated in this law, the S.A.I. shall undertake the following:

1-To detect incidents of defalcation, negligence and financial contravention's, investigate therein, quest for their motives thereof, study the aspects of deficiency in legislation and the system of internal control which led to their occurrence and propose the means of remedy.

2- To study and scrutinize various financial and accounting laws, rules and regulations as well as the method of conducting financial operations in order to ensure the extent of their soundness, determine the aspects of deficiency and imperfectness therein and propose the means it deems necessary to reform and improve them in order to make the funds management, subject to audit, reach the optimal standard of soundness, efficiency and accuracy.

Article (12)

The S.A.I. President shall prepare an annual report for each of the final accounts of the bodies subject to the S.A.I. audit, in which the observations and aspects of difference occurring between the S.A.I. and the body concerned, shall be elaborated.

The report shall be submitted to the Federal National Council before the date appointed for approving the final account relating to that report which shall be notified. In the meanwhile, to the Federal Supreme Council, the State's President and the Council of Ministers (Cabinet). If the report is pertaining to a corporation or a company it shall be notified, to the Corporation's Board of Directors and to the Company's General Assembly 30 days before convening them to approve the balance sheet and final accounts.

All these council and boards can invite the S.A.I. President or the S.A.I. Vice-president to attend their meetings in which the S.A.I.'s reports shall be debated. He can address the meeting and states his opinion in the debated matters.

The S.A.I. President may also submit other reports, within the fiscal year, about matters which he deems to be of great importance requiring urgent perusal of concerned authorities.

CHAPTER THREE
EXERCISE OF POWERS AND AUDIT SANCTIONS

Article (13)

The S.A.I. shall practise its powers as provided in this Law by both methods of auditing and inspection. S.A.I. can perform inspection on the bodies subject to its audit spontaneously or at the request of the authority concerned.

The audit practiced by the S.A.I. shall be complete or selective and according to the rules determined by the work plan drawn up by the S.A.I. and which shall not be available to the acquaintance of the bodies subject to audit.

Article (14)

The S.A.I. is entitled to scrutinize and document, record or papers which the S.A.I. deems necessary for its proper performance of audit.

Article (15)

The auditing operations shall be undertaken at the S.A.I. premises or at the premises of the body where the accounts, records and the supporting documents are found.

Article (16)

All the officials and employees in the bodies subject to the S.A.I. audit shall be financially responsible for their disposals relating to the funds, under audit, according to the rules stipulated in this Law and the Internal Regulation and shall therefore be subject to inspection and audit by the S.A.I. But as for the ministers it is sufficient for the S.A.I. to prepare a report regarding the acts and procedures attributed to them. S.A.I. President shall submit the report to the Federal National Council and notified it to the Federal Supreme Council, the State's President, and the Council of Ministers (Cabinet).

Article (17)

The S.A.I. shall draw up the results of its auditing and inspection in the form of observations to be reported to the concerned authorities through the relevant ministers. Those authorities shall provide the S.A.I. with their replies on those observations, carry out the S.A.I. demands and take the necessary measures for collecting the lost monies or those which were spent illegally or receivables, the collections of which has been neglected. And such action to take place, within one month from date of notification.

Article (18)

It shall be sufficient for a competent Minister to submit a signed statement every 3 months to stand as evidence for the special confidential expenditures allocated in the budget for his Ministry, as well as a certificate stating that such expenditures, have been disbursed within the authorized appropriations limits and directed to the objectives allocated thereof.

Article (19)

The following shall be considered as a financial contravention, in the application of this Law:

1- Violation of financial rules and provisions as stipulated in the Constitution, laws, rules and regulations.

2- Violation of the State General Budget provisions as well as those budgets of bodies subject to the S.A.I. audit.

3- Every disposal, negligence or deficiency resulting in illegal disbursement of monies from the funds subject to S.A.I. audit, or loss of financial rights of the state or any other bodies subject to the S.A.I. audit or prejudicing any of their financial interests or inflicting damage to one of their financial interests or to the funds under audit or delay of the implementation of development projects.

4- Defalcation of funds under audit or mistrust thereon.

5- Commitment with unnecessary expenditures not required by the public interest.

6- Not to provide the S.A.I. with the accounts and their supporting documents or other, for audit purposes.

7- Not responding against the S.A.I. observations or correspondence, in general, or delay for reply without genuine reasons. The employee's reply aimed at procrastination and postponement shall be considered as a non-reply.

8- Delay, with no reasons, to inform the S.A.I. during a maximum 15 days with what have been taken by the concerned department, to adopt penalties against the financial contravention that endorsed by the S.A.I. or to slow down without sufficient justifications. Generally any disposal or negligence that leads the S.A.I. not to exercise its powers properly.

Article (20)

The S.A.I. shall investigate into financial contravention, whether being discovered by the S.A.I. or by the concerned administration. Hence the S.A.I. president shall adopt one of the following decisions regarding it:

1- To set processes if the act has not constituted a financial contravention or if it proved not committed by the official.

2- Referring papers to the concerned administration to inflict the disciplinary penalty deemed by the S.A.I. on the violator, of that body. Administration shall issue its decision within 15 days from the date of being notified with the investigation result by inflicting the disciplinary penalty requested by the S.A.I. to be inflicted. It has to notify the President of S.A.I. with the decisions it has taken in respect of the financial contravention's, within 15 days from the date of issuing thereof.

3- To submit the case before the Disciplinary Council, stipulated in this Law, in order to settle it in accordance with the rules and measures provided in this Law, the Civil Service Law as well as the rules and measures stipulated in the Internal Regulation, but not to be prejudiced with the provisions of the two aforesaid laws.

The Disciplinary Council, set up according to the provisions of this Law, shall be considered as public Law court (i.e. the court which has the general jurisdiction) for all the financial contravention's referred to it from the S.A.I. whatsoever the body from which the doer is.

Article (21)

Officials of grade I and above, or those whose salaries are within its limit or more, shall be tried by a Disciplinary Council to be set up under chairmanship of a member of the Federal Supreme Court, and membership of the S.A.I. Vice President and another member to be nominated by the Cabinet, provided that his financial grade shall not be less than that of the official referred to the disciplinary trial.

If the official referred to the disciplinary trial is occupying the second or the third grade or if his salary is within the fixed limit within them, he shall be tried by a Disciplinary Council to be set up under the chairmanship of a judge nominated by the Minister of justice, a member from the S.A.I. to be chosen by the S.A.I. president provided that his post is not less than a controller, and a member of the Ministry or the Body where the contravention took place, to be chosen by the concerned Minister, provided that his financial grade is not less than that of the official referred to the disciplinary trial.

The Disciplinary Council shall notify its decision to the S.A.I. within one week from the date of its issue.

Article (22)

The official shall not be exempted from the penalty unless he proves that the contravention he committed has been in execution of a written order issued to him by his superior, despite his written notification to the superior of the contravention. In such a case responsibility shall be on the person who issued the order.

Article (23)

The disciplinary case in respect of financial contraventions shall be nonsuit after five Gregorian years from the occurrence thereof.

This period shall cease by procedures of investigation, accusation or trial and the period shall start again from the date of the last action.

In cases of multiviolators, the cease of the period for one of them necessitates its cease for the others, even through no action for cease has not been taken against them.

In all cases the case shall drop in case of death of the defendant.

Article (24)

The official shall be held responsible for the financial contraventions even after the termination of his services for any reason. The disciplinary case shall be filed against him provided that it was not terminated or dropped by the elapse of period, according to the provisions of the preceding article.

The Disciplinary Council forming for his trial shall be set up according to his grade or salary on leaving service. Through a decision from the Disciplinary Council, the disbursement of pension or remuneration may be suspended until the end of his trial.

Article (25)

The penalties, which could be inflicted on the official who left service, are:

1- A fine not less than 100 dirhams and not exceeding his salary he was receiving for the month in which the contravention occurred.

This fine shall be collected by deduction from the official's pension or remuneration, if any, within legal limits, or by means and was adopted for collecting public funds and receivables.

2- Deprivation from the pension, not exceed 1/4 for a period not exceeding three months.

3- Decreasing the pension or the remuneration not more than the 1/4 from the date of judgement.

If the investigation in the financial contravention has resulted into the existence of a penal crime the S.A.I. shall refer the papers to the Public Prosecutor office to adopt what it deems necessary in this respect.

Article (27)

In order to investigate in financial contravention, the S.A.I. shall be entitled to make direct contact with all officials and employees in the bodies subject to audit and peruse any document, record or papers it deems necessary for investigation. It has the right too, to

take action to scrutinize all financial contravention's, and to listen to all officials and employees, question them and precautionary suspend them from service, seize properties, use all necessary means to protect the funds under audit and to refund the lost funds or those illegally disbursed.

The precautionary suspension of official from work and the seizure of properties shall be done by a decision from the S.A.I. President provided that the concerned minister shall be notified of it.

