Issue 2 of 2022

THE ACCOUNTANT

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President's Address

David Delicata

Welcome to the summer edition of our journal.

The past year has been characterised by a concerted effort by the authorities, representative bodies, including the Malta Institute of Accountants and yourselves, the practitioners, working together with a clear commitment and strong resolve to swiftly address the deficiencies in Malta's anti-money laundering and funding of terrorism framework affecting our profession and to implement the related FATF's Action Plan for Malta to exit the grey list. The tangible progress that has been achieved in this short timeframe is also a result of your efforts, of which we are truly appreciative and grateful.

Whilst we would have rather avoided going through this predicament, a number of positive elements have emerged in the process. We have not only strived collectively to improve the quality of our jurisdiction. It was also an opportunity to look introspectively at our approach to work, the type of services we offer and the processes we follow. In other words, a new mindset has been developed. And it is this new mindset which should guide us going forward to continue enhancing the value of our offerings, with us accountants, continuing to be a standard-bearer of quality within the wider financial services industry.

Challenges to Malta's attractiveness and competitiveness do not, however, stop here. Malta, like many other smaller jurisdictions is impacted by the introduction of an EU wide common minimum corporate tax and EU proposals around the Shell Companies Directive. In this regard, we welcome government's recent announcement that it is in the process of reforming Malta's tax system. This reform will need to take into account the ever-changing international and EU tax environment and respect certain criteria laid down by the OECD and the EU. We look forward to reviewing government's proposals and to continue to engage in meaningful consultation together with other stakeholders. Such impending tax reforms will necessitate a renewed effort to think on how to attract new niches of foreign investment to our shores as investors will now also turn their focus on non-tax benefits before making investment decisions. Infrastructure, availability of specialized talent, ease of doing business, favourable business climate, judicial effectiveness, a stable political environment, and connectivity to the EU and other regional economies, amongst others are some of the elements that will be further considered. In doing so, I am confident that the political consensus which had underpinned the growth of the jurisdiction in the past years is renewed in the country's efforts to forge the path ahead.

In connection with the current debate surrounding the future of the financial services industry in Malta, the Malta Institute of Accountants, the Institute of Financial Services Practitioners (IFSP) and the Malta Institute of Taxation co-commissioned a study carried out by Gordon Cordina of E-Cubed Consultants Limited on Export Oriented Foreign Direct Investment in the Services Sector. The results of the study were presented at an IFSP conference held last April at which I was panelist discussing the results of the study together with Gordon Cordina and representatives from the IFSP and the Malta Institute of Taxation. This study found that Export-oriented, Foreign direct Investment companies in the Services (EFIS) sector directly contributed 19% of Malta's total value added and 10% of employment in 2019. This amount was higher when one included the indirect and induced contribution with the sector accounting for a total of over €3.8billion in added value and 38,500 jobs (measured in FTE). A summary of this study will be published in a future edition of the Accountant.

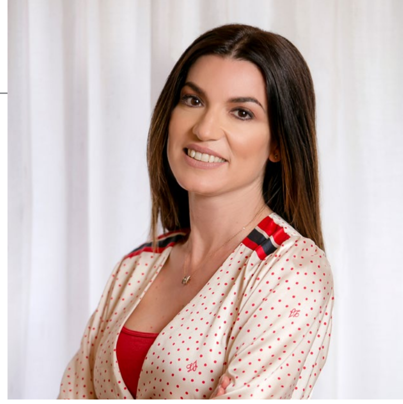
As global developments effecting the profession continue to take place, the Institute will retain its leading role in upskilling the knowledge of its members, providing information and tools to not only keep its members updated with the relevant changes but also to identify growth opportunities. Besides our extensive CPE programme, over the past few weeks, the MIA has organised two successful conferences, targeting the Professional Accountants in Business (PAIBs) and the Small and Medium Practices (SMPs), on creating value in business in the case of the PAIBs and on succeeding through change in the case of the latter. Topics discussed included digitalisation, tax reform, ESG matters and access to financing among many others.

I would like to express my gratitude to the various speakers as well as MIA members who shared their experiences and insights with participants during these two conferences, whilst engaging in a productive discussion which certainly generated a visionary outlook for the benefit of those present as to how the accountant can be an enabler of growth within companies/firms. It was truly encouraging to hear the stories of a number of accountants who demonstrated leadership within their respective companies/firms, serving as the perfect example for what I believe is the major shift that the profession needs to embrace in the months and years ahead.

At the Institute however, it's more than just work – having fun and helping out those in need are also within our DNA. It was therefore my pleasure to take part at what was certainly a very competitive five a side football tournament, which not only was an excellent opportunity for collegiality and camaraderie between members but also provided us with the opportunity to collect funds in support of the excellent work carried out by our friends at Dr Klown.

In concluding, I would like to once again thank you for your incessant efforts throughout the last year. With the warmer summer months approaching, I do hope you can find some well-deserved quality time away from your desks to spend with your family and friends.

I look forward to meeting many of you at our annual social event in June which once again promises to be one of the highlights of the upcoming summer season.



Message from MIA CEO

Maria Cauchi Delia

Welcome to another information-packed edition of The Accountant collating in one publication insights, experiences and analyses of interest to the profession and beyond.

I would like to express my gratitude to all members of the accountancy profession for the sterling input in supporting the nationwide efforts to get Malta off the grey-list, which is a fundamental step in rebuilding Malta's reputation as a jurisdiction of choice.

I trust that the collegial effort and approach of the professionals and authorities involved will serve as the basis for renewed cooperation between the different stakeholders, through which authorities seek the contribution of entities representing professionals, such as our Institute, when adopting new or revised regulations or procedures. This approach will help to ensure such changes are truly reflective of the country and society's needs without being unduly prescriptive on the professionals and firms which will ultimately be responsible for implementing them.

Such efforts would very well be replicated as Malta prepares to incorporate within its framework new legislation and regulations concerning different aspects of the profession. Among these, there is the Corporate Sustainability Reporting Directive (CSRD) in respect of which we are now closer to having binding legal text. The European Commission has already asked the European Financial Reporting Advisory Group (EFRAG), to start working on specific standards, and as such, a consultation process on draft proposals on Exposure Drafts is in progress. These include the first set of standards required under the proposal for a CSRD, which covers environmental, social and governance matters.

At the Institute, we set up five working groups made up of our members, reporting to the Sustainable Finance Committee which are focusing on Strategy, Reporting, Assurance, Learning and Education, and Capital markets. These working groups have the remit to formulate positions which will be used by the Institute in discussions and consultations with various national and international stakeholders involved in the subject matter, including local authorities, Government representatives, Accountancy Europe and EU bodies. This will ensure that the voice of local accountants is strongly and consistently aired in a timely and effective manner.

This is, however, just one element of our drive on Environmental, Social and Governance (ESG) matters. Climate change and ESG are key factors impacting organisations' long-term profitability. Simply put, ESG is no longer an extra item on a lengthy to-do list or a nice-to-have element for organisations to consider. ESG has become a critical component of corporate planning, growth and development initiatives. As discussions at the recent Professional Accountants in Business (PAIB) conference have highlighted, ESG considerations have to be placed at the center of strategy for firms seeking to grow their market share, expand in international markets or seek fresh investment capital through the banks or even the markets. In this context, we will continue supporting and informing our members, of the forthcoming changes to help you embrace and drive this radical change in approach.

Other initiatives being undertaken by the Institute include addressing the availability, or lack of, human resources, particularly through the creation of a working group which is developing a number of recommendations to be passed on to the authorities on facilitating the recruitment of third country nationals and more importantly to ensure their retention within the Maltese market.

We have also completed our first multi-channel #AccountsForYou campaign whereby we sought to reach out to students, encouraging them to discover more about the opportunities offered by our profession, by physically visiting them in schools, or virtually through online sessions, and through a multi-faceted digital campaign. We are now analysing the feedback received from participants and interested stakeholders who participated in this campaign to see how we can improve and widen its scope in the future.

