

THE ACCOUNTANT



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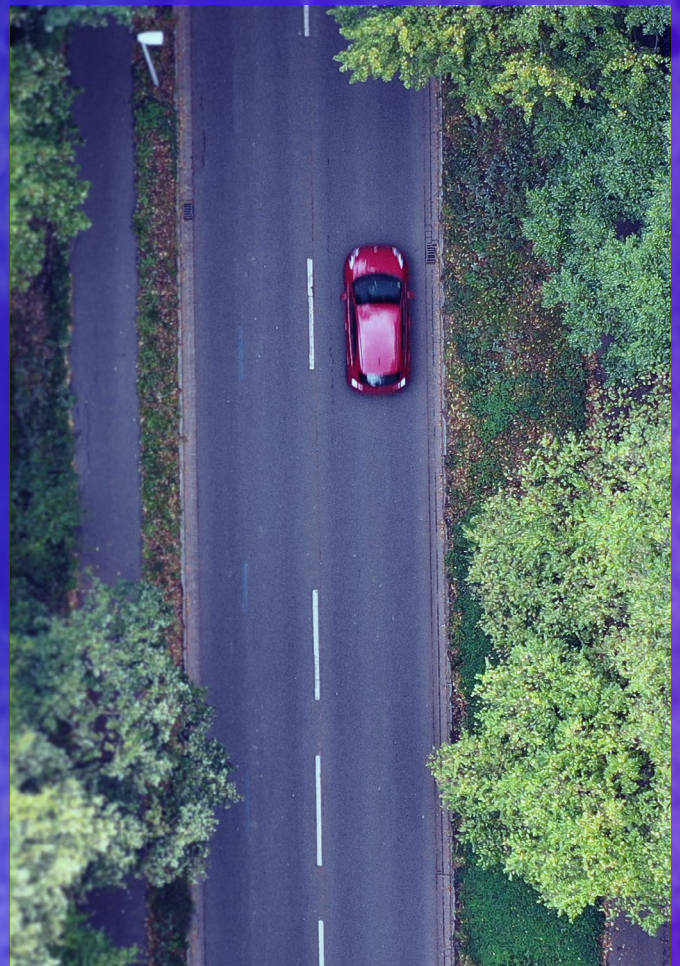




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President's Address

David Delicata



Welcome to the last edition of our flagship publication for 2022, bringing you high-quality insight into key developments impacting the accountancy profession and beyond, a look at the Institute's highlights over the past months while also sharing the knowledge and expertise of industry leaders.

Although it seems that every introductory article or speech over the last few years has shared a similar tone, we cannot escape the fact that a tough reality confronts the global and by extension, the local economy. A series of harsh events and unprecedented macroeconomic policies are combining to create a perfect storm. This has consequences for all of us due to the interlinked nature of the globalised world and more so because of the exposure of our open economy.

Of particular relevance and requiring immediate attention is the steady stream of tax reform as governments across the globe struggle to search for new avenues for debt reduction, address the fight against climate change while at the same time achieving sustainable and just growth. Most of the fiscal systems in force today were created with the economy of the past in mind and as such might not always be appropriate to foster equitable growth now or in the future.

At a time when consumers across the globe are feeling the pinch of record-breaking inflation levels, the urge towards tax justice is stronger than ever, and the definition of what is acceptable to the wider community has dramatically changed in a few years. In parallel, after years of words but little action,

mitigating climate change has been elevated to a matter of urgency, with political leaders recognising that education and comprehensive policy efforts will not succeed in isolation, therefore requiring fiscal measures to achieve the desired objectives.

We have to appreciate this external context to better understand the European and OECD-level push for more transparency, consolidation and coordination on fiscal and economic policies, leading to several proposals in fields concerning the profession, including Anti-Money Laundering (AML) and taxation. The recent Tax Conference hosted by the Institute has showcased the multi-faceted elements of this reform and provided valuable insight to professionals on what lies ahead. As the Minister of Finance aptly remarked in his address, we can run, but we cannot hide from tax reform.

As an Institute we remain committed to not only keep the profession informed about developments, but also to keep securing feedback which we share at the appropriate level with local authorities and abroad.