Article (28)

In order to audit some technical aspects in the bodies subject to its audit, the S.A.I. shall seek the assistance of experts and technicians. The S.A.I. President shall issue a decision to determine their remuneration's, for each case separately.

Article (29)

Should a dispute take place between the S.A.I. and any of the ministries, departments or public corporations and institutions, regarding the audit practiced by the S.A.I., the concerned administration shall refer the matter to the Cabinet for settlement. The Cabinet decision shall be effective, without prejudice to the powers and jurisdictions stipulated to the S.A.I. in this Law.

CHAPTER FOUR

S.A.I. STAFF

Article (30)

The S.A.I. president should be one of the nationals appointed by a Federal Decree and treated as a minister as for as the salary, pension, allowances and financial benefits, and the system of accusation and trial.

Article (31)

The S.A.I. president shall be irremovable. His term of office shall not be terminated except for any of the following reasons:

- 1- Resignation.
- 2- Reaching retirement age.
- 3- He failed to perform his job because he is not medically fitted.
- 4- Intrusting him with another post, upon his approval.
- 5- Issue of a decision from the competent authority for the ministers' trial.
- 6- Issue of a decision from the Federal National Council, by a two third majority of the present members.

Article (32)

Before exercising his job duties, the S.A.I. president shall take the following oath before the Federal National Council: " I swear by almighty God to be sincere to the State of the United Arab Emirates, respect its constitution and laws, act to maintain the public funds, perform my duties honestly and truthfully and maintain the secrecy of works ".

Article (34)

The S.A.I. President shall prepare the budget draft of the S.A.I. with the agreement of the Speaker of the Federal National Council who will forward the draft within the legal time to the Minister of Finance, who inserts the draft, as forwarded to him by the President of the Federal National Council, under a special section of the State's General Budget.

Article (35)

The S.A.I. President shall undertake the technical and administrative supervision over the S.A.I. active and staff. He shall have, regarding the S.A.I. staff, all powers authorized to a minister by laws and regulations. He shall also have all the powers authorized to the Minister of Finance regarding preparing estimates of the S.A.I. expenditures in the General Budget and regarding the use of appropriations allocated to the S.A.I. in the budget without being subject to control of the Cabinet, the Minister of Finance or the Council of Civil Service.

Article (36)

The S.A.I. Vice- President shall be a national whose appointment together with the S.A.I. advisors and directors shall be through a Federal Decree, after the proposal of the S.A.I. President.

Article (37)

The S.A.I. Vice- President shall assist the S.A.I President in organizing the S.A.I and managing its works, according to the Internal Regulation. He shall replace the President during his absence or vacancy of post. The President may as well charge him with some of his powers.

Article (38)

With the Exception of the posts stipulated in article 30 and 36, the appointment in the S.A.I posts shall be by a decision from the SAI President.

Article (39)

The S.A.I shall have a Staff Affairs Committee set up under the chairmanship of the S.A.I Vice-President, the membership of one of the advisors and three Senior professional officials to be chosen by the S.A.I. President, through a decision from the latter. The head of personnel Affairs Division at the S.A.I shall undertake the secretariat.

The Committee shall be concerned with all the affairs of the S.A.I. personnel, according to the rules stipulated in the Internal Regulation.

Article (40)

The S.A.I professional officials shall be irremovable except through disciplinary procedures. They shall not be transferred nor delegated to another post outside the S.A.I. before having their opinion and the S.A.I. president's approval.

The Internal Regulation shall define the meaning of the term "Professional Staff" wherever mentioned in this Law.

**CHAPTER FIVE
FINAL PROVISIONS**

Article (41)

The Federal National Council shall have the right to invite the S.A.I. President to attend its sessions in which S.A.I. reports are debated and allow him to speak and give his opinion in debated matters and in the Government's relating replies and information.

Article (42)

In the event the Federal National Council is dissolved, the S.A.I. shall be temporarily attached to the President of the State.

Article (43)

The S.A.I. President shall notify the Speaker of the Federal National Council before starting his annual leaves.

Article (44)

The Internal Regulation shall be issued by a Federal Decree, according to a proposal from the S.A.I. President. It shall particularly include the organization of all referred matters as per the provisions of this Law, as well as other matters necessary for implementing its provisions.

Article (41)

This Law shall be published in the Official Gazette and shall come into force from the date of its publication.

President of the State of United Arab Emirates

Zayed Bin Sultan Al Nahyan

Issued by us at the Presidential Palace, Abu Dhabi,

Thul Qaedah 14, 1396 H.

November 6.1976 A.D.