Our contact with authorities, enhancing our role as a bridge-builder between institutions and the accountant, has been constant, with high-level meetings with the newly-appointed Commissioner for Revenue, the Malta Gaming Authority, the Malta Digital Innovation Authority, Malta Enterprise, Business First, Identity Malta, together with other regular meetings with relevant authorities and regulators as well as Government officials. We have also published guidance to our members on the accounting and audit implications the war in Ukraine may have on companies' financial statements and have set up a working group focusing on providing guidance related to the game changing International Standard on Quality Management 1 which will come into force by mid-December.

The above highlights are just a few of our efforts affecting our profession.

I trust that this edition of our flagship publication will once again be of interest to you, and I look forward to your contributions and feedback.


KSi Malta
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WE’RE
HIRING

Local Appointments

Grant Thornton

appointed Bernard Micallef as Director, Business Risk Services with effect from 4 April 2022.

KPMG in Malta

announced the appointment of Noel Fsadni and Daniel Brincat as Directors with effect from 1 April 2022.

Mazars Malta

appointed Fiona Custo' Pearson as Finance Director and Alicia Vella as Director in the Business Advisory Department with effect from 2 February 2022 and 21 February 2022 respectively.

Fundraiser Football Tournament

On Sunday 1st May, the MIA held its Annual Fundraising Football Tournament. 10 teams participated in a very competitive tournament with Agius & Associates prevailing at the end to lift the trophy. During the tournament, funds were collected in aid of Dr. Klown. Special thanks goes to our sponsors who provided us with food, drinks and snacks to sell to those who attended the event and supported their families and friends. €1,947 was collected through donations for Dr. Klown.

News Roundup

EU forecasts project further economic growth

Following an in-depth review, the European Commission has forecasted that the Maltese economy is expected to register signficant growth, reaching 4.2% this year and 4% in 2023. The EU has based this assessment on the basis of expected strong local demand, increase in exports of services and a recovery in tourism. Nevertheless, it is expected that the country's financial position remains in the red, though at a decreasing rate once pandemic-related assistance is gradually withdrawn. The full forecast is available **here**.

Malta Development Bank to launch new guarantee schemes for businesses

The Malta Development Bank (MDB) has announced that following the signing of two guarantee agreements amounting to close to €80 million under the Pan-European Guarantee Fund (EGF), it will be shortly launching two financial instruments which will support businesses in their drive to grow and innovate. Further information is provided in the MDB's **Annual Report**.

Central Bank of Malta Quarterly Review

The Central Bank of Malta (CBM) said that the Business Conditions Index (BCI) stood above the historical average in the fourth quarter of 2021 as a result of improvements in a number of subcomponents such as tourist arrivals, declines in unemployment and improved economic optimism. At the same time, the BCI fell from its recent high, indicating that yearly business activity growth has slowed from its historical highs in the first half of 2021. The BCI indicates that, while growth rates remain strong, they are beginning to normalise. Further details on the CBM's Quarterly Review are available on its **website**.

Fitch awards Malta A+ rating and stable outlook

Credit rating agency Fitch has confirmed Malta's A+ rating with a stable outlook. This credit score was supported by high per capita income, the country's net external creditor position as well as its pre-pandemic record of strong growth and sizeable debt reduction, despite hightlighting a sharp increase in the moderate public debt burden. The assessment also dwells into the financial sector, which Fitch describes as resilient. It notes how Maltese households possess ample liquidity to relatively quickly pay off their debt burdens and that banks have strong balance sheets, including solid capitalisation and a low rate of non-performing loans. Fitch's full assessment is available through this **link**.

Emotional Intelligence
Why it Matters

Introduction

How often have we heard it said to us when taking decisions around a boardroom table to "put our emotions aside", or to "leave our emotions outside the door"? They are words that, years ago, a participant in my doctoral research shared with me too (Kenely, 2008, p.254). Over the years of researching the subject of emotions, teaching and coaching people in different workplaces, I have confirmed that working with people means working with emotions.

Business decisions cannot and should not be taken based solely on rational information and logic. We have for too long, considered emotions and rationality as sitting at the opposite ends of a wide spectrum – two constructs that could never meet, let alone be considered in the same sentence! However, especially during the latter part of the 20th century, we have started to look at and understand intelligence in a new way, taking into consideration certain aspects of it that go beyond its cognitive components.

Trying to be emotionally neutral means running the risk of coming across as rigid and detached with our colleagues or people that we lead. This does not mean that we allow our emotions to run our lives – emotions are very good servants but very bad masters. So one important aspect of using our emotions in our everyday interactions, or in decision-making processes, is to be able to manage them well. Being around people who display excessive emotions can be exhausting. Therefore, being able to use both rationality and emotion in relationships, in decision-making, in dealing with conflicts, in leadership and in life, is what defines an emotionally intelligent person.

What is Emotional Intelligence?

The core elements of Emotional Intelligence (EI) centre on the following elements: self-awareness, emotional resilience, motivation, interpersonal sensitivity, influence, intuitiveness, conscientiousness and integrity (Dulewicz and Higgs, 2000).

It is actually a set of competencies that can be learnt and developed with time and practice. In simple terms, EI is the ability to understand and manage your own emotions and those of the people around you. People with a high degree of emotional intelligence know what they are feeling, what their emotions mean and how these emotions can affect the people around them. Goleman (1995) goes on to say that cognitive skill 'gets you in the door' of a company, but emotional skill helps you thrive once you are hired.

Emotional Intelligence has also been described in terms of 4 dimensions: self-awareness, self-management, social awareness and relationship management.

Self-Awareness is the ability of an individual to be in tune with her/his own feelings and to recognise the impact that his/her feelings have on others. Being self-aware means that you understand yourself and can identify your strengths and weaknesses as a person. It also means being able to identify what you are feeling and to understand how those feelings may impact you and the people around you. Heightened self-awareness allows you to be in touch with what is going on inside you, in such a way that you could be more in control of how you operate from within that emotional state. Walking into the office first thing in the morning, unaware that you are already frustrated and angry, could spell chaos in the way you will relate with your colleagues throughout the day.

Self-Management or self-regulation is the ability to keep negative emotions and impulsive behaviour under control, stay calm and unflustered even under stressful situations, and maintain a clear and focused mind directed on accomplishing a task. People with heightened self-regulation manage conflict better, adapt to change faster and take responsibility, when necessary, without pointing fingers. I am sure you have already inferred that it would be impossible to regulate yourself if you are not aware of yourself. You cannot regulate or manage your emotions if you are not aware of them. So, these two competencies are linked closely. Self-regulation means that you allow yourself to feel your feelings, process them and, most importantly, think before you act or react.

Social Awareness is the ability to read or sense other people's emotions. You have probably heard of the concept of empathy. The more socially aware you are, the more able you are to show empathy and understand others. A socially aware and empathic person can pick up emotions in others through their tone of voice, their non-verbals and their changed demeanour. It makes you the person at the workplace who realises when a colleague might be worried or anxious, because you read their face and their behaviour.

Relationship Management is the ability to influence, guide and handle other people's emotions. People skilled in this dimension are ones who can communicate very well, are skilled in building relationships with others, are able to listen actively and invest seriously in maintaining relationships. Workplace relationships feed the organisational climate and people skilled in relationship management contribute to a climate that makes people happy to go to work. Such persons resolve conflicts promptly, try to diffuse a tense situation in a board meeting and encourage colleagues to consider and understand others' point of view.

The more able we are to understand ourselves on a level of feeling, the more skilled we can become in our social interactions (Kenely, 2019, p. 23). This particularly applies to our ability to regulate our emotions – in other words, our ability to regulate how we respond to emotionally strong stimuli in the workplace.

Do emotions in the workplace matter?
I always ask this question during training sessions, and the resounding reply is 'Yes, of course they do!" That is true. Emotion cannot be separated from today's organisational life (Hyun, 2013). We can no longer view the workplace as separate from our personal lives. They are inextricably intertwined with each other. As you may have grasped through this article, using and developing emotional intelligence in the workplace can improve the personal and social competencies of individuals within that workplace – both within relationships between colleagues and between workers and clients.

Emotions on a team level are another workplace phenomenon that we cannot ignore. The emotional state, attitude and behaviour of even just one person, especially if that person is the leader, may influence the emotional state of a whole team. Persons with low EI can wreak havoc within the workplace, while persons

with a developed set of EI competencies can sustain the ever-so-important relationships that make the workplace thrive.