As I penned these few words, political leaders from across the globe were concluding extensive negotiations at the COP27 climate conference, agreeing to yet another package of decisions targeted at limiting global temperature rise to 1.5 degrees Celsius above pre-industrial levels. The package also establishes more urgent action by countries to cut greenhouse gas emissions and adapt to the inevitable impacts of climate change. As you can expect, such commitments will be accompanied with further requirements associated

with the preparation of companies' financial statements and annual reports and the responsibility of their governance bodies. Legal obligations are mirrored by a significant shift in expectation by investors as these are moving on to demand more comparable information regarding a company's social and environmental impact, and its governance practices before putting their money's worth.

Here again, I appeal to practitioners and industry professionals to act now before it is too late. Yes, the introduction of the Non-Financial Reporting Directive (NFRD) has already required a stream of new disclosures, but by 2024, the data that will need to be captured will be significantly more extensive than it is now. The time to get ready for this is now. I do recommend our extensive Continuing Professional Education (CPE) programme to help you update yourself with these developments. Indeed, sustainability will be a significant fixture in next year's exciting and varied CPE programme provided by the Institute.

In conclusion, I would like to extend my immense gratitude towards the Council, management and staff at the Institute for their year-round dedication

and commitment as well as to the over 100 MIA Committee and Group members who take an active role in the MIA's Committees and Groups to painstakingly go through extensive regulatory proposals, debating and providing feedback which the Institute then relays to the Authorities. They were always here to assist and advise us in every possible way and were instrumental with the development of ideas and their execution.

While I would generally avoid names with such a long list of contributors, I would like to extend my appreciation to Christopher Balzan who exited Council at the last AGM and welcome Christopher Portelli in his stead.



I wish you all a peaceful

Christmas

with your loved ones
and a Happy New Year



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Message from MIA CEO

Maria Cauchi Delia



Malta's participation in the European Single Market has opened the door for unprecedented levels of growth, higher employment and prosperity, and an improved standard of living. However, it has also increased the risks associated with low or eroding competitiveness. In this context, the choices we make – as a nation, as entrepreneurs, as industry leaders and even as individuals – are critically shaping our position to successfully compete in this environment.



For this reason, the Malta Institute of Accountants (MIA) has been at the forefront in calling on Authorities to identify those measures that enhance Malta's competitiveness. These include the clarification, simplification and consolidation of legislation, and the reduction of burdens on private operators, whilst also taking into consideration ongoing major international and European Union (EU) reforms such as Environmental, Social and Governance (ESG)-related initiatives and proposed significant tax reforms. The post-pandemic scenario has created a sort of Europe's Ground Zero, as competing countries seek to identify the right initiatives to set them apart from the rest at a time when many policies are being consolidated at EU level. Malta has to be ambitious in this direction and the Institute will continue working closely with the relevant authorities in order to support the drive for Malta's competitiveness.

While there are various elements that affect a nation's competitiveness, we cannot stress enough the relevance of going digital. The Institute remains steadfast in its belief that digitalisation is a fundamental component of this regeneration and an enabler for the public sector to be more efficient and have readily available consolidated data. Digitalisation also enables local businesses to survive, evolve and

grow. Going digital is no longer a 'good to have': it is a necessity not only to meet the requirements of the modern consumer, but also to effectively comply to and enforce legal and fiscal requirements while also successfully addressing the persistent challenge relating to the lack of available skills and resources.

During the pandemic years, digital technology has allowed organisations to continue with their operations. But as the world emerges from this tragedy, digitalisation is the single most important tool towards increasing efficiency, productivity and therefore further value creation.

Evidently, the accountancy profession is not immune to these changes, and in the short-term future it is unforeseeable to think of a professional accountant not having an understanding of relevant technological and digital practices. Automation of accountancy processes will not only decrease risk of errors but will also allow accountancy professionals to focus on business development, strategy and higher-level operations, while having the support to make timely, effective, data-driven decisions. In fact, digital tools allow accountancy professionals to use data to identify valuable insights within their financials, suggest process improvements that can increase efficiency and better manage risk. This can actually help the accountant move up the value chain within an organisation, by being able to advise clients more efficiently and effectively, participate in decision making and take a more prominent leadership role.



The year ahead inevitably brings more challenges to the profession also through a steady stream of legislative and regulatory reform, both at national and European level. These include continuing discussions



on an extensive reform of the Accountancy Board to strengthen its independence and effectiveness, which is a desired objective of the Institute. Over the past weeks we have built a strong relationship with the Board's new Chairperson, and look forward to see this institution strengthened to a level befitting our continuously evolