

THE ACCOUNTANT



SCAN CODE
FOR **DIGITAL**
MAGAZINE



miamalta.org



Choosing the right path

We are seeking to recruit talented and motivated individuals to join our growing team of leading professionals. To learn more about our career opportunities visit:

www.kpmgvacancies.com.mt



www.kpmg.com.mt

© 2022 KPMG, a Maltese civil partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

THE ACCOUNTANT

ISSUE 1 OF 2022

THE ACCOUNTANT magazine
is issued quarterly.

Published by



EDITOR

Maria Cauchi Delia

DESIGN

Petra Mangion Buontempo

ADVERTISING INQUIRIES

theaccountant@miamalta.org

All correspondence, articles for
publication and enquiries are to be
addressed to:

The Editor
MIA Services Limited
Level 1, Tower Business Centre
Tower Street, Swatar
BKR 4013, Malta.

The Institute does not necessarily
concur with the views expressed
in the articles published on this
journal. Articles are published
without responsibility on the part
of the publishers or authors for loss
occasioned in any person acting or
refraining from action as a result of
any view expressed therein.

If you would like to be featured
in this publication, please visit
www.bit.ly/GetRecognised for
more information.

All data provided within this
magazine is accurate as at the date
of writing.

- 04 President's Address
- 06 Message from MIA CEO
- 07 Local Appointments
- 08 News Roundup
- 09 AML Conference Highlights
- 10 Awareness Sessions Bringing Students Closer to
the Accountancy Profession
- 12 An Update on ESEF
- 18 ISQM 1 & 2: Redesigning Quality Management as
we know it
- 24 The New Quality Management Standards: A
game changer for auditors?
- 28 How Will Your Firm Apply the Quality
Management Standards in Practice?
- 34 Interview with European Parliament President
Dr Roberta Metsola
- 38 Startups and Venture Capital
- 41 Meet the MIA Team
- 42 MIA Committee Members share ideas and plan
of action during Networking Event

The Accountant can also be found online at
www.miamalta.org/the-accountant

President's Address

David Delicata

Welcome to the first edition of The Accountant for 2022.

The onset of spring ushers our country into uncharted territory as we seek to emerge from the harsh economic and social impact brought about by a once-in-a-century pandemic. Even though economic indicators point towards an encouraging recovery, this path is not devoid of obstacles. Our continent is grappling with geo-political tensions, supply-side disruptions, an inflationary spiral and staff shortages in many crucial economic sectors. At the same time containing the economic impact of the pandemic has significantly strained most countries' financial coffers.

This context puts a considerable responsibility on our shoulders. It is no overstatement that the next few months will be crucial in determining our immediate future. The start of a new political legislature offers the possibility for the nation to define the course ahead for the next years and to set ambitious targets which will enable Malta to deliver higher sustainable growth for this and the following generations.

Within this reality, we all have a role to play.

As accountancy professionals, we will be key stakeholders in such efforts. Firstly, we are at the forefront in strengthening the country's efforts to emerge from the FATF's enhanced monitoring procedure – or as it is better known, grey-listing. Secondly, accountants have a wider role than ever to play within the businesses they support, by guiding and driving our clients or employers towards digitalisation and sustainable growth.

The Malta Institute of Accountants has taken a very proactive role in supporting the authorities in seeking a timely exit from the grey-list. This role has ranged from putting forward recommendations to authorities, advising on the required legislative and regulatory changes and also in leading a national drive towards quality and accountability within our profession.

We have also strengthened our efforts to investigate and take the necessary disciplinary efforts when impropriety within our profession is brought to our attention.



At the same time, we have been adamant with authorities on the need that a sense of proportionality is respected at all times and all levels. Business and entrepreneurship cannot be stifled with over-regulation and excessive bureaucracy, and one-size-fits-all approaches were strongly objected to.

While I remain hopeful that Malta will exit the grey-list in the short term, other challenges to the financial services industry and the wider economy loom ahead. With international institutions pushing for substantial tax reform, including the introduction of a common minimum corporate tax and proposals around the Shell Companies Directive, there is no doubt that this will present our jurisdiction with tough questions.

Evidently, tax harmonisation efforts will have a significant impact on our country's ability to attract investment. While the reasoning behind such efforts at an international level is understandable, it is incumbent upon all the relevant stakeholders to undertake a collective reflection on the ways to enhance Malta's competitiveness in the context of these realities.

The MIA will continue to play a proactive role in bringing effective change, whilst supporting its membership base through the challenges that lie ahead. This would certainly not be possible without the sterling work carried out by its thirteen Committees and Focus Groups which assist the Council in a very able manner. These Committees cover core areas, industries and thematic areas that are critical for the economy in which our profession has a vital role to play and also focus groups for Small and Medium Sized Practices, Professional Accountants in Business (PAIBs) and Young Members. Through this column, I would like to express my true appreciation for their impeccable commitment to the Institute, and it is with pleasure to note several new faces joining these Committees at the beginning of a new term 2022-2023 earlier this year. The Committees have initiated their activities in earnest both at Committee level as well as through the various Working Groups working under their remit.

This edition of The Accountant covers just a few of the several activities in support of our profession undertaken by the Institute in recent months, many of which would not have been possible without the contribution of Committee members. Our door is always welcome for our members to play an enhanced role within the Institute and I sincerely hope to see a wider representation of our membership base, particularly through increased participation of women, young members and expats in our activities.

This year Council felt the need to add a new Committee to our structure, one that will focus on sustainable finance. Sustainable finance refers to the process of taking environmental, societal and governance (ESG) considerations into account when making investment decisions leading to more long term investments in sustainable economic activities and projects. Here again, the MIA is taking the lead in being a driver for change. Such a decision was underpinned by a true belief that the fight against climate change and the desire for true sustainability depends on each and every one of us. For years, climate change was associated with polluting industries or gas-guzzling planes or ships. Today, there is a growing realisation that we all have a role to play. With the growing need for companies to prioritise ESG, it is becoming increasingly important for Chief Financial Officers (CFOs) and PAIBs to take a lead in the business sustainability space. Similarly, with the technical knowledge in auditing and assurance, accountants are also the logical choice as providers of assurance on reporting in ESG, climate change and sustainability data once this becomes mandatory. Real change begins with us, and we will be at the forefront in such efforts.

Message From MIA CEO

Maria Cauchi Delia

It is my pleasure to touch base with you again in this quarterly appointment, briefing readers with the key developments concerning the Institute and the wider accountancy profession. Although our profession has always been characterised by the need to adapt to the economic and social changes taking place around us, the third decade of the 21st century has brought an unprecedented wave of reform resulting from very diverse global developments.

These include a worldwide push to fight financial crime, including money laundering with all possible means, particularly following numerous revelations that have dented confidence in the international financial systems; the increased importance of environmental social and corporate governance, together with sustainable finance as a key priority to authorities, regulators and citizens alike; and the rapid development of technological innovation, which also includes proliferation of new types of digital assets.

These changes have instigated international institutions, particularly at European Union level, to develop a flurry of new legislations and regulations that will more often than not impact the way we go about our profession.

In this context, the MIA has been very busy in the past months in its efforts to bridge the gap between authorities and professionals. We have not only been constantly providing the necessary feedback to any proposals coming out of Brussels – or indeed through the Maltese regulators but have also, in particular cases, supported these authorities in drafting the new regulatory requirements. We also provided feedback to consultations launched by EU institutions, European supervisory authorities and the International Auditing and Assurance Standards Board, either directly or through Accountancy Europe, of which the MIA is a member. In parallel, we have sought to inform and guide our members about ongoing developments impacting the accountancy profession.

There are various examples that can be mentioned in this regard, but I am going to mention a recent one relating to the implementation of the European Single Electronic Format (ESEF), which involved the Institute working closely with the Malta Financial Services Authority, Malta Business Registry and the Accountancy Board. A dedicated working group within the Institute's Audit and Assurance Committee was actively involved in the development of the new Accountancy Profession (European Single Electronic Format) Assurance Directive issued by the Accountancy Board, and in the drafting of detailed guidance to our members. The development of this Directive is tangible proof that the MIA can be instrumental in bringing effective change by not only reacting to proposals but actually being the driver towards change.



Other exchanges were undertaken with the Malta Business Registry in its efforts to implement the Financial Action Task Force (FATF)'s action plan, particularly with respect to the Business Ownership Register, which has placed significant added responsibilities on stakeholders in our industry. Through our continued contact with the Registrar, we have ensured that the concerns of our members on the proposed reforms were brought to the attention of the Registrar, with the appropriate feedback being provided accordingly. We have also organised a successful exchange of views with the newly appointed Registrar which was well attended by members of our profession.

Through our AML Committee, we have also continued to engage with the Financial Intelligence Analysis Unit on the draft Implementing Procedures Part II for accountants and auditors. Additionally, through the Direct Tax Committee, we provided feedback on the revisions to transfer pricing rules consultation document issued by the Commissioner for Revenue. We also shared our views in relation to the Proposal for a Council Directive laying down rules to prevent the misuse of shell entities for tax purposes and amending Directive 2011/16/EU. Other initiatives involved feedback to the Malta Gaming Authority on the Revised Audit Service Provider Guidelines Consultation document; to the Malta Financial Services Authority on a discussion paper reviewing the Asset Management Strategy and to the Accountancy Board on several matters including revisions to the Code of Ethics and the Accountancy Profession Regulations.

These are just a few examples of the multitude of legislative and regulatory streams in which the MIA is playing a key role. It is our firm commitment to ensure that members

are regularly updated with such developments, an element which has strongly featured in the suggested improvements highlighted by respondents in a recent members' survey carried out by the Institute.

In this context, we strive to take into consideration the different needs and requirements of our membership base, including different sized firms, whether large, medium, small or sole practitioners, as well as professional accountants working in industry. Two conferences focusing of Professional Accountants in Business (PAIBs) and Small and Medium Practitioners (SMPs) are in the pipeline for later on this year. These events will aim to address matters of relevance to the respective member categories and will be led by the Institute's dedicated focus Groups.

Naturally, such efforts need to work two-way and for these endeavors to succeed, I strongly appeal for tangible participation and constructive contribution by our members, also from the younger generation. The Institute is as strong as its members if we want to move forward as one front.

I assure our members that we are looking into the feedback received in great detail and we plan to introduce effective changes to address the concerns raised by members and to continue improving those areas which were the subject of positive feedback.

Concurrently, we continue investing heavily in our Continuous Professional Education (CPE) programme to ensure that our CPE offering is relevant and tailor-made to the changing needs of the profession. It is our belief that investment in education is a fundamental element to continue enhancing the quality of our profession and have professional accountants who master a rapidly evolving profession. We have also developed a new and innovative bundle offering that seeks to give better value to our members.

Another issue of concern in the profession is the availability of human resources. We are seeking to address this matter through different channels, looking for both quick wins as well as longer term solutions. We are considering the development of a policy document to attract quality EU citizens and third country nationals who would be willing to select Malta as their home over the longer-term. In parallel, we are also seeking to secure the foundations for the future of the profession by investing in an educational campaign among secondary school students encouraging them to consider a career in our profession.

My appeal to our readers throughout these challenging times is to continue upholding the values and principles which characterise our profession, and not to hesitate to contact the MIA for the support required as well as to share ideas and suggestions.

Local Appointments

Grant Thornton Malta

appointed Charmaine Farrugia as Managing Director as from 3 January 2022.



PwC Malta

appointed Norbert Vella as Assurance Partner and Edward Attard as Tax Partner with effect from 1 January 2022.

News Roundup

January - March

FIAU publishes 2022 Risk Evaluation Questionnaire

The Financial Intelligence and Analysis Unit (FIAU) has recently published the 2022 Risk Evaluation Questionnaire (REQ) on its Compliance and Supervision Platform for Assessing Risk (CASPAR) portal for completion by subject persons. The Authority explained that subject persons can only submit this questionnaire through this portal. Further details on the respective deadlines for submission of this document are available on the FIAU Website.

Sustainable finance added as a supervisory priority by MFSA

The Malta Financial Services Authority has included sustainable finance as a supervisory priority for 2022. The Authority said that its supervisory priorities were split into cross-sectoral and horizontal themes, in addition to those priorities that remain sector-specific in nature. The regulator noted how Financial Crime Compliance and Corporate Governance & Compliance Culture remain key cross-sectoral MFSA focus areas in view of the country's efforts to shape Malta's reputation as a jurisdiction for serious operators.

MDB extends Covid-19 Guarantee Scheme

The Malta Development Bank (MDB) has extended the Covid-19 Guarantee Scheme (CGS) until June 2022 following approval by the European Commission. The CGS scheme supports firms experiencing liquidity issues as a result of the COVID-19 outbreak. Eligible working capital costs under the CGS include wages, rental costs and utility bills, among others. Businesses requiring such financing are to approach one of the nine accredited commercial banks intermediating the scheme.

Maltese Economy

Malta's economy has grown by 9.4% in volume terms in 2021, according to data published by the NSO. Provisional estimates indicate that the Gross Domestic Product (GDP) for 2021 amounted to €14,533.8 million, which is equivalent to an increase of €1,473.9 million. The year before, the economy had contracted by 8.3% as a result of the pandemic. The main drivers behind this growth were service activities, and to a lesser extent industry and construction.

Notification on Citizenship, Residency scheme applications

In view of recent tragic developments in Ukraine and Russia, Community Malta Agency, Identity Malta Agency and Residency Malta Agency have announced the temporary suspension of the processing of applications for citizenship and residency status from nationals of the Russian Federation and Belarus on the Basis of Investment. The agencies also notified that renewals of current beneficiaries will be processed on a case-by-case basis in accordance with the existing standard due diligence procedures. These procedures include fresh compliance checks to ensure eligibility. Practitioners are invited to monitor the situation on a regular basis and to follow attentively any new directives issued by the related authorities in view of the rapidly-evolving situation.

AML Conference Highlights MIA Proactive Role in Pushing for Timely Grey-List Exit

Following the Financial Action Task Force (FATF)'s decision to put Malta on its enhanced monitoring procedure, the Malta Institute of Accountants has taken a proactive and leading role in supporting Malta's efforts in ensuring a timely exit from this predicament.

Over the past months, the Institute was very active behind the scenes and presented several recommendations to the authorities on proposals involving enhanced regulation of the profession.

The MIA also brought together major stakeholders to discuss and identify ways to ensure the strengthening of Malta's AML actions and secure Malta's compliance with FATF recommendations.

This AML Conference, attended by some 200 professionals, provided participants with exclusive insights, particularly on beneficial ownership and tax evasion - these being the two key areas on which the FATF has pushed Malta for further action and change.

During this Conference held in December 2021, the Institute noted that the timely exit from the grey-list should not be at the "cost of stifling business", insisting also that in the same way that the growth and success of the Maltese jurisdiction was the result of the collective effort of all stakeholders, it is now again time for everyone to take the necessary, decisive action required from the respective ends.

This event was supported by Lexco Compliance Solutions, InScope and Konnekt.



Awareness Sessions

Bringing Students Closer to the Accountancy Profession

Few would probably dispute the role of accountants in today's communities, whether business, voluntary or sporting organisations and beyond. While traditionally, the profession was associated with management of a company's financials, the extensive training provided to accountants today enables them to develop major skills that can be widely used throughout their professional life. Above all, accountancy – through study and work experience – moulds individuals in adopting a pragmatic and objective approach in solving issues.

This quality is a very important characteristic which allows qualified accountants to ply their trade in firms operating in widespread economic sectors, involving themselves in corporate strategy, providing essential advice, leading diverse projects, and managing thorough reforms. These were the key messages that over 30 industry leaders, including MIA representatives and other private sector stakeholders, shared with hundreds of young people during awareness sessions organised by the MIA with students from public, church, and independent schools.

These awareness sessions, which commenced last November, were originally conducted online and were eventually replaced with in-person sessions as the COVID-19 situation in Malta improved. While the Institute and participating speakers adapted their efforts towards the reality of online sessions, the possibility of meeting students face-to-face significantly improved the effectiveness of such sessions.

Through innovative presentations and practical examples from professional speakers, students were provided with an overview of the diverse career options available to accountants. This was coupled with a recurrent message that accountancy offers

stable, well-remunerating and exciting jobs. In total, some 60 sessions were held over the past four months.

MIA Chief Executive Officer Maria Cauchi Delia, who was also one of the professional accountants to share her experience with participating students, expressed her satisfaction at the progress of this project.

“The school educational #AccountsForYou campaign is part of a larger project which the MIA intends to embark on over a number of years in line with its education related objectives. Due to Covid restrictions, online after-school sessions were initially held and students attended on a voluntary basis. The sessions were switched to physical ones as soon as it was possible to do so. Both the students and the Institute found the experience of physical meetings during school hours to be more rewarding and fruitful.” Ms Cauchi Delia added that these exchanges with students also meant that the Institute has received valuable feedback. “This feeds into our efforts to improve the effectiveness of the sessions and to allow us to plan ahead similar initiatives in the near future in the context of our wide-ranging efforts to drive up interest in accountancy as a career prospect.”



ACAMS®

☎ +356 79093467

@ acams@maltapoint.com

An Update on ESEF

Directive 6 - The Accountancy Profession (European Single Electronic Format) Assurance Directive

Directive 6 - the Accountancy Profession (European Single Electronic Format) Assurance Directive was issued by the Accountancy Board on 1 February 2022. It applies to Assurance reports on annual financial reports and financial statements included therein, published by Issuers whose securities are admitted to trading on a regulated market in the EU, for financial years beginning on or after 1 January 2021, and which fall within scope of the European Single Electronic Format (ESEF).

The Directive was drafted by the Accountancy Board in consultation with the MIA ESEF Working Group. The ESEF is being introduced pursuant to Article 4(7) of the Transparency Directive - Directive 2004/109/EC. The ESEF is the new single electronic reporting format for the issuance of annual financial reports to be published by Issuers of listed companies.

The ESEF provisions integrated in the Transparency Directive are based on the consideration that a harmonised electronic format for reporting would be very beneficial for Issuers, investors and competent authorities, since it would make reporting easier and facilitate accessibility, analysis and comparability of annual financial reports. The ESEF has been specified in Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 with regard to regulatory technical standards on the specification of a single electronic reporting format ("the ESEF Regulation").

According to the European Commission services' combined reading of the provisions of the Transparency Directive, the Accounting Directive and the Audit Directive – which are subject to national transposition in each Member State, statutory auditors of companies with securities listed on EU regulated markets will have to provide an opinion as follows:

- i. an audit opinion stating whether the financial statements included in the annual financial reports give a true and fair view in accordance with the relevant financial reporting framework; and
- ii. an assurance opinion stating whether the annual financial report and the financial statements included therein comply with the requirements set out in the ESEF Regulation.

To satisfy the statutory requirements for the ESEF regulation within the meaning of Article 28(2)(c)(ii) of the Audit Directive and Article 179A(1)(c)(ii) of the Companies Act (Cap. 386), Directive 6 was primarily based on the International Standard on Assurance Engagements 3000 (ISAE 3000) (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, subject to amendments specified in the Directive and further clarifications specific to ESEF as provided in the Directive.

The ESEF Regulation requires Issuers to prepare a single "report", comprising one or several electronic files. The Report is to include, in particular, financial statements, the management report and responsibility statements of the persons responsible within the company. The information in the files is to be prepared in XHTML format, which is human-readable. There is also an additional obligation if consolidated financial statements are prepared on the basis of International Financial Reporting Standards (IFRS). These need to be marked up in accordance with the ESEF taxonomy (based on the IFRS Taxonomy) using mark-ups (XBRL tags) and inline XBRL technology. The mark-ups ("tags") embedded in the report will make the financial statements machine-readable.

In terms of article 154 of Companies Act (Cap. 386) the Directors and other officers of the Issuer have a duty to provide information to the auditor. This extends also to the auditor's work on the ESEF documents. In short, Directive 6 requires auditors to issue an opinion communicating reasonable assurance on the tagging of



the consolidated financial statements and that these satisfy the 'relevant statutory requirements' of the ESEF Regulation. Consequently, only the 'Reasonable Assurance' related procedures referred to ISAE 3000 will apply for the ESEF engagement. The same applies to the conclusions and reporting thereon. Other provisions in Directive 6 make reference to materiality, requirements relating to planning and performing the engagement, obtaining evidence and the assurance report. Finally, in view of the challenges encountered in signing the ESEF Annual Financial Report (AFR) electronically through a valid e-signature, a Document ID will be required to complete the process.

Dr Ivan Sammut graduated as Doctor of Laws from the University of Malta in November 1993 and obtained a Master of Arts in Financial Services from the same university in November 2001. Dr. Sammut is legal consultant at the Ministry for Finance and Employment and legal adviser of the Accountancy Board. He was responsible for the transposition into Maltese law of various accounting and auditing related European Union Directives.



ESEF – Implementation in Malta

The ESEF Regulation brings together accounting and technology, digitalising and harmonising the format in which AFRs are prepared. Naturally, the AFRs' change in format may undoubtedly impact the Issuers' corresponding procedures in preparing and publishing the AFR.

Impact on the signatures within Annual Financial Reports

In view of the challenges encountered in signing ESEF AFRs electronically through a valid signature, Issuers are expected to prepare a Directors' Declaration on ESEF AFRs. This Declaration allows the Issuers' directors to approve the contents of the ESEF AFR and to confirm that the AFR has been prepared in accordance with the applicable regulations. Issuers are expected to include the Directors' Declaration in the Company Announcement wherein the publication of the ESEF AFR is announced.

The MFSA has issued specific guidance on the corresponding new procedures relating to signatures, as applicable to ESEF AFRs, by way of Circular dated 27 January 2022.

Impact on the publication process

Due to the AFRs' new technological layer, amendments have been reflected in the Capital Markets Rules ("CMRs"), as well as the local AFR publication process, to cater for the AFRs' change in format.

Historically, local Issuers used to make their AFRs public by way of Company Announcement as issued through the Malta Stock Exchange ("MSE"), being the Officially

Appointed Mechanism in Malta. Whilst this is still applicable, a new step has been introduced in the AFR's publication process. As per the amended CMR 5.56, the AFR shall be, "...lodged with the MFSA for Validation..." prior to its publication.

Subsequently, and only upon successful validation, the ESEF AFR is automatically shared with the MSE, albeit not yet published. In order to make the ESEF AFR public, Issuers shall issue a Company Announcement through the MSE, with the said announcement being linked to the ESEF AFR already successfully validated at MFSA-level.

In preparation for the publications due in 2022, requiring the lodging of the ESEF AFRs with the MFSA through the ESEF Live Environment, Issuers are encouraged to make use of the ESEF Test Environment, a separate simulation environment developed by the MFSA for testing purposes.

The MFSA has issued specific guidance on the lodging and publication of ESEF AFRs by way of Circular dated 31 January 2022.

Concluding Remarks

Whilst at its core ESEF brings about a format change to the AFRs, its impact appears to be more far-reaching. Indeed, in implementing ESEF locally, its effects on the Issuers' continuing obligations, the corresponding statutory audit requirements, and the filing with the Business Registrar have already come to light. Subsequently, in having the ESEF AFRs made public in Malta, for the first time in 2022, it will surely be

>>

<<

interesting to witness the benefits of ESEF materialise, including by way of increased transparency, usability, and comparability.

Gabriel Aquilina is a Senior Analyst with the Securities and Markets Supervision function at the Malta Financial Services Authority. He works within the MFSA's Capital Markets team and specialises in the Continuing Obligations of companies listed on a regulated market.

Leanne Darmanin is an Analyst with the Securities and Markets Supervision function at the Malta Financial

Services Authority. She works within the MFSA's Capital Markets team and specialises in the Continuing Obligations of companies listed on a regulated market.



ESEF: The filing procedure with the Registrar of Companies

In view of the various problems and technical difficulties encountered at a European Union level with having a valid electronic signature on ESEF documents, an interim measure was resorted to whereby the Malta Business Registry (MBR) is to be provided with a Directors' Declaration as well as a copy of the auditor's report. A notice on the applicable procedure was published by the MBR on 27 January 2022.

As a first step, the ESEF document is to be filed electronically with the MBR by sending an e-mail on esigning@mbr.mt. Additionally, the Issuer is required to send to the MBR a copy of the auditor's report together with the Directors' Declaration. Since the MBR encourages electronic submissions, it is recommended for Issuers to send these documents in electronic format together with the ESEF document. The copy of the auditors' report and the Directors' Declaration would require the use of the qualified electronic signature, which is the legal equivalent of the signature in wet ink. Alternatively, the copy of the auditor's report and the Directors' declaration may be submitted in paper format, requiring wet-ink signature for authentication purposes.

The MBR is in communication with its various European Union counterparts to find a long-term solution that would make it possible for Issuers to amalgamate all procedures by submitting one ESEF document which would include the Directors' and auditor's signatures.

Dr Damian Paul Cassar - Senior Legal Officer, Legal & Enforcement Unit - Malta Business Registry

Damian Paul Cassar graduated with a Doctor of Laws from the University of Malta in 2017 and was admitted to the Bar in January 2018. Following legal practice in Maltese Courts and Tribunals, Damian joined the Malta Business Registry in January 2020 and will be graduating from the University of Malta in March 2022 with a Master of Science in Blockchain and Distributed Ledger Technologies (Law and Regulation).



What is the role of the auditor in this process?

The role of the auditor in connection with ESEF has been addressed by the European Commission and the Committee of European Auditing Oversight Bodies, who both consider ESEF rules to be statutory requirements within the meaning of the EU Audit Directive. Assurance reporting is accordingly required on all Issuers' AFRs in XHTML format and the relevant XBRL taggings, the latter applicable for those Issuers that prepare

consolidated financial statements under International Financial Reporting Standards (IFRS).

The local assurance standard for ESEF purposes is Directive 6 (as explained in more detail on pages 12-13). The objective for the statutory auditor is to obtain reasonable assurance about whether an Issuer's AFR complies in all material respects with the requirements of the ESEF Regulation.

>>

Start Your Baker Tilly Journey

When you work with Baker Tilly, you'll notice that we're more than just an accounting, auditing, tax, and business consulting company. As our clients seek opportunities, we make it our job to know and meet their long-term goals and ambitions, anticipating and reacting to any challenges.

We're looking for candidates who can help our clients overcome their most pressing challenges and seize new opportunities whilst creating positive interactions with them. Our relationships are sincere and we always make sure to have a deep understanding of our clients' current situations and can provide knowledge that will help them shape their future and overcome every obstacle.

At Baker Tilly, we help you transform your dreams into reality, and our global network allows you to expand your scope through ours.



Collaboration

We are at our best when we work together



Passion

We put forth our best effort every day for the benefit of our people, our clients and our firm



Stewardship

We invest for the future with the intention of creating a better tomorrow

Contact Us

www.bakertilly.mt
apply@bakertilly.mt

<<

In summary, the auditor's procedures, relating to ESEF AFRs should include the following:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the AFR, in accordance with the requirements of the ESEF Regulation;
- Obtaining the AFR and performing validations to determine whether the AFR has been prepared in accordance with the requirements of the technical specifications of the ESEF Regulation; and
- Examining the information in the AFR to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF Regulation.

As part of these procedures the auditor will need to determine the risks and procedures in relation to ESEF for the specific Issuer. In this respect, a technological solution will most likely be required in order to help the auditor assess compliance with required technical specifications. To address the principal assertions of completeness and accuracy, the auditor will also need to assess whether the Issuer has marked-up the primary financial statement line items to the tag with the closest accounting meaning within the core taxonomy provided in Annex VI of the ESEF Regulation.

In instances where the core taxonomy does not cater for certain entity-specific disclosures, the Issuer will need to create what is referred to as an extension tag. When applying these extensions, Issuers and their respective auditors need to bear in mind that unnecessary extensions will reduce the comparability and usability of tagged data which is the ultimate objective of ESEF, and therefore it is imperative to minimise extensions to where it is clearly essential. Furthermore, company specific extensions need to be anchored to the Core taxonomy tags in accordance with the rules included in the ESEF Regulation. In order to facilitate this anchoring process, the ESEF Regulation provides a decision tree to assist Issuers in applying the appropriate anchors. In turn, the auditor will need to ensure that such extension tag and respective anchoring is appropriate.

In the absence of technology to electronically sign an XHTML/iXBRL AFR without causing validation errors, a Document ID is to be used. This serves to authenticate and identify the audited version of the ESEF reporting package. This Document ID will be included in the:

- Company's Certification Statement, which certifies that the ESEF reporting package has been authorised for issue and signed by the Company Secretary and by two members of the Board;
- Letter of representation issued by the Issuer to the auditor; and
- Covering letter sent by the auditor to the Issuer, which accompanies the signed auditor's report.

Further details on this process are included in the guidance issued by MIA.

It is imperative that all key stakeholders in this process engage at an early stage in order to ensure that this process runs smoothly. One element that is strongly recommended is to conduct a dry run using the prior year's annual report and uploading this on the MFSA's test gateway for feedback and identification of any validation errors. Issuers are also encouraged to prepare the necessary tagging early and hold the necessary discussions with auditors, with particular attention to judgemental areas. Based on experience one should not underestimate the number of rounds of review that are necessary before concluding and the time needed to address some of the "errors" identified, also bearing in mind it is the first year of such implementation.

By the time of publication of this article, a number of publications will have been publicly made both in Malta and across Europe. It is recommended to learn from these and smoothen the process going forward as it will become standard procedure.

Konrad and Antoine are members of the MIA ESEF Working Group. Konrad is a senior manager at PwC within the assurance line of service. Specialising in financial reporting, auditing and assurance, his portfolio includes a number of listed and private entities in various areas of industry and commerce. Antoine is the lead Senior Manager of Assurance within the Audit and Assurance function at Deloitte and also acts as the audit senior manager on a number of local and international audit clients.





How do you bend
the forces of change
when the forces
aren't in your control?

If you want to form part of our
dynamic team and make a serious
impact in your career, please visit:
www.ey.com/en_mt



The better the question. The better the answer.
The better the world works.



Building a better
working world

ISQM 1 & 2: Redesigning Quality Management as we know it



A major reform into the way quality management is interpreted and implemented will come into force later this year with the introduction of new and revised Quality Management Standards. These will become applicable after years of debate, consultation and feedback at various levels. ISQM (International Standard on Quality Management) 1 and 2 will be applicable as from 15 December 2022, giving accountancy and industry professionals a few more months to get prepared for what is expected to be a game-changer for the industry.

In view of the coming into force of the new suite of quality management benchmarks, Ms Karen Sultana, Head of the Accountancy Board's Quality Assurance Unit (QAU), has dissected the two new standards, ISQM 1 and ISQM 2, and shares the key take-home points from both.

1. Why were the new quality management standards necessary?

As a result of the IAASB's internal assessments through the ISA Implementation Monitoring Project which was completed in 2013 and consultations with the public, feedback from ongoing outreach activities as well as findings from audit regulators' inspections reports (EU – through the Committee of European Auditing Oversight Bodies (CEAOB) Inspections Group, in which Malta is included), the IAASB determined that a project to address key findings arising from ISQC 1 would be undertaken.

This project started in 2014 and new standards in relation to ISQM 1 and 2 as well as the revised ISA 220 are now effective for audits and review engagements beginning on or after 15 December 2022.

ISQC 1 is now being replaced by ISQM 1 and ISQM 2. Furthermore, ISA 220 has also been revised.

ISQM 1:

- Aims to enhance the robustness of the firm's System of Quality Management (SOQM);
- Requires the audit firm to customise the design, implementation, and operation of its SOQM based on the size of the firm and type of audit clients it services; and
- Leads to an integrated quality management approach that reflects upon the system as a whole.



InScope is an affordable and reliable first-line defence in managing your AML-CFT risks.

It offers a very easy software solution to put your mind at rest by offering a secure and centralised platform to manage all your AML-CFT risks. The days of spreadsheets will belong to the past!

Main Features

- Adaptable Client Data Repository
- Comprehensive Dashboards, Alerts and Reminders
- Automated Client Risk Assessments
- Customisable Reports and Statistics
- Intuitive and Secure Interface
- Seamless Customer Onboarding with Self-Service Portal

AML Compliance Made Easy

Discounted Pricing for MIA members

Contact us for a Demo:

- 📍 50, Giorgio Preca Street,
San Gwann SGN 3510, Malta
- 📞 +356 2704 2495
- ✉️ info@inscope-aml.com

inscope-aml.com

<<

• Key changes include:

- ◊ A more proactive and tailored approach to managing quality, focused on achieving quality objectives through identifying risks to those objectives and responding to the risks.
- ◊ Enhanced requirements to address governance and leadership within the firm.
- ◊ Expanded requirements to modernise the standard and reflect factors affecting the firm's environment, including requirements to address technology, networks, and the use of external service providers.
- ◊ New requirements addressing information and communication, including communication with external parties.
- ◊ Enhanced requirements for monitoring and remediation to promote more proactive monitoring of the SOQM as a whole, and effective and timely remediation of deficiencies.

ISA 220:

- Deals with the responsibilities of the auditor regarding quality management at the engagement level; and
- The related responsibilities of the engagement partner.

This standard applies to audits of financial statements.

These standards should all be scalable to the size of the firm/practice.

2. Why are these important from your point of view?

The new quality standards will serve as a catalyst for firms and practices to re-assess current practices and take a more risk-based approach to address risk factors arising.

Locally, it was noted that policy and procedure manuals based on ISQC 1 were very similar in nature from one firm to another.

Based on QAU reviews it was also noted that in a number of situations the firm's/practice's ISQC 1 manual did not adequately reflect the nature and size of the firm as well as the particular risks pertaining specifically to that firm.

ISQM 2:

- Addresses the appointment and eligibility of the engagement quality reviewer; and
- Addresses the engagement quality reviewer's responsibilities relating to the performance and documentation of an engagement quality review.

The requirements for engagement quality reviews currently are found in ISQC 1 and ISA 220. When the new standard becomes effective, ISQM 2 replaces the provisions relating to engagement quality reviews in ISQC 1 and ISA 220.

3. How will these changes address problems and deficiencies encountered/being encountered by the Quality Assurance Unit?

- ISQM 1 focuses on 8 components: (a) The firm's risk assessment process; (b) Governance and leadership; (c) Relevant ethical requirements; (d) Acceptance and continuance of client relationships and specific engagements; (e) Engagement performance; (f) Resources; (g) Information and communication; and (h) The monitoring and remediation process.

>>

Are you sure your critical information is secure?

As corporate hacking incidents are on the rise, organisations need a solid strategy to mitigate risks. That is when we come into play.

Grant Thornton's IT Audit services are built to address concerns in company operations, processes and systems.

We create business solutions that can help your organisation mitigate risks, support the company and its business objectives, promote efficiency and effectiveness and improve IT internal controls.

Visit www.grantthornton.com.mt/service/technology-advisory-services/ to find out about our whole range of IT services.



Audit | Tax | Advisory | Outsourcing

<<

A risk-based approach must be taken in designing, implementing and operating the components of the system of quality management.

- Risks will need to be given more importance and the firm/practice must respond to those risks.
- During Quality Assurance Unit visits to firms and practices a number of issues with Engagement Quality Control Reviews were noted, particularly on PIE audit engagements. Having more clarity on who can be appointed as an Engagement Quality Control Reviewer, what work should be performed as well as documented, will address the past shortcomings.

4. Who will benefit from implementation? What are the key benefits?

Various stakeholders should benefit from the implementation of the new standards particularly the firm/practice itself as well as the clients being serviced. Regulators locally will also benefit from the transition to the new quality standards.

Key benefits include the following:

- More robust governance and leadership;
- Introduction of a risk-based approach focused on the objective of achieving quality;
- Expansion of resources including human, technological and intellectual;
- Improving information and communication;
- Proactive monitoring of the system as a whole and timely and effective remediation;
- Evaluation of the system of quality management on an annual basis;

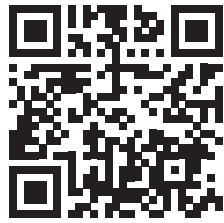
- Addresses the use of networks;
- Extends the scope of engagements subject to an engagement quality review;
- Strengthens the eligibility criteria for an individual to be appointed as an engagement quality reviewer; and
- Enhances responsibilities in regard to performance and documentation of engagement quality reviews carried out.

5. Key recommendations for implementation

- Plan ahead;
- Dedicate time and resources; and
- Consult other professions and, when available, the firm's network.



Ms Karen Sultana is Head of the Accountancy Board's Quality Assurance Unit within the Ministry for Finance and Employment. She is a Certified Public Accountant and holds a practicing certificate in auditing with the Accountancy Board. She is also a fellow of the Malta Institute of Accountants. She received the Bachelor of Commerce degree and the Bachelor of Accountancy (Hons) degree from the University of Malta. She has worked for a number of years in audit with one of the big four audit firms both locally and abroad. Since 2006, she has been actively involved in quality assurance. She also assists the Accountancy Board in a number of regulatory matters.



Upcoming CPE Events 2022

6 APR	Competition Law in Malta – The Basics	Legal
6, 13 & 20 MAY	The Insurance Regulatory Landscape – Where We Are and Where We’re Heading	
23 JUN	Basics of Rent Law	
7 & 8 APR	CFO Perspective: Venture Capital & Start Ups	Management & Finance
21 & 28 APR & 5 MAY	Raising Finance on Capital Markets	
3 & 10 MAY	CSPs: Getting to Grips with Risk Management	
13 APR	Fundamentals of DLT regulations in Malta, a non-technical dive	Digital
26 APR	The EU Proposal to Implement the Global Minimum Tax	Tax
27 APR	The Importance of VAT compliance...walk through the different VAT penalties & interests	
4 MAY	Tax & Duty Implications on Transfer of Securities & Other Relevant Considerations	
19 MAY	The Impact of VAT on Distributed Ledger Technology	
3 JUN	Compiling the Income Tax Return for Individuals	
17 JUN	The Company Tax Return	
20 APR	Accounting For Cryptographic Assets	Financial Reporting
11 MAY	Construction and real estate – revenue, lease and investment property accounting	
20 MAY	IFRS 17 - Session 3	
21 JUN	Reporting Suspensions of ML/FT: Good Practices	AML
29 APR	Resilience & Self-Care – Preventing Burnout & Ensuring Mental Health & Wellbeing	Skills

The New Quality Management Standards: A game changer for auditors?

Perspective of the MIA Audit and Assurance Committee

With the implementation of ISQM 1, with effect from 15 December 2022, every firm is expected to:

- a. establish the quality objectives, identify and assess the quality risks, and design and implement the responses to the risks identified; and
- b. design and implement the monitoring activities.

With ISQM 1, all firms, irrespective of size, are experiencing a shift in emphasis from quality control to quality management within the different spheres of the firm. Also, as noted on page 20 by the Head of the Accountancy Board's Quality Assurance Unit, one of the key changes introduced by ISQM 1 relates to enhanced requirements for monitoring and remediation. In fact, in addition to monitoring and the identification of deficiencies, ISQM 1 necessitates a remediation process.

This means that a rigorous risk assessment process, which involves the carrying out of a root cause analysis, is required. Therefore, the focus should not only be on the symptoms identified but also on the actual cause of the highlighted risks. For example, if one attributes a particular deficiency to a lack of proper review or supervision, one needs to dig deeper and understand why this is arising - is it because of insufficient training, lack of resources and/or other factors? A practical paper issued by the Institute of Chartered

Accountants in England and Wales, **Improving audit quality using root cause analysis**, covers the key questions that one needs to take into account when carrying out a root cause analysis, these being 'what, why, how, who and when?'

The elements prescribed by ISQM 1 need to be addressed together with the relevant ethical requirements which are to be extended to include the entire network of the practitioner; acceptance and continuance of client relationships and specific engagements; and engagement performance. One should act with professional scepticism throughout the entire process.

How is the increase in the number of components (from 6 to 8) and the need for a proper root cause analysis impacting current practices? What are the benefits?

The requirements are very broad and very pervasive. Experience is showing that implementing this guidance resembles more a control-based audit. Although one might not need to implement an actual revision in the audit methodology being applied, it might still be argued that ISQM is necessitating a significant transformation in the processes adopted through the need for enhanced documentation for decisions made. This also entails a change in the mindset of the practitioners involved.

Significant input will be required with respect to the risk assessment process and the root cause analysis. The risk assessment process is a rigorous one that entails identifying risks for each objective and rating those risks. This risk rating impacts the design and implementation of responses to the highlighted risks.

Whilst the implementation of this new standard will surely enhance the administrative burden on practitioners, yet it should also be seen as a value adding opportunity resulting from more effective risk management.

To what extent is all this necessary?

It is understood that in applying the risk-based approach there is scope for scalability depending on the nature and circumstances of both the practitioner and also the engagement performed.

Perspective of the MIA Small and Medium Practitioners Group

Small and Medium Practitioners note that the new Quality Management Standards oblige firms to customise the design and operations of quality management systems, necessitating also significant financial outlay to implement. Keeping in view that the requirements depend to an extent on the size and type of clients the firm services, this is an example of where the principle of proportionality could be applied.

Notwithstanding all the challenges, it is acknowledged that these standards have a far-reaching impact and will contribute to help practitioners up their game. As always, industry professionals remain committed to carry out business in a way that ensures compliance with all the applicable requisites, while at the same time remaining at the front end to help the industry to raise the bar and showcase Malta as a high-quality jurisdiction.

Concluding Remarks

Implementation of the standard is currently underway. The implementation process is time consuming and therefore practitioners within the different spheres of firms should plan accordingly to ensure that they are properly set-up by December 2022.

Those firms that have early adopted parts of this standard or have progressed substantially with the implementation are now looking forward to also seeing benefits coming out of this process. More organised and structured documentation should assist management in having a better and broader view of its different quality management processes and the risks associated for the particular firm, therefore highlighting where certain decisions may be needed to enhance operations.

While it might still be early to perceive other benefits that practitioners will experience, it can be concluded that the new requirements are a game changer for the profession.

The MIA will be there to assist its members on the matter by providing the necessary training and guidance. Any queries should be addressed to technical@miamalta.org.

WANT TO JOIN THE MIA TEAM?

Full-time POSITIONS AVAILABLE

Visit miamalta.org/careers



SCAN ME TO
SUBMIT YOUR
WORK



GET YOUR WORK RECOGNISED

We are giving **YOU** the opportunity to have your work featured across different MIA platforms of communication. In order to apply, you are requested to fill out the following survey - bit.ly/GetRecognised

What will this opportunity give you? You have the possibility of getting exposure on:

- ◆ Our website with 80,000 views per month
- ◆ Our social media platforms with over 6,000 followers
- ◆ Our direct mailing list with 10,000 subscribers
- ◆ Our quarterly magazine distributed to 3,900+ members and also online!

Be the one to join a
team of experts.



rsm.com.mt

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



Each member of the RSM network is an independent accounting and advisory firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London, EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug. Any articles or publications contained within this website are not intended to provide specific business or investment advice. No responsibility for any errors or omissions nor loss occasioned to any person or organisation acting or refraining from acting as a result of any material in this website can, however, be accepted by the author(s) or RSM International. You should take specific independent advice before making any business or investment decision.

How Will Your Firm Apply the **Quality Management Standards** in Practice?

IAASB & IFAC Webinars Aimed at Supporting Firms Around the World in Applying ISQM Standards

The revision of the International Standards of Quality Management (ISQM) represents an important, globally-significant opportunity for enhancing the quality and value of the audit and assurance functions around the world. Expanding focus beyond quality control, towards a more risk-based approach on quality management, the ISQM standards have the ability to advance the quality of information driving global capital markets, improve the value of financial information used in Small and Medium Enterprises' (SMEs) decision-making, and promote enhanced transparency and accountability in the financial sector.

Given the significant role in advancing the overall quality of financial

information around the world, the roll out of the ISQM standards was recognised by the IAASB and IFAC as a strategic priority.

With a recent emphasis on impact orientation and enhanced cross-functional collaboration, IFAC and IAASB have drawn together professionals from across our two organisations to address the need for a coordinated global approach to ISQM awareness building, regulator and Professional Accountancy Organisation (PAO) capacity building, education and training, and the development of web and other resources.

Initial emphasis has focused on the creation of the IAASB's four global seminars to enhance knowledge and understanding:

- Webinar One: All You Need to Know about the Firm's Risk Assessment Process
- Webinar Two: Resources: Expectations for Firms and Engagement Partners
- Webinar Three: What's New for Firms' Monitoring and Remediation Processes
- Webinar Four: Bringing it All Together: Exploring all the Components of a Quality Management System

While the first webinar "All You Need to Know about the Firm's Risk Assessment Process," provides an overarching view of





Don't wait. Act.



You don't join Mazars by coincidence, you choose Mazars: a global school of excellence where you will be challenged to develop and grow. With our track record of uninterrupted growth, our people determine our success in what Mazars and our clients do next. Progression is tied to education, empowering you to match your career to your aspirations both within and outside our firm. With our people, we pioneer new ways of working, caring for their psychological safety and development, providing flexibility and modern workspaces. We expect your contribution and reward your ingenuity. Come and write the rest of (y)our story with us – you'll make friends along the way too.

Our careers:

- Audit & assurance
- Risk consulting
- Financial advisory
- Outsourcing
- Tax

Mazars, the smart choice.

www.mazars.com.mt

<<

the quality management standards, the second webinar “Resources: Expectations for Firms and Engagement Partners,” focuses on the inclusion of technological and intellectual resources in the quality management standards. In our changing world, engagement teams depend very heavily on technology and intellectual resources. Under ISQM, the firm and engagement partner focus centres on the need to develop these categories of resources in order to operate the system of quality management and to undertake engagements effectively. To ensure that these resources keep in step with the changing world around them, once developed, ISQM outlines the need for resources to be updated and maintained to deliver quality on an ongoing basis.

With a view to bringing a modern and holistic approach to quality, the Quality Management standards expand and better recognise the changing environment in which firms operate. In the third webinar “What’s New for Firms’ Monitoring and Remediation Processes,” firms explore the need for an expanded scope for monitoring and remediation, specifically, the magnification of a firm’s monitoring and remediation to take into account the whole of a firm’s System of Quality Management (SOQM). This goes beyond the concept of

quality control to include the firm leadership, engagement partners, and others in the firms (including engagement quality reviewers). In this webinar, presenters explore the key to enhanced monitoring and remediation being an integrated and iterative process of designing and performing monitoring activities, evaluating findings and identifying and evaluating deficiencies, responding to identified deficiencies, and communicating around these activities. Each step in this process is crucial to ensuring a comprehensive and expansive approach to monitoring and remediation which complements the expanded focus of the ISQM standards.

In the fourth and final webinar “Bringing it All Together: Exploring all the Components of a Quality Management System,” participants learn how to bring these various components together to ensure successful operationalisation of a SOQM. This webinar covers the connecting attributes such as assignment of responsibilities, governance and leadership, relevant ethical requirements, information and communication, network requirements or network services, evaluation of the SOQM, and documentation which are necessary to draw together and activate the previously covered components of ISQM. Of significant emphasis in this session is the importance of firm culture. Ensuring that

ultimate responsibility for the SOQM is embodied by the CEO, managing partner and/or managing board of partners (tone at the top) and that the firm culture and governance structure reflects the importance of quality at all levels is crucial to building a successful SOQM. Further, ensuring that the firm, its personnel and others including the network, network firms and external service providers are aware of the scope and various aspects of relevant ethical requirements is important to advancing a culture of quality.

How important is it for you and your firm to view the IAASB-IFAC four part webinar series? Eighty-five percent (85%) of webinar attendees believed that they better understood how all the components of a quality management system work together after watching this series. Eighty percent (80%) of attendees believed the ISQM changes they were trained to make to their firm's quality management system will increase the quality of their firm's audit services.

To view IAASB’s four global quality webinars, please visit www.iaasb.org/publications/quality-management-webinar-series.

Gabriella Kusz, Principal of Strategic Initiatives, IFAC

right size, right people, right answers



WE'RE HIRING AUDITORS & ACCOUNTANTS

JOIN OUR TEAM

Audit | Accounts | Advisory | Tax | Legal

Apply here:

www.pkfmalta.com/careers • info@pkfmalta.com

Mazars in Malta

A future built on confidence in its people

The first few weeks of 2022 have seen exciting and significant developments for audit and business advisory firm Mazars. Earlier this month, the global Mazars Group announced its financial results for 2020/2021, with CEO and Chairman Hervé Hélias stating that “2021 was an excellent year in terms of our business and financial performance.” Meanwhile, Mazars in Malta also registered a very positive performance during this reporting period. In fact, the firm, which now employs 80 people under the leadership of four partners, recorded a 22% increase in fee income, up to €4.69 million. Commenting on these results, Managing Partner Anthony Attard stated that “despite facing another challenging year, our people remained focused on delivering a high-quality service and creating significant value for our clients. Encouraged by this year’s results, we remain committed towards maintaining the highest possible quality standards, thus serving the best interests of all our stakeholders.”

Mr Attard added that “more importantly, the events of 2020 and 2021 have also given cause for reflection on our goals for the coming year and beyond, with our partnership being adamant about pursuing a sustainable but forward-looking business plan for the firm.” One major decision taken a few years ago and which has seen its fruition during January of this year, has been that of looking for a new home for the firm in Malta. During the first days of 2022, Mazars announced its official move to new premises situated at The Watercourse, a prestigious building located within Malta’s premier financial hub, the Central Business District in Mriehel.



According to Mr Attard, the move to The Watercourse, built to state-of-the-art architectural and environmental standards, “dovetails with Mazars’ vision of engendering a positive and collaborative work-environment, while at the same time reflecting the firm’s ethos of transparency and professionalism.” He added that since the move to an open-space environment “we have already noted a fresh sense of vibrancy across the firm, significantly reflected in the increased cross-fertilisation of ideas and opinions, including between people from the various departments, and between our younger and more experienced people.”



As a matter of fact, the move to The Watercourse is also seen by the firm as an effective means of reinforcing its employee value proposition, which emphasises Mazars' commitment to being a school of excellence, with education as the backbone of the firm's talent and leadership development strategy. Head of HR Michael Falzon spells out clearly how Mazars envisions its working environment: "You join Mazars to learn. In such a knowledge-intensive industry as is ours, we very much rely on the quality of our people. And learning and development at all stages of the professional journey is what is expected from a responsible, modern firm. This is what we owe to our people, clients, stakeholders and society as a whole." In this regard, he also highlighted Mazars' emphasis on international experience, whereby employees are given various strategic mobility opportunities, ranging from short-term assignments to longer-term placements.

Mazars places considerable importance and invests significantly in attracting the kind of young people who share the same mindset as the firm, and in nurturing their growth as professionals once they join. But what exactly does this mindset entail? Michael Falzon explains that one of the fundamental pillars of Mazars' HR policy is that of providing "an accessible management style, coupled with a permanent feedback and coaching culture; an environment where graduates retain the freedom to be themselves - to try things out, to fail, and to learn." He adds that at Mazars, "we are always looking for ways to enhance the working environment so as to cater for our employees' psychological wellbeing, to foster innovation and creativity, and for our people to develop a true sense of purpose. In line with our ethos as a firm, we are interested in engaging and fostering independent thinkers who are open to new ideas, and who are not afraid to implement them."



Mazars in Malta

Mazars in Malta is a multidisciplinary firm that offers a varied range of services. It is divided into four service lines, namely Audit and Assurance, Outsourcing, Tax and Advisory. The firm is managed by a partners' committee composed of the four partners, and a board of directors comprising of six people, with another two in the process of being appointed as directors. Apart from being Managing Partner of the firm, Anthony Attard is also the Outsourcing and Assurance partner. Moreover, he heads the accounting department, and is responsible for the firm's overall administration. Anthony also acts as the compliance principal within the firm. Alan Craig is the partner who heads the Advisory department of the firm. He is also responsible for the firm's overall promotion and development. Alan acts as the Money Laundering Reporting Officer (MLRO) within the firm. Paul Giglio is a Tax and Assurance partner. His remit also encompasses responsibility for human resources matters. Tino Riolo is the Audit and Assurance partner, and is the partner in charge of technical matters within the firm.

This article is a paid advertorial.

Interview with **European Parliament President Dr Roberta Metsola**

Fresh from her election as the new President of the European Parliament, Dr Roberta Metsola accepted the Malta Institute of Accountant's invitation for a wide-ranging interview addressing the key themes on the agenda from climate change to tax harmonization, from democracy to sustainability.

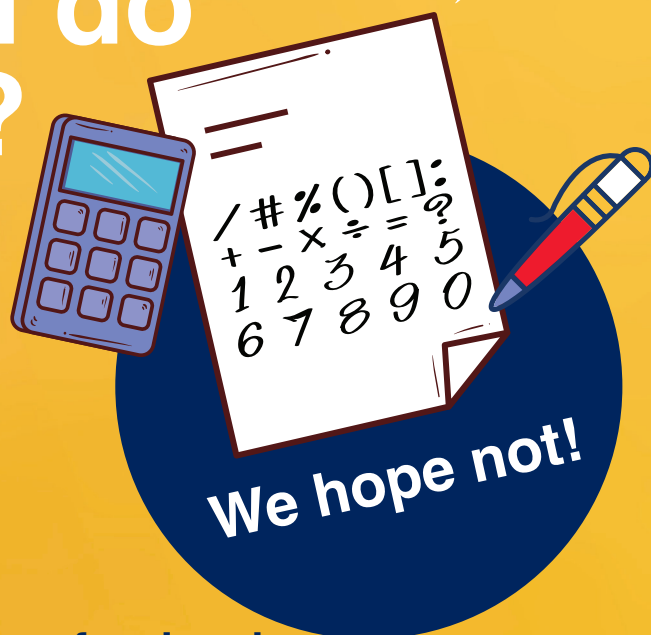
In your acceptance speech in Strasbourg, you highlighted quite a number of priorities for the next two and a half years – but if you could really see Parliament, and the wider EU accomplish three objectives in that timeframe – what would you aim for?

In the February 2022 Eurobarometer, 39% of respondents said that the fight against climate change is one of their top priorities. Politicians no longer have the luxury of saying that climate change is a problem for another generation to deal with. The European Parliament is committed to mitigating and reversing the effects of climate change, in the upcoming two and half years. Now is the time for Europe to take the lead, to re-invent itself, to ensure growth, sustainability and prosperity, while reducing emissions. My aim is for the European Union to be seen as an example to the rest of the world and show that the fight against climate change is a common global destiny. The European Parliament's role is also to defend democracy in Europe. The respect of the rule of law is essential to safeguarding our democracy. Without it, nothing else will work. If there is one Member State where our fundamental values are under threat, then European democracy as a whole is at risk. Defending the Rule of Law and fundamental values inside and outside the EU is personal to me and shall remain a priority of the European Parliament. Currently, the Conference

>>



Is this how you do your numbers?



**Talented auditors, tax professionals
and accountants wanted**

Fun Work Atmosphere • Work From Home Scheme • Study Leave • Flexible Hours

Send us an email on careers@ksimalta.com for more information.

6, Villa Gauci, Mdina Road, Balzan BZN 9031, Malta
T: +356 2122 6176 | F: +356 2122 6019 | www.ksimalta.com

 Independent member
Morison Global



Find us at our NEW office

Agora Business Centre, Valley Road Msida

<<

on the Future of Europe is underway. It is an opportunity to listen to what citizens have to say to improve the Union. We now have to ensure that the results of this exercise are translated into concrete action.

We are hopefully moving out of the worst days of the pandemic and the economy is showing vital signs of recovery. How crucial is the role of the EU in this matter?

In this post-pandemic phase, businesses from start-ups and SMEs to larger corporations across our Union require legal certainty, less bureaucracy, easier access to funding and more chances to grow. They also require an innovative spirit and environment in Europe in order to be able to recover from the economic hardships of the pandemic. The €723.8 billion Recovery and Resilience Facility, which will help Member States implement reforms and investments to kick-start their economies, is one example of how the EU is not only driving our economy but also positioning itself to regain its competitive edge.

For years, the world brushed aside concerns on climate change. The evidence that our behaviour has gravely impacted the planet is now beyond undeniable. How can we reconcile economic growth with the tough environmental commitments being undertaken?

The European Green Deal is not just about tough environmental commitments; it is about modernising slow-moving economies and re-inventing European markets. It is central to our European economic vision. It will help our economy to become more competitive and resilient, relieve the pressure on our resources and the environment and promote innovation. The challenge is huge. The circular economy involves a fundamental change. It really means re-thinking the way we design, the way we produce, consume and dispose of products. We must work to transform our market economy into a more sustainable one. It is about changing mind-sets and business models. It is about promoting competitiveness, growth and job creation. This requires creating new business opportunities, enabling innovation and stimulating investment. Our economy can grow further and more sustainably, if we are smarter. I believe we are on the right trajectory.

What is the EP doing to ensure that EU investment is pushed towards sustainable activities?

In order to meet the EU's climate and energy targets for 2030 and reach the objectives of the European Green Deal, it is vital that we direct investments towards sustainable projects and activities. The current COVID-19 pandemic has reinforced the need to redirect money towards sustainable projects in order to make our economies, businesses and societies in particular health systems, more resilient against climate and environmental shocks. The Recovery and Resilience Facility, the European Union's temporary recovery instrument, is a concrete example of the EU's commitment to making Europe more sustainable. By raising funds to help Member States implement reforms and investments in the twin transitions, the EU is on its way to achieve its target of climate neutrality by 2050 and sets Europe on a path of digital transition, creating jobs and spurring growth in the process.

Another essential element which the accountancy profession is dealing with - both internally and regarding its clients - is digitalisation. How interlinked are the efforts towards digitalisation with post-Covid recovery?

Like with the green transition, the COVID-19 pandemic has shown us how vital it is to speed-up Europe's digital transition. Professionals and businesses had no option but to quickly shift their operations and services online during this time. Our job now is to make sure their digitalisation journey is sustained in the long-term. The Recovery and Resilience Facility will require each Member State to plan to contribute at least 20% to digital actions, which will help provide the right infrastructure for professionals and businesses to continue operating online. This will make things easier, cheaper, more sustainable, more efficient and ultimately guarantees that our professionals and businesses are able to sustain their operations in every circumstance.

What are your views about the proposed CSRD directive, particularly on elements related to reporting on ESG issues?

The objective of this proposal is to improve sustainability reporting in order to better harness the potential of the European single market. It aims to contribute to the transition towards

a fully sustainable and inclusive economic and financial system in accordance with the European Green Deal and the UN Sustainable Development Goals, by ensuring that there is adequate publicly available information about the risks that sustainability issues present for companies, and the impacts of companies themselves on people and the environment. The European Parliament is carefully assessing the Commission's proposal. We acknowledge the importance of sustainability reporting while considering the proportionality of the measures proposed and their impacts. The reported information should be comparable, reliable and easy for users to find and make use of with digital technologies.

EU tax harmonisation has been a big thing in the past 24 months. Do you feel that this can be harmful even in terms of the EU's competitiveness vis-à-vis third countries close to us such as the UK and Switzerland? What about the challenges faced by smaller member states, particularly those at the periphery such as Malta?

This is an issue that has been discussed for a number of years. The aim must be to have an equitable and stable business environment, which can boost sustainable and job-rich growth in the EU and increase our open strategic autonomy. The discussion, which is taking place on a global level, is a complex one and takes into account the different realities of Member States while trying to close the loopholes that exist. This is a discussion that will continue. As regards Malta, I am informed that it has already signalled its acceptance of a global corporate tax rate pushed by the OECD.

Accountants are important drivers of the economy – working directly with large and small firms. What is your message at this critical juncture of the Maltese and European economy?

Accountants play an essential role in preventing and detecting money laundering in corporations by understanding risks, meeting regulatory obligations and encouraging compliance and good practices to mitigate these risks. Accountants must continue performing their job with integrity, accountability and transparency. That is how we build trust in our systems.

Roberta Metsola was elected President of the European Parliament in January 2022. She was first elected to the European Parliament in 2013, becoming one of Malta's first female Members

of the European Parliament. Metsola was re-elected in 2014 and then again in 2019. In 2020 she was elected as the First Vice-President of the European Parliament, becoming the first Maltese national to hold the post. She was responsible for the European Parliament's relations with national parliaments and for the Parliament's participation in the interreligious dialogue governed by Article 17 of the treaties.

Within the European Parliament, President Metsola was the EPP Group's Coordinator in the Committee on Civil Liberties, Justice and Home Affairs, between January 2017 and 2020. President Metsola was the Parliament's rapporteur on the European Border and Coastguard Regulation in 2019. She also co-authored the Parliament's own-initiative report on the need to protect journalists in the European Union from Strategic Lawsuits against Public Participation.

Professionally she is a lawyer who has specialised in European law and politics.

Prior to her election as a MEP, President Metsola served within the Permanent Representation of Malta to the European Union and later as the legal advisor to the High Representative of the European Union for Foreign Affairs and Security Policy. In her student years, she campaigned actively for Malta's EU membership, and was active in various organisations, acting as the Secretary-General for the European Democrat Student organisation between 2002-2003.

She completed an Erasmus exchange in France and graduated from the University of Malta and the College of Europe in Bruges. Born in 1979, Roberta Metsola is married to Ukko Metsola and is the mother of four boys.

Startups and Venture Capital

At the time when Malta was opening up as a business hub, and started developing key industries like Asset Management, iGaming, shipping and aviation amongst others, the business world was preparing for disruption like it had never seen before.

Marc Andreessen, legendary American Venture Capitalist, investor in Facebook, Groupon, Skype, Twitter, Zynga and Foursquare, among others, famously said

“Software Is Eating the World”

He correctly explained that “two decades into the rise of the modern internet, all of the technology required to transform industries through software finally work and can be widely delivered at global scale.” The cost of creating a business, a startup, plummeted during this period. Amazon was firing up a software engine for selling virtually everything online, no retail stores necessary.

Steve Jobs, with the Apple iPhone, had placed more computing power in our hands than what NASA had available when they sent man to the moon, and Google made all the information we ever needed available to us in seconds. If you were not in the software business, you were playing a dangerous game with your company’s future. Just ask Nokia, Blockbuster and any traditional news outlet.

Role of Venture Capital (VC)

The paper, **The Economic Impact of Venture Capital: Evidence from Public Companies**¹, revised in June 2021, shows that Venture capital-backed companies account for 41% of total US market capitalisation and 62% of US public companies’ research and development spending. The international comparison between the US and other members of the G7 club—the world’s

most advanced countries—suggests that the US Venture Capital industry is the likely causal agent behind the rise to prominence of many of these companies. Many of these top companies are global companies, but a disproportionate share of the value they create accrues to their home countries. Furthermore, one may be forgiven for associating Venture Capital (VC) only with software, but the global reach of this funding contributes to advancements in biotechnology, space, pharmaceuticals, green technology, retail, fashion and many other industries.

My thoughts here are that Venture Capital can form a central part of a long term sustainable economic model that can inspire a nation to do better.

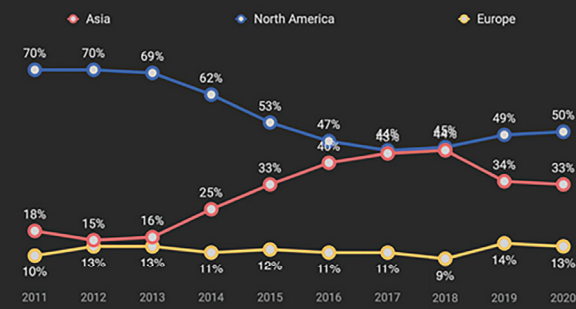
Sadly, according to Pitchbook’s 2021 data² Southern Europe’s startups raised €4 billion in Venture Capital in 2021, of which Malta attracted reportedly less than 0.5%. In turn, Southern Europe attracts approximately just 4% of the total €100 billion in Venture Capital invested into European startups. Europe is a far cry from the American capitalist model with less than 15% of the global share of VC coming from Europe³:

1 Ilya A. Strebulaev, Will Gornal, revised June 2021: papers.ssrn.com/sol3/papers.cfm?abstract_id=2681841

2 pitchbook.com/news/reports/2021-annual-european-venture-report

3 news.crunchbase.com/news/european-vc-report-2020-strong-fourth-quarter-closes-out-2020/

Percentage of Venture Capital to Europe, Asia and North America



Some say this may be a good thing because although less startups emerge, the ones that do, tend to be more capital efficient and have more robust unit economics. Malta seems to mimic the same lethargic symptoms that the rest of Europe suffers from. What local founders sorely lack is a sense of competitiveness on an international scale. Many business proposals are a copy of innovative ideas witnessed overseas not yet present in Malta. Whereas this may make for a good lifestyle business, it does not have the hallmarks of an international disruptor. Most VC funds or business angels statistically invest in less than 1% of applications they review. We talk a lot about being “startup friendly”. This does not mean spoon feeding startups, but fostering the right conditions, including competitiveness, for these startups to succeed into growing to international scale.

Entrepreneurship culture and mindset

The Maltese tech scene, as it currently operates, does not support and prepare startups for the type of growth required by Venture Capital investors. The few Maltese success stories we can boast of, Hotjar and Altaro, happen despite the system and did not benefit from any venture capital funding. The problem is compounded because startups in Malta have to deal with the ever-increasing banking requirements, a lack of access to finance (symptomatic of Europe at large), and the lack of talent and human resources to find product market fit and eventually scaling to international relevance.

The local funding environment for startups currently only delivers investors that are simply in it for the money: they want to see financial returns in a reasonable period of time, and push their founders to run their startups as an income-earning investment, like real estate.

Startups are a bet that the future will be radically different from the present,

and they are valuable on the way up because they are, effectively, setting out to discover whether a project, deliberately fraught with uncertainty, may one day become a scalable and repeatable business. The only goal for any given startup right now is to grow, explore and earn the right to keep growing and exploring. It does not happen according to a business plan, within a timeframe of milestones. It happens because of talent, grit and as part of a community of growth-mindset individuals willing it onward. To do this in a systematic way will take time and only the right type of investors can contribute positively to this.

How do we cultivate a growth and infinite mindset?

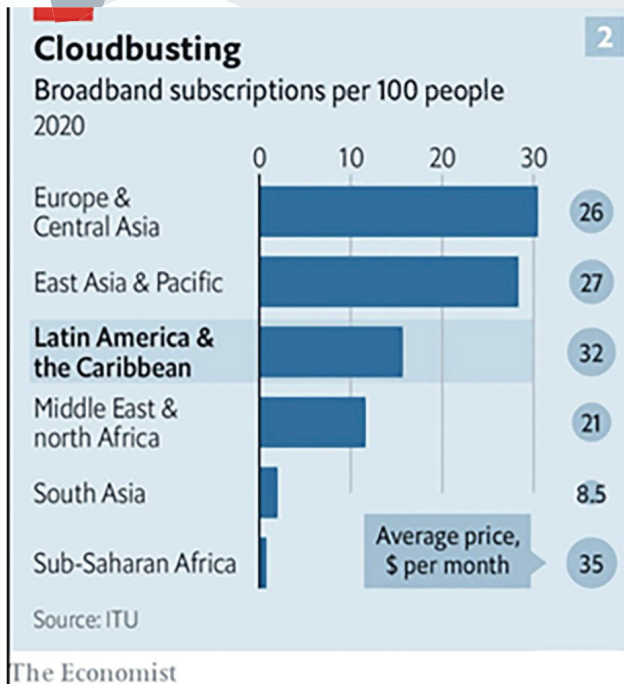
Malta's new startup guard is already finding success internationally. Names such as Weavr, eCabs, EBO and Peaq are the most prominent. Still, Malta startup success stories are too few and far between for traditional investors to have a measurable benchmark to view startups as a real opportunity. They are a riskier alternative to more traditional investment opportunities, most significantly real estate investing. Yet investors fail to see the opportunity cost of this sort of systemic thinking. Consider the following 10-year historical benchmarks 2012-2022⁴:

- MSE index 10 year gain - 23%
- Malta Immovable property index 10 year gain - 78%
- EU50 index 10 year gain - 59%
- US Stock Market 10 year index gain - 166%
- NASDAQ 10 year index - 367%

>>

<<

It is true that immovable property is a relatively safe bet that generated a lot of wealth for a lot of people. It is a brick-and-mortar investment that people easily understand the utility of. My argument for this discussion is that Malta's dependence on this asset class has now inherited a 10-year generation workforce who know little but immovable property speculation as a profession and as an investment.



We probably missed out on 10 years of investment in technology and innovation, and are now trying to artificially make up for the lost time. Maybe the success of the few will encourage a renewed interest in tech entrepreneurship.

New market dynamics are at play for Malta. The FATF's grey-listing lead to a radical re-think of what it means to be "open to business".

Covid19 has brought with it "future of work" cultural shifts with the work from anywhere movement gaining pace. Malta has done well to attract new talent via a startup visa and digital nomad initiative. This will bring inwards a nucleus of talent able to build world class startups from within Malta.

A particular opportunity is the rate of adoption of technology in the MENA region⁵. The Emirate states are investing heavily in technology.

The Saudi sovereign wealth fund signaled its intention to the world recently with a \$1 billion acquisition⁶ of ESL, an e-sports company, yet the region still needs significant talent and infrastructure development in technology. Growth opportunities exist for Malta as a gateway between Europe, Africa and the Middle East.

Tech-based entrepreneurship seems to have all the hallmarks of the strategic direction Malta needs to take to usher in a new modern business culture.

The author will be delivering an MIA Virtual CPE M22021 - CFO perspective: Venture Capital & Start ups - 2 Day Package, covering fundamentals that will allow attendees to understand the global emerging interest in startups and Venture Capital and their impact on markets and economies. Particularly, the sessions will focus on the CFO perspective in relation to the startups, but will also cover how founders go about the steps to developing a startup and the role of investors in helping startups scale up.

Adrian Galea has spent the last 7 years involved with start-ups at the international level, particularly supporting investors build, manage and exit portfolios of more than 100 early stage start-ups across Europe and the US. He is currently engaged as finance manager of BITKRAFT Ventures, a U.S. based esports, gaming and interactive media focused Venture Capital firm with \$500M assets under management.



⁵www.economist.com/the-americas/2022/01/15/the-pandemic-has-accelerated-latin-americas-startup-boom

⁶www.zawya.com/mena/en/story/Saudi_PIFowned_Savvy_makes_debut_with_acquisition_of_ESL_and_FACIT-SNG_282070969/

Meet the MIA Team

Dorianne Formosa



Three adjectives to describe you:

Positive, Achiever, Determined.

What does Dorianne bring to the MIA?

I try my best to bring joy to the office in between leading the very-active CPE team.

And what does the MIA give back to you?

Satisfaction, a constantly evolving workplace and personal growth which brought out the best in me.

Out of the office, Dorianne enjoys....

That used to be theatre, but mummy and driving duties have since taken over. However, I do my best to fit in a leisurely walk where possible.

A particular personal trait:

If there's a problem or an issue, I am going to tackle it immediately.

What is something which truly makes you angry?

Any kind of bullying.

If you had to meet an artist, who would that be?

Italian singer Emma Marrone.

Winter or Summer?

Winter - I love the routine and togetherness that the colder months bring.

What is your biggest fear?

Solitude.

What is truly important for you?

Family.

A one-off culinary treat:

Indian.

Colour that defines you:

Orange! It's positive and vibrant.

MIA Committee Members share ideas and plan of action during Networking Event

MIA President David Delicata and Chief Executive Officer Maria Cauchi Delia welcomed MIA Committee Members during a networking event held on 22 February 2022.

A new term for the thirteen Committees within the MIA structure began this year, all of whom have a busy agenda to push forward.

Addressing Committee members, Mr David Delicata expressed appreciation at their commitment towards the Institute and the profession, noting the presence of new faces among the committees, which augurs well for the future of the Institute. “The presence of new members in our committees is encouraging, as it means innovative ideas and a regeneration of our dynamic team which ensures the long-term future of our Institute”. Mr Delicata thanked Committee members describing them as the “heart and soul of the Institute” and was particularly appreciative of their contribution when the Institute is

contribute towards finding solutions thus ensuring that the exit from the grey-list happens as soon as possible. The President also argued that “it is also time to start looking beyond grey-listing”.

Particularly, Mr Delicata expressed the view that professionals need to get together to stimulate a discussion on Malta’s competitiveness in a context where international and local legislation and regulation are transforming the local regulatory framework.

MIA CEO Ms Maria Cauchi Delia recalled that the MIA Council has recently approved a Bye-Law which regulates Committees and their Terms of Reference, strengthening their role as an integral part of the Institute’s activity. Ms Cauchi Delia also noted the importance of Committees within the Institute. Through the voluntary participation of its members in these Committees, the Institute is better placed to listen to its stakeholders and support its wider membership base whilst having a strong voice with the relevant local authorities and international institutions. She emphasised that the Institute gives due importance to the opinion of all its members, and regularly reaches out for feedback through meetings and surveys. The CEO also encouraged members to participate more within the structures of the Institute, and to bring forward new ideas which enable the Institute to better represent the profession.



requested by Authorities or other entities to provide feedback to legislation, regulation or other regulatory elements within a few days notice.

Mr Delicata also addressed a number of key issues which headline the Institute’s agenda at present, first and foremost being Malta’s need for a quick exit from grey-listing. In this regard, the Institute is supporting Authorities through regular meetings with the National Coordinating Committee, to





High quality audit and assurance services with integrity are what clients expect. *We go further.*

www.deloitte.com/mt



What impact will you make?
Visit www.deloitte.com/mt/careers for all careers opportunities





The New Equation: Building trust and delivering sustained outcomes.

A passionate community of problem solvers coming together in unexpected ways.

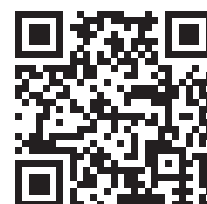
How and where work gets done is being reimagined. The New Equation brings together our better selves with the greatest aspects of technology to turn today's ideas into tomorrow's solutions.

Successful business leaders and professionals will need a new skill set. The ability to listen to a broader set of stakeholders, to engage in more complex scenarios and to act with courage and integrity. They need to earn, build and share trust.

It all adds up to The New Equation.



Follow us on



#TheNewEquation
pwc.com/mt/theneweuation