Conclusion

Emotional intelligence competencies can be improved through training (Kenely, 2008). In this article, we have seen how EI is the link between cognition and emotion. Emotionally intelligent persons are able to navigate many social situations and conficts effectively and are able to manage stress and conflict well. Emotional intelligence is undoubtedly a valuable tool to utilise in the face of adversity; it has the potential to enhance not only leadership abilities and teamwork effectiveness but also personal resilience (Kenely, 2019). EI gives you an edge!

The author will be delivering an MIA Virtual CPE on the subject-matter in September 2022.

Further information on this session is available at **https://www.miamalta.org/event-4850831**

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Author

Dr Natalie Kenely is a Senior Lecturer in the Faculty for Social Wellbeing, University of Malta, specialising in research and teaching on management, leadership, emotional intelligence and resilience. She has presented her research in conferences both locally and abroad and was awarded Best Paper Award in an International Conference on Leadership held at Ashbridge Business School in London in 2013. She has participated as panel member, keynote speaker and CPD trainer in various MIA fora.

Team Building Event

On the 27th May, the MIA team participated in a morning of team building activities as organised by the MIA Social Committee.

During this team building event, the staff was split into two teams and competed in 10 games consisting of mind boggling challenges, physical activity and most importantly focusing on team work and communication.

When all was said and done, the white team won and holds bragging rights until a future event is organised.

MIA & **Epic**
confirm new corporate partnership

The Malta Institute of Accountants is pleased to announce that it has signed a corporate sponsorship agreement with Epic for the next twelve months. This agreement will see Epic featuring on the Malta Institute of Accountants' respective social media channels, publications, PR and communication materials as well as in its regular conferences and events throughout the year.

Epic is currently undertaking a major modernisation project which is expected to bring wider coverage and faster speeds and is also going to make 5G available to its customers. This ties in perfectly with the current efforts of local firms embarking on their digital transformation, efforts which the Institute considers as fundamental on their path to renewed growth and success. Epic for Business will help them be future ready with the best digital connectivity to emerge stronger and safer.

SMP and **PAIB** Meetings

During this quarter the Institute continued with its work to ensure that challenges being encountered by members of our profession are identified and addressed. This matter was one of the items discussed during meetings held between the President and the CEO of the Institute and the MIA Small and Medium Practices Group and the MIA Professional Accountants in Business Group. Other matters discussed included the areas of focus of these two Groups and the changes in the business, regulatory and technological environment that are having an impact on the key role each play in the local business community.

Interview with the **New Commissioner for Revenue**

Mr Caruana, you take up an important new role in a critical juncture for tax authorities in Malta. In its assessment on Malta, the Financial Action Task Force (FATF) had highlighted tax evasion as a key challenge for our jurisdiction. What are your plans and views going forward?

One of the issues raised by the FATF had to do with the use of intelligence in relation to tax evasion as a predicate offence in the fight against money laundering. Work had already been carried out by various authorities in Malta on this aspect. The tax authorities are working hand in hand with the Financial Intelligence Analysis Unit (FIAU), the Malta Police Force, the Malta Business Registry (MBR) and other authorities in order to deal with cases of money laundering involving tax evasion. Memoranda of Understanding (MoUs) have been signed and communication systems are working effectively and efficiently in this sense. From the point of view of the Office of the Commissioner for Revenue, both the Moneyval and the FATF reviews have been catalysts in realising structural changes that have already produced tangible results and we continue to build on these improvements. The Office of the Commissioner for Revenue is committed that it will continue to invest in its people through continuous training and recruitment to be in a better position to deal with threats and risks of tax evasion. Furthermore, the Office of the Commissioner for Revenue will continue to formalise its collaborative approach with all the authorities and other interested stakeholders.

Do you think the FATF experience has added a degree of fiscal morality?

The FATF experience can be considered as an opportunity so that the authorities, the subject persons, as well as taxpayers, become more aware on the importance of compliance and of fiscal discipline. To this effect, the Tax Authority has strengthened its collaboration and networking with other regulatory institutions and will be increasing its outreach with subject persons and the taxpayers. We feel that the publicity given to this experience has made taxpayers more aware of their obligations and, consequently, I would say that this experience has indeed added a degree of fiscal morality. There will always be defaulters, but the systems are being improved to tackle non-compliance.

Last year, the majority of member jurisdictions of the OECD/G20 Inclusive Framework on BEPS, agreed to a two-pillar solution to address the tax challenges of the digitalisation of the economy. This forms part of a wider package of tax harmonisation initiatives, such as transfer pricing rules, anti-tax avoidance directive, etc. The EU Council also reached an agreement on a proposal to update EU rules on rates of Value Added Tax on goods and services. This comes after the need of modernisation of the overall VAT rules.

A general concern among practitioners is that at times, tax reforms proposed at international level tend to take a one-size-fits all approach. How is Malta dealing with this matter? What are Malta's plans in this regard?

It is a fact that over the last number of years, there have been many changes at international level. These have been mostly in the form of G20/OECD standards and hard law at EU level. The implementation of these changes has been rather swift and for a small jurisdiction like ours, the rhythm of such change may be overwhelming. Agreements at the international level, by their very nature, are compromise agreements, and for this reason, certain aspects of these agreements may be considered as being too onerous – hence the impression of a one-size-fits all approach. We engage in the relevant discussions,

both at EU and at the global levels and make our position clear through comments, criticism and support, depending on the national interest within the different fora. As I said, in the end, a compromise would need to be reached and inevitably, a give and take approach is needed.

How is the Office of the Commissioner for Revenue preparing itself for such changes, whilst also keeping Malta's attractiveness to foreign investment in mind?

Our Office has been attending the various sessions of the different fora and thus obtaining knowledge on these changes. At the same time, consultations are underway with the private sector and tax practitioners through which a study of the relevance of our regimes are being undertaken and proposals for changes that may be necessary are received and shared. The revamping of the new tax system is considered an opportunity to design a system that will increase efficiency, reduce bureaucracy and develop an in-built compliance system to safeguard the competitive edge at local and international levels.

How do you see the role of the Commissioner for Revenue vis-à-vis supporting authorities in strengthening Malta as a financial jurisdiction?

Taxation is an important matter for any jurisdiction - Malta is no exception on this. Our Office has always worked together with other regulators in order to make Malta a financial jurisdiction of repute. In the past, the Office of the Commissioner for Revenue has always been a key driver in the changes that had to be carried out in the taxation system and its administration, so that Malta as a financial jurisdiction, could be competitive in the global environment. Therefore, taking into account the current and future challenges in the financial sector, the role of the Office of the Commissioner for Revenue becomes even more important, and we shall continue to provide our support to all sectors, including the financial sectors, so that it may retain and continue to improve its competitive edge.

Are there any other areas relating to taxation which you believe are in urgent need of being modernised or changed?

We shall be improving our experience in relation to different segments of taxpayers by making the Office of the Commissioner for Revenue more data driven to enhance compliance and reduce the cost of bureaucracy for the taxpayer. We are determined to take our Office to the next level to embrace the digital transformation. Thus, it will be investing in emerging IT technology and the simplification of its processes to turn this Office into a modern, technology driven organisation with simplified operating processing systems. This will facilitate the better use of our resources which may then be mobilised for offering a better service to the taxpayer and also for improved compliance. We will be reaching out to the different stakeholders in order to better understand their concerns and ensure that our message is clearly communicated.

Accountants play a key role in safeguarding the effectiveness and efficiency of the tax system. What is your final message to our readers?

Accountants do indeed play a major role, and in the past, we have worked with the Malta Institute of Accountants (MIA) so as to receive valuable feedback in our consultation processes and to provide guidance on particular legislation and processes. Accountants are in regular touch with taxpayers, and we feel that they are ideally situated to assist us in placing the taxpayer at the forefront of our focus for a better service and for better compliance. Over the years, the Office of the Commissioner for Revenue has already built a very solid working relationship with your highly esteemed Institute. Therefore, this Office is committed to continue to build on this working relationship and looks forward to continuing in strengthening this collaboration so that we will be able to understand the needs and expectations of your members. Thus, our Office will be able to adjust its service so as to continue improving its service delivery and to meet the expectations of the accountants who are, as I have already stated, key players in the application of the taxation system.

Mr Joseph Caruana is a career public officer starting his career in 1977 as a clerk. He progressed through the ranks and in 2008 headed the EU Paying Agency. From 2011, he also acted as Director General for Fisheries. As from 2013 he was appointed Permanent Secretary and served in different Ministries wherein he was responsible for the implementation of various strategies, polices and projects. Mr Caruana was appointed Commissioner for Revenue on 1st February 2022.

Identity Malta session

The Institute was invited by Identity Malta to participate in a session focusing on the Expatriates Unit and the Central Visa Unit. During the session held on 3rd June, the Institute's CEO, Ms Maria Cauchi Delia, emphasised the importance of addressing matters of concern related to the process of recruiting and retaining Third Country Nationals. The Institute will continue working and collaborating with the relevant authorities to address the challenges being encountered by its members.

Exposure Draft: New standard on auditing for audits of financial statements of less complex entities

Smaller, less complex entities (“LCEs”) play a key role in the world’s economy and form a large portion of companies audited worldwide.

Given auditors apply the same international standards on auditing (“ISAs”) when carrying out audits on entities of all complexities and sizes, the introduction of a standalone standard for the audits of less complex entities was drafted. The IAASB approved the exposure draft for this standard in June 2021. Such standard will contribute to the reduction in inconsistencies within the quality of audits and will minimise potential confusion for users. The focus of this standard addresses the complexity of audits, rather than their size, with less complex entities falling within the criteria for application.

The proposed standard includes requirements for auditors to obtain sufficient appropriate audit evidence to enable the auditor to provide reasonable assurance within an audit of financial statements of an LCE. Should auditors deem specific companies to be categorised as ‘less complex’, then such audit can be carried out with direct reference to this proposed standard, without the need to reference the requirements or application material in the ISAs. On the contrary, should auditors need to reference other ISAs due to circumstances not dealt with in the proposed standard, then the application of such proposed standard for LCEs may in fact not be appropriate. The proposed standard does not address complex matters or circumstances and cannot be used for audits that are not audits of LCEs.

Identification of the following characteristics within an audit prohibit the use of such proposed standard:
- Listed entities
- Entities in a jurisdiction which prohibit the use of the standard
- Public interest characteristics
- Group audits
- Factors outside qualitative criteria and quantitative thresholds established within a jurisdiction
- Prohibition from using the standard due to firm policies or procedures

- Evidence of qualitative characteristics that make the standard inappropriate to use, such as:
  - Complex matters or circumstances relating to the nature and extent of the entity's business;
  - Topics, themes and matters that increase or indicate the presence of complexity, such as matters relating to ownership.

The requirements and related material of this proposed standard are grouped into nine parts that replicate the flow of an audit engagement. These include:
- Part 1: Fundamental concepts, general principles and overarching requirements
- Part 2: Audit evidence and documentation
- Part 3: Engagement quality management
- Part 4: Acceptance or continuance of an audit engagement and initial audit engagements
- Part 5: Planning
- Part 6: Risk identification and assessment
- Part 7: Responding to assessed risks of material misstatement
- Part 8: Concluding
- Part 9: Forming an opinion and reporting

Concepts and principles used for the proposed standard replicate those already used in an ISA audit.

During the planning stage of the audit under the proposed standard, the distinction between the 'overall audit strategy' and 'audit plan' was removed, however the outcome for the audit in terms of the auditor's strategy and plan would still need to be reflected through the scope, timing and direction of the audit.

The proposed standard includes only core requirements with respect to risk identification and assessment, these mainly comprising:

- The new concepts introduced within ISA 315 (Revised 2019)
- The concept of significant risk
- The requirement to evaluate whether identified controls are designed effectively and implemented, to address risks of material misstatement.

Use of a risk-based approach under an LCE audit would also require the exercise of professional judgement in planning and executing audits. Furthermore, the requirement for auditors to comply with relevant ethical requirements, including those relating to independence, would still apply for LCE audits. Other relevant requirements from other ISAs that need to be included within audits of LCEs as appropriate, include fraud, laws and regulations, accounting estimates, related parties and the use of service organisations.

The application of the underlying concept of professional skepticism within an LCE audit is the same as that under an ISA audit.

Documentation requirements for audits of LCEs are identical to documentation requirements for audits in accordance with ISAs.

In terms of reporting, there is the requirement for the auditor's report to specify which standard has been used, to ensure transparency within such report. The key differences between an unmodified auditor's report in an LCE audit and an ISA audit include reference to the audit being conducted in accordance with the ISA for LCEs, within the basis of opinion and auditor responsibility sections of an LCE audit report. Furthermore, the auditor's responsibilities can only be presented in the body of the auditor's report within an audit report for an LCE.

Should you require further information in relation to this new standard, please get in touch with John Debattista on **jd@zampadebattista.com** or Janis Hyzler on **jh@zampadebattista.com**.

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Creating Value from Emerging Trends in Business
PAIB Conference 2022

The resilience of the accountancy profession over the years has been sustained by its ability to regenerate itself through time and by constantly identifying value from emerging trends in business.

The PAIB Conference 2022, held at the Radisson Blu Resort on Wednesday 25th May 2022, brought together various leaders in different spheres of society. Discussions focused on how Professional Accountants in Business (PAIBs) can add value and create new opportunities from the significant changes underpinning the Maltese economy and the accountancy profession.

This discussion allowed for a frank exchange of views between accountants and their counterparts in business and within authorities. This helped all stakeholders to better understand each other's demands, needs, concerns and constraints, and thereby facilitate a way forward to the benefit of all parts involved.

Among the high-profile speakers addressing the delegates, the MIA has this year secured the address of two international speakers - Datuk Zaiton, CEO of the Malaysia Professional Accountancy Centre and ACCA Council Member in the United Kingdom, and Sharon Ditchburn, a Fellow of CPA Australia, Governance Institute of Australia and the Chartered Governance Institute (UK and Ireland), with a Degree in Law together with the CEOs of the Malta Business Registry, the Malta Digital Innovation Authority and Business 1st.

The Conference tackled a number of issues which are highly relevant in the current economic and financial sphere, including decision-making in the digital era, particularly in the light of the mainstreaming of AI, the sourcing of capital and finance, and credit management.

A recurrent element that emerged strongly during the various discussions was that accountants have the opportunity to be change agents in a variety of sectors, including governance, environmental and social sustainability, as well as digital innovation. Speakers stressed the need for continuous investment in increasing abilities to adapt to the new circumstances in order for this to be viable.

Participants were also given an in-depth walk-through of the new business portal being designed by Business 1st, which will change the way businesses interact with government and its regulatory authorities.

The event was also addressed by the President of the MIA, Mr David Delicata, and CEO of the Institute, Ms Maria Cauchi Delia, who gave an overview of the wide-ranging activities undertaken by the Institute to address the needs of the industry and practitioners, including through extensive participation in consultation processes launched by authorities, dissemination of information, CPE training and by supporting authorities.

The PAIB Group within the MIA contributed to the agenda of the Conference, which was sponsored by Lexco Compliance Solutions.


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How to proactively contribute to the **fight against financial and tax crime**

Money laundering (ML) has devastating consequences to the integrity of the financial system and society at large. It promotes crime and corruption that weaken our economies and damage social wellbeing. Worldwide, citizens and governments lose over €110 billion to financial crime and 2% to 5% of global GDP is estimated to be laundered every year. It is therefore critical to ensure that the fight against money laundering and terrorist financing (TF) is effective and efficient.

The recent Pandora Papers have confirmed the connection between financial and tax crime as well as the need for more transparency in the beneficial ownership. Tax and financial crime are interrelated. Therefore, there should be close cooperation between the relevant authorities to tackle both as efficiently as possible.

In both our 2015 paper **Doing the Right Thing** and in its 2017 follow-up paper, **The Role of Professional Accountants in Tax**, we explicitly state that professional accountants should never become involved in tax evasion and tax fraud crimes. Indeed, tax professionals should actively dissuade their clients from becoming involved in illegal activities, resign from the engagement where this fails and make a report under local laws and regulations.

Accountants should also be aware that many of the mechanisms used for tax avoidance are also used for tax evasion and other financial crimes, for example using entities based in non-cooperative jurisdictions or jurisdictions that do not require registration of beneficial ownership. Accountants being asked to advise on transactions or structures that could be at higher risk of abuse (as highlighted in *The Role of the Professional Accountant in Tax*) should take extra care to have access to all the information necessary to

ensure that the clients and transactions are legitimate and properly advise the client.

The accountancy profession supports the fight against financial and tax crime, and we believe that we can use our role and expertise to assist in this fight and ensure efficient implementation of the new EU rules on anti-money laundering (AML legislative package of July 2021).

This has led Accountancy Europe to issue the publication **Building an effective anti-money laundering ecosystem** which recommends how to better implement the existing AML legislation.

AML as an ecosystem
Accountancy Europe's recommendations have a wider remit than the enhanced EU AML rules. Complying with these is not enough to effectively stand up to criminals. We look at AML as an ecosystem where obliged entities (OEs), supervisors and policy makers cooperate and take charge of their responsibilities to mitigate AML risks.

Who are the obliged entities?
OEs are grouped in financial entities, such as banks and insurers, and non-financial entities, such as auditors, external accountants and lawyers. They are required by EU AML legislation to have procedures in place designed to assess and mitigate ML/TF risks.

Accountancy Europe put forward nine recommendations to build a more effective AML ecosystem.

Obliged entities need to proactively manage AML risks
Recent AML scandals such as Luanda Leaks, FinCEN Leaks and the Pandora Papers highlighted deficiencies in how OEs implement AML policies. Accountancy Europe believes that they should take a more risk-based approach to understand the ML threats and take the right action.

Accountancy Europe proposes **three actions for OEs** to shift from reactive, to proactive and preventive AML risk management:

1. **Better recognise and mitigate AML risks** - through cooperation with supervisors and policy makers, AML training and better understanding sector specific risks.
2. **Strengthen risk-based systems and controls** – to assess whether they can deal with the risks identified, regardless of OEs' size and complexity.
3. **Leverage technology** - to increase AML efficiency and quality. For example, in remote client onboarding and collecting client information by reducing the administrative burden.

Obliged entities need to improve governance
Integrating AML in the governance structures can improve an OE's risk overview and management. It

can also allow an OE to be proactive on AML risks and ensure ongoing monitoring, reporting and oversight. Accountancy Europe recommends the following **three actions for boards and management**.

1. **Boards should build a strong AML culture**
   Boards should foster a culture that supports AML risk awareness, behaviours and judgments about risk and provide escalation mechanisms. They need to challenge AML policies to ensure these align with their business activities' inherent risks.
2. **Management should implement effective risk management**
   In line with the board's guidance, management's role is to implement effective risk management and risk reporting obligations. Management should be able to recognise AML risks, monitor these and allocate adequate resources to establish a control framework that can manage and mitigate those risks.
3. **Obliged entities should establish Three lines of defence**
   Entities should establish three lines of defence to ensure sound ML/TF risk management:
   - management control over business operations;
   - risk controls and compliance;
   - internal audit to evaluate the risk management and controls.

Reinforcing the regulatory and supervisory framework

Supervision and regulation need to be modernised as well to ensure the AML ecosystem functions properly. To further reinforce the regulatory and supervisory framework, Accountancy Europe **recommends supervisors and policymakers** to:

1. **Enhance cooperation amongst member states**
   Information and knowledge sharing between national supervisory authorities is critical for the AML system to be effective. Member states should also ensure OEs have sufficient access to information through data sharing and inter-operable systems.
2. **Facilitate collaboration between the private and public sector**
   Effective exchange of information is crucial in the fight against money laundering and the financing of terrorism (AML/CFT). This also includes the exchange of information between authorities from the public sector and private sector entities. Accountants and auditors have highlighted the profession's willingness to assist in establishing partnerships which will be active in the non-financial sector. Accountancy Europe has also emphasised the specificities of the accountancy sector and highlighted that the profession's expertise in certain areas could bring added value.
3. **Consider sector specific divergencies**
   The current AML legislation seems to be designed primarily for the financial sector. This poses difficulties in interpretation and may cause gaps in its application for non-financial obliged entities. The rules should acknowledge that there are different types of OEs and identify and target the factors to consider. Further to that, the rules should be clear, proportionate to the size of the business and tailored in a way that can be effectively applied across different sectors and entities.

Authors

Eleni Kanelli, Director

Eleni has been leading Accountancy Europe's team of EU policy experts since 2015. With over 13 years of experience, she represents the organisation and advises the CEO on public affairs. Eleni is a member of the European Parliamentary Financial Services Forum Administrative Committee (EPFSF), and of the European Advisory Group at the Public Affairs Council (PAC). She holds a degree in political sciences and MA in European political and administrative studies from the College of Europe.

Paul Gisby, Senior Manager

Paul Gisby is a qualified chartered accountant and chartered tax adviser. He spent 20 years in private practices before joining Accountancy Europe in 2013. His primary focus is on tax and SMEs. He also leads Accountancy Europe's work on public sector accounting standards and is a member of the Consultative Advisory Group of the International Public Sector Accounting Standards Board (IPSASB CAG). Paul Gisby holds a degree in psychology from Manchester University.

Data Protection really matters!

The General Data Protection Regulation (GDPR), referred to also as the Regulation, came into effect across the EU, including Malta, on 25 May 2018. Hailed as a golden standard in the field of the protection of personal data, the Regulation brought significant changes to our legislative landscape. Such changes, although considered as an evolution of the previous framework, have introduced new concepts designed to considerably strengthen individuals' fundamental rights in the digital age and facilitate business by harmonising rules for companies and public bodies in the digital single market.

The GDPR has become a reference point for countries which aim to offer a high and effective level of protection of natural persons. Countries around the globe are either modelling their new laws on the GDPR or else adapting their legislation to largely reflect the provisions of the Regulation.

More key jurisdictions, particularly third countries, are recognising the importance of the protection of personal data and legislating to this effect. This is indeed positive and further enhances the level of data subjects' trust. As members of the Global Privacy Assembly, our office engages with other Data Protection Authorities and follows the developments regarding data protection and privacy in more than 100 countries around the globe. Vietnam is one of the latest countries which is moving towards a comprehensive data protection legislative framework.

Data is not a commodity and is not tradeable. Indeed, data is valuable because it serves as the central pillar on the basis of which many business organisations operate. Therefore, protecting personal data is imperative, not only to ensure good reputation and generate revenue, but more importantly to be able to effectively build a foundational element of trust with data subjects, being in the digital environment or otherwise. Implementing an effective data protection programme should find itself as one of the top objectives of business strategies – a compliance programme which is dynamic, scalable and which is regularly updated to address the challenges which are largely brought about by new technologies.

News involving companies which suffer massive personal data breaches has increased over the past years. Persons with bad or criminal intent are constantly seeking ways on how to exploit technical vulnerabilities and penetrate systems which process data of a significant value for financial gains. That breach might involve our data, your data. Where controllers do not take the appropriate and immediate measures to mitigate any possible risks arising from the breach, that incident might have a serious impact on our fundamental rights, which could lead to physical, material or non-material damage.

The risk-based approach is central to the GDPR and binds organisations processing personal data with the increased responsibility to effectively demonstrate compliance with the data protection rules. The controllers and processors should implement the appropriate technical and organisational measures following a thorough risk assessment in order to ensure the integrity and confidentiality of personal data. Many online sources are available to assist controllers and processors to conduct this kind of evaluation. However, a tool which is highly recommended is the one developed by ENISA, the European Union Agency for Cybersecurity. The assessment methodology used by this tool takes the controller or processor through a series of stages to evaluate the risk and adopt the appropriate security measures to protect the personal data against a personal data breach.

It goes without saying that ongoing and robust data protection training is imperative, especially when considering that human error remains the main cause of data breaches. Frontliners and employees handling personal data in their daily operations should be regularly

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trained and reminded of core security elements. Phishing and social engineering attacks have become one of the most common hacking attacks, therefore internal awareness raising campaigns on how to identify these attempts, together with phishing tests where mock emails are sent to employees, are indeed crucial.

Accountability is key. The GDPR emphasises that controllers shall be responsible for, and be able to, demonstrate compliance with the data protection principles. Although accountability might seem a big task, it could be neatly wrapped up in the implementation of good practice measures. However, identifying these measures is not a one-size-fits-all exercise. Unless the accountability framework is built and centered around the data subjects, in terms of measures, policies and procedures, the likelihood is that the framework will not achieve the desired objectives and fail.

Over the past two years, the challenges brought about by the coronavirus pandemic have shown, in practice, that data protection rules did not hinder the fight against COVID-19. It could be safely said that the GDPR is essential to ensure that any processing of data, mostly consisting in special categories of data, is carried out lawfully in line with the data protection principles and thus in full respect of the fundamental rights of the data subjects. The pandemic could well be seen as a wake-up call for many organisations which had to shift their operations online, including but not limited to, providing secure ways for employees to conduct their employment duties remotely.

Clear policies governing remote working had to be developed, and IT infrastructures and solutions had to be updated, made robust and properly configured to provide for the required level of security. Multi-factor authentication is no longer a nice-to-have, but is a prerequisite for online access to systems processing personal data – and secure communication tools and channels had to be provided accordingly. The use of cloud services has become prevalent. Certainly, the Schrems II judgement delivered by the Court of Justice of the EU in July 2020 did not facilitate matters specifically concerning the transfer of personal data to third countries which do not ensure an adequate level of data protection. Having said that, the European Data Protection Board (EDPB) has issued comprehensive guidelines to assist controllers conducting an assessment to identify the risks and consequently implement the necessary supplementary measures designed to guarantee the protection of the transferred data.

Our vision as EU data protection authorities, which collegially meet within the EDPB, is based on three pillars, namely advancing harmonisation and facilitating compliance, supporting effective enforcement and efficient cooperation between national authorities, and applying a fundamental rights approach to new technologies. On the latter point, there are certainly many challenges to regulate artificial intelligence from a fundamental rights perspective, primarily due to the inherent risks of discrimination and bias.

Last year, the European Commission proposed a regulation laying down harmonised rules on artificial intelligence. The EDPB, together with the European Data Protection Supervisor (EDPS), has issued a joint opinion on this draft regulation where our main feedback was that when an Artificial Intelligence (AI) system is classified as high risk, it does not necessarily mean that it is lawful. In order to ensure a harmonised regulatory approach, we are also proposing that the Data Protection Authorities (DPAs) should be the supervisory authorities responsible for the enforcing of the AI regulation. This means more work for us as regulators, but I firmly believe that this position taken during one of the plenaries is indeed the most logical one.

Data protection is a fundamental right and we must safeguard it. The challenges are ever-present. What is certain, for the time being, is that the GDPR remains a valid and strong legal instrument, which is successfully achieving its intended objectives. This has been confirmed by the European Commission in its first report published in June 2020 when it was remarked that no amendments to the GDPR were necessary at the point in time. I agree with this position. The next evaluation is scheduled to be conducted in 2024.

Embedding data protection as part of the cultural and business fabric of any organisation is indeed the way to go!

Author
Ian Deguara was appointed as Information and Data Protection Commissioner in December 2020 after spending a career, spanning over more than 18 years, in the field of data protection. He was one of the first employees to join the supervisory authority after successfully completing his studies at the University of Malta, where he obtained a degree in information technology and also in management. During these years, Ian occupied various roles within the authority and acquired a level of expertise in the area of the protection of personal data.

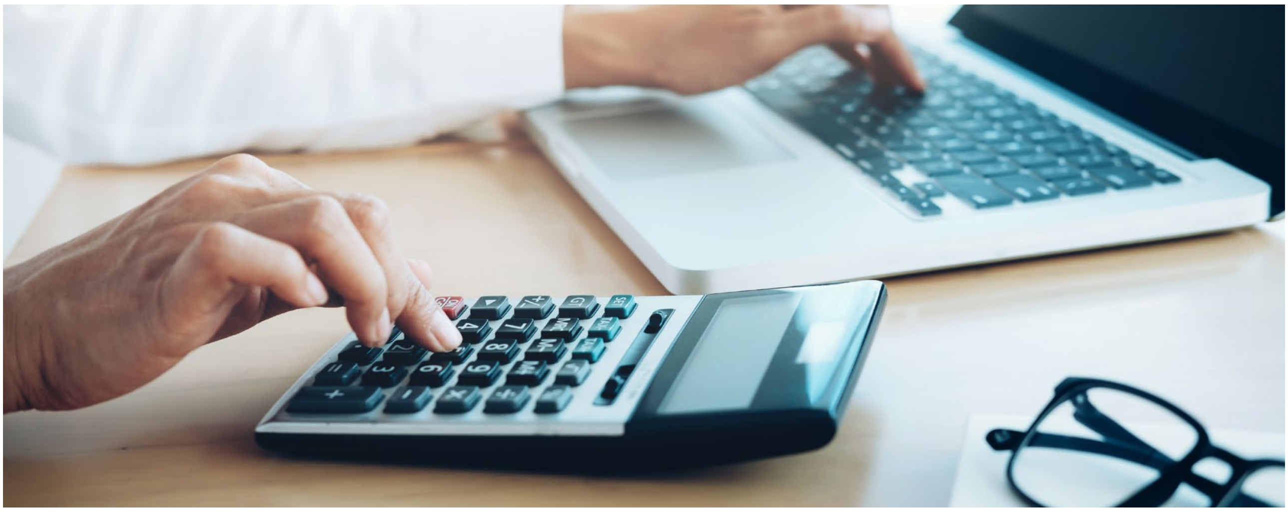
How to **Fight Tax Crime**

Just like most taxpayers voluntarily comply with their obligations, the vast majority of professionals involved in the tax field (such as lawyers, accountants, tax advisors, financial institutions, etc.) are law-abiding and provide their clients with lawful advice.

However, there is a small group of professionals who persevere in providing individuals and companies with sophisticated mechanisms for perpetrating financial crimes. By generating opportunities to facilitate the commission of such crimes (and the concealment of the assets linked with them), this small segment of the profession undermines not only the rule of law and general trust in the tax and financial system, but also their own profession. Therefore, targeting professional enablers and disrupting their activities is a key avenue for addressing criminal activity at the source.

Criminal law has traditionally been the most common tool for prosecuting the enablers of tax crimes. In the second edition of the OECD's *"Fighting Tax Crime: The Ten Global Principles"*, the world's first comprehensive guide to fighting tax crime, we identified that most jurisdictions may prosecute enablers and facilitators under their general rules for aiders abettors. Nonetheless, there is increasing interest from countries in setting up new penalty regimes that specifically target professional enablers. This may be attributed to the higher levels of public trust required by some professions (as is the case with notaries) and to the fact that enabling tax crimes, often through very complex legal and financial arrangements, may be considered particularly damaging to the state budget and to society as a whole. In general, setting up a specific penalty regime for professional enablers has allowed countries to award greater resources and investigative powers to the enforcement agencies, as well as to apply dissuasive sanction.

Even though imprisonment is the quintessential criminal sanction, over the past decades, countries have begun to adopt other types of penalties for professionals, such as monetary fines, confiscation of assets and, more recently, suspension or disqualification from their professions. Disqualification may be ordered by the courts, but such power also resides within the professional bodies that regulate their members through codes of conduct and other ethical obligations. Adopting such measures by the professional oversight body (e.g. bar associations or boards of accountants) may result in a quick and effective way to stop professional enablers in their tracks, limit criminal activity and prevent further damages to the state budget. In *"Ending the Shell Game: Cracking down on the Professionals who enable Tax and White-Collar Crimes"*, we noted that when courts ordered the publication of an enabler's conviction on the website and magazines of their respective supervisory body, it



allowed for greater publicity and deterrence within that sector (the so-called "naming and shaming" provisions).

However, the importance of professional bodies in the fight against professional enablers goes far beyond sanctions. Combatting financial crimes comprises a number of key stages, including the prevention and detection of the offence. A professional association's knowledge of the reality of its profession, and its views on how to improve the tax system are critical assets for any effective strategy supporting voluntary compliance and detecting and preventing tax crime. In particular, the input from professional bodies would be useful for identifying risks and threats, and for assessing the strategy's priorities in terms of likelihood and impact. This is of particular relevance for governments, as tax crimes not only affect public revenues, but also are in many cases a predicate offence for money laundering and terrorism financing. In some countries, this type of consultations gave rise to more permanent partnerships between professional bodies and law enforcement agencies, with both parties benefitting from sharing experiences and best practices.

As mentioned before, professional enablers affect government revenue and public trust in the tax and financial system, and they undermine the work of the majority of their colleagues, whose defence is entrusted to their professional bodies. Be it through sanctions, cooperation or other means, professional bodies have an important role to play in the fight against professional enablers.

Author
Pascal Saint-Amans is the Director of the Centre for Tax Policy and Administration at the OECD. Mr. Saint-Amans, a French national, joined the OECD in September 2007 where he played a key role in the advancement of the OECD tax transparency agenda in the context of the G20. Prior to his appointment as Director, he was the Head of the Global Forum on Transparency and Exchange of Information for Tax Purposes since 2009.

Mr. Saint-Amans graduated from the National School of Administration (ENA) in 1996, and was an official in the French Ministry for Finance for nearly a decade.

Malta's Next Leap Forward – *Succeeding through Change*
SMP Conference 2022

The international economic landscape is transforming at a rapid pace due to enhancements to the regulatory framework, financial crime, anti-money laundering and other economic and social factors.

This context presents a unique opportunity for accountancy professionals. Accountants are strategically positioned to help businesses meet the expectations of various stakeholders and help them adapt to the evolving regulatory environment. The SMP Conference 2022, held at the Radisson Blu Resort on Tuesday 24th May 2022, highlighted the transformation of the role of the accountancy professional as a trusted advisor of the entrepreneur.

The Conference focused on several areas relevant to Small and Medium Practices (SMP), such as the SMPs' role in the local business community, the implications of tax reforms on CSPs, financial crimes and more. It was evident that the role of the SMP has evolved over the years and will need to continue evolving as new challenges are converted into opportunities.

MIA President, Mr David Delicata, insisted that SMPs have a crucial role not only within the industry but even within the wider Maltese economy, since they service important economic sectors in a changing worldwide context. He explained how the MIA is in constant communication with authorities, ensuring that the profession is consulted on the relevant matters, with a strong message that a one-size-fits-all approach should be avoided.

Ms Maria Cauchi Delia, CEO of the Institute, emphasised that the SMP

community is an essential segment of the accountancy profession. She highlighted the Institute's efforts in monitoring the latest updates and addressing any issues that may arise in the interest of the profession.

The full-day Conference also provided ample networking opportunities for participants. The importance of networking was raised at different junctures, with industry leaders urging accountants to pool their resources to provide a more complete offering to the firms they service.

The SMP Group within the Malta Institute of Accountants contributed to the agenda of the Conference, which was sponsored by Lexco Compliance Solutions.

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NetSuite Financial Management

Smart Financials for today and tomorrow

In this article, we interview Massimo Avellino (MA), Chief Officer Consultancy Services at Smart Technologies Limited, about the features of Oracle's NetSuite Financial Management solution. We have also sought the opinion of a first-hand user of this product suite, Smart Technologies Limited's Chief Financial Officer, Joeane Gauci (JC), on the benefits of utilising NetSuite's financial management platform.

What is NetSuite Financial Management?

MA: NetSuite Financial Management has achieved a reputation as the number one cloud financial management solution, namely due its potential to expedite daily financial transactions, reduce budgeting and forecasting cycle times, ensure compliance, and accelerate the financial close. This cloud-based platform delivers real-time visibility into the financial performance of any business, from a consolidated level down to individual transactions. Moreover, NetSuite Financial Management seamlessly integrates with additional business applications, including those relating to order management, inventory, Customer Relationship Management (CRM) and commerce. This means that one can run an entire business with a single solution.

What are the key areas where NetSuite's financial management platform can prove to be an important asset for finance and accounting professionals?

MA: In my opinion, NetSuite Financial Management addresses three key areas of interest to finance managers and accounting professionals; First of all, it lets you manage your financial processes efficiently. NetSuite helps you automate a range of complex financial processes, from bank reconciliation and assets management, to receivables, payables, revenue management and more.

From a management point of view, the adoption of NetSuite's financial management solutions allows you to drive business strategy and growth - the platform's financial, headcount and operational data lets you quickly and easily produce budgets and forecasts, model what-if scenarios, and generate reports.

From an operational standpoint, NetSuite Financial Management allows the finance and accounting professional to close with confidence, accelerating the financial close while maintaining compliance with accounting standards. It also enables reporting with accuracy, facilitating the drilling down into underlying details, and allowing a better understanding of the impact to your business. Finally, it gives one access to real-time information, with real-time metrics and role-based dashboards designed to improve performance.

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Can you give us an overview of how NetSuite has packaged its solutions?

MA: NetSuite has packaged its comprehensive offer to finance and accounting professionals along seven product lines: NetSuite Cloud Accounting Software, NetSuite Billing, NetSuite Planning and Budgeting, NetSuite Revenue Recognition, NetSuite Financial Reporting, NetSuite Financial Consolidation, and finally, NetSuite Governance, Risk and Compliance. The underlying objective of these various modules of NetSuite's financial management platform is to facilitate the automation of core finance and accounting processes, provide detailed insights into the performance of the business, and reduce the risk of reporting errors, allowing greater control over the firm's financial assets.

How did your department's adoption of NetSuite's Financial Management platform come about and how has this benefited Smart Technologies Limited (STL)?

JG: The decision to adopt NetSuite's financial management solutions at STL was taken some time after Massimo Avellino conducted an inhouse workshop at the firm, where he explained to us the features and benefits of this platform. At the time, I remember thinking that NetSuite Financial Management ticked all the right boxes as regards the expectations that I, as a finance and accounting professional, had from such a platform. Since its adoption at STL, NetSuite Financial Management has definitely helped us become more agile, operate more efficiently, and collaborate more effectively internally in order to improve performance across the organisation. I believe that NetSuite Financial Management has particularly proved its worth in the past couple of years, as it has allowed us to face the changes and challenges experienced in our market environment with greater confidence.

More specifically, NetSuite's financial management, budgeting and planning solutions have given us the tools and insights we need to balance our short-term priorities and long-term objectives, helping us make more informed decisions about how we use our financial resources.

How has NetSuite Financial Management affected the way you and your team work, as well as your performance?

JG: The extraordinary degree of automation and intelligence offered by the platform has dramatically reduced the need for our staff to perform mundane and repetitive tasks. It has also led to increased data accuracy, allowing me and the rest of the management team to spend more time on data analysis, planning future growth and making long-term strategic decisions. In general, the combination of automation, intelligence and a unified technology platform has improved my department's operations by enabling the finance and accounting team to focus on managing exceptions, instead of performing time-consuming manual tasks.

Moreover, while many accounting professionals dread the words 'month-end close', NetSuite has helped us eliminate many of the headaches, much of the overtime, and the intensive effort required to close the books. More recently, our implementation of a dedicated NetSuite Financial Management budgeting solution has also enhanced our capabilities for revenue and expense projections to help us automate the company's budgeting process, eliminate manual data collection and reduce budgeting cycle times.

What do you regard as the most significant contribution of the NetSuite Financial Management platform to Smart Technologies Limited's business success?

JG: There is no doubt that the intelligent automation which is the hallmark of NetSuite Financial Management has helped us increase our accounting efficiency and accuracy, while NetSuite's solid governance, risk and compliance features, have given us greater confidence in our business results. These capabilities, combined with a unified platform that spans the entire organisation, have contributed to provide us with an even more solid foundation for building a successful business.

*For more information about NetSuite Financial Management contact Massimo Avellino at Smart Technologies Limited at **massimo.avellino@stl.com.mt** .*

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Upcoming CPE Events 2022

26 JUL	M22054	Dealing with Enhanced Due Diligence Measures for PEPs – Hands on Information	AML
14 SEP	M22052	Beneficial ownership – Meeting your AML obligations	AML
7 JUL	M22062	Reporting to those charged with Governance	Audit & Assurance
19 JUL	M22058	Internal Controls within an organisation: The different roles and responsibilities	Audit & Assurance
28 SEP	M22076	The Independent Auditor's Report: Essential ISA Considerations	Audit & Assurance
6 JUL	M22063	Business Culture & Ethical Behaviour	Ethics
13 JUL	M22060	Financial Instruments Under IFRS 9 And GAPSME – An Overview	Financial Reporting
22 JUL	M22055	Income taxes: financial statement disclosures, and changes to IAS 12	Financial Reporting
7 SEP	M22075	Substance Over Form Under IFRS	Financial Reporting
19 JUL	M22058	Internal Controls within an organisation: The different roles and responsibilities	Management & Finance
20 JUL	M22049	Sustainability and Finance	Management & Finance
27 JUL	M22050	How forecasting can be used to improve profitability, returns and decision-making in business	Management & Finance
12 JUL	M22045	Time Management & Prioritisation Skills – Not having time is a myth!	Personal Skills
23 SEP	M22072	Emotional Intelligence – It Matters	Personal Skills
12 OCT	M22046	Conflict Management in the Workplace	Personal Skills
5 JUL	M22065	Tax implications of remote work	Taxation
6 SEP	M22074	VAT Updates 2021/2022	Taxation
13 OCT	M22068	VAT and Immovable Property	Taxation
19 OCT	M22066	Input Vat Recovery	Taxation
2 NOV	M22067	VAT & Gaming	Taxation
8 NOV	M22069	VAT Considerations in the Finance and Insurance Industry	Taxation
1 DEC	M22070	Where and When is VAT applicable? – VAT Place of Supply Rules	Taxation

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"The art of being **a servant leader"**

Having founded and led a reputable firm for a number of years, accountancy provided the fundamentals of a successful and rewarding career for Maria Micallef, a former President of the Malta Institute of Accountants. In this edition of **The Accountant***, we sought her views to better understand the ingredients behind successful accountants and the attributes which such profession brings to those who pursue this career path.*

In our conversation with Ms Micallef, it became evident that the accountancy profession gave her the opportunity to use her skills in leading important projects, implementing successful business turnarounds, encouraging foreign firms to establish businesses in Malta and supporting leading organisations in enhancing their business operations across different economic sectors on the island.

These accomplishments were achieved on the basis of one critical element - Putting your client first. This is the best advice Maria Micallef, with 35 years of experience at her back, feels that she is able to give to current and prospective accountancy professionals.

As she reflects with us about her extensive career in the industry, Ms Micallef reckons that we all have a "client to serve" whether it is a private business or an employer.

Micallef was keen to highlight the exciting and diverse elements of the accountancy profession, which include collaborating with others to solve problems through your detailed and steady knowledge of the accounts and accounting standards; helping the business to grow; interacting with other professions and learn about their points of view to enrich your insight; becoming an excellent and key team player, and operating and participating at the highest decision taking positions of a business. "This is the accountant!", she says.

We asked Ms Micallef, who had actually started off her University days studying Science before discovering the joys of accountancy, to describe the most important attributes or values that an accountant should possess. "Objectivity and scepticism and a strong foundation of ethics", she tells us, without thinking twice: "putting your client first does not mean accepting all that you are told or whatever is requested of you but rather that you objectively assess the information provided, record it accurately and help the client identify the more appropriate technical solutions to the business".

A good accountancy professional also has a duty and obligation to safeguard the public interest which, according to Maria, the Institute has always kept a firm gaze on.

On the surface, this may seem the easiest thing to say and do, with most professionals likely to agree with it. "Placing your client first and discharging your duties ethically does not mean you do not do well financially", she explains, while warning against judging the desirability of a profession over another on the basis of the financial compensation that it might provide.

As a visiting lecturer of Ethics at the University of Malta, Maria insists that when any person puts money as a first prerogative, that person, perhaps subconsciously, is opening himself or herself to risks, making him or her more susceptible to misdeeds and corruption.

Despite this warning, Micallef emphasises that the vast majority of accountancy warrant holders discharge their responsibilities with utmost diligence and honour.

Questioned on how realities for the accountancy professional will change as tax harmonisation around Europe is strengthened, Micallef sees adaptation as the right solution. She believes the profession will once again adapt to emergent requirements, as was done in the past on various other occassions.

Some things have changed though.

"Today's accountant needs to be more analytical. The client's needs have to be better understood. Numbers must not be taken lightly, as they provide an objective picture of the business' performance; on the other hand, they cannot be taken in isolation as that would not provide a complete picture of the situation", she explains.

Despite these challenges, Maria Micallef maintains a positive approach, sharing the view that accountancy professionals have the benefit of being in a position to be influential within society, and are able to effectively drive positive change. She recalled a number of big changes affecting the profession, but the accountants have always managed to cope and excel by using acquired knowledge and competencies to continue to remain relevant to their client.

The environmental, social and governance (ESG) element is one of the next material developments with many firms now setting up dedicated units specialising in this field. "Even here, the successful firms are those who invest in the knowledge to help make their clients better."

Ms Micallef recalls that the accountancy profession was one of the first, years ago, to insist on the importance of the governance element within the Maltese jurisdiction. Furthermore, she recalls that the accountancy profession was the first to establish, many years ago, a CPE requirement to ensure that its professionals keep up-to-date with developments. The profession, through the efforts of the MIA, has always been at the forefront to protect the public interest and its reputation introducing early on a Code of Ethics and the requirement of a professional indemnity insurance.

An aptitude to keep on learning remains imperative. "One of the best characteristics of accountancy professionals is that they have always developed the necessary competences", adding that even the syllabuses of University degrees and the ACCA have over the past years been developed to reflect the need for better governance and ethical considerations.

Micallef hopes to see more people take up the accountancy profession, not only for the opportunities it provides but also because the knowledge and experience that it brings with it helps persons become leaders. "Accountancy gives you the skills which will help you to manage and lead better".

What matters, however, is that the learnt attributes are used for the good of the environment you operate in. There are different kinds of leaders and whilst no one kind is universally indicated in all circumstances, in Micallef's view is that "We must be humble leaders, who value their people (clients and employees), encourage diversity, are able to listen and care and take timely decisions for the good of their organisation. This will certainly bring satisfaction and happiness". As some guru once said somewhere:

"You climb the mountain to see the world, not so the world can see you".

Maria Micallef was the Managing Partner at RSM Malta until her retirement in December 2020. Maria specialised in business advisory services including mergers and acquisitions, corporate finance, valuations, investment appraisals and feasibility studies. She is a visiting lecturer at the University of Malta. Currently Maria is pursuing studies and following a Degree in Humanities at the same University. Maria served as President of the Malta Institute of Accountants during the period 2013 to 2015.

Meet the MIA Team
Charlotte Bartolo

What's the vibe inside the MIA offices?
The vibe inside the MIA is definitely a positive one. It's busy and challenging but also fun and exciting. Everyone is so friendly and supportive.

What's the best thing about Summer?
Literally everything! I love the sun and the sea, longer days and warm nights. I really don't mind the heat!

Looking back at your career so far, what do you consider as your highlights?
I would say that my career has helped my professional and personal growth. I've met some great people and gained lasting friendships.

Tell us about your most memorable experience abroad
My sisters and I were invited to Australia to perform as a tribute to my late father, who was a singer. It was a humble, once-in-a-lifetime experience that I will never forget.

How would your colleagues describe you?
Chatty with an odd sense of humour.

What's the meaning of family for you?
It's unconditional love, a blessing.

How do you unwind?
Listening to my favourite music while cooking dinner.

Your favourite TV show is….
Modern Family

You have the opportunity to spend fifteen minutes with one celebrity. Who would that be?
Michael Bublé

Current book on your bedside.
Behind her eyes.

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Looking from new angles to uncover solutions that deliver sustained outcomes and build trust.

PwC's global strategy attempts to solve important issues facing the world. It reflects fundamental changes in the operating environment faced by clients and stakeholders, including technological disruption, climate change and fractured geopolitics.

Today's challenges are complex and require something more than what's expected. By bringing together unexpected combinations of skills, experience and technology we can help shape tomorrow.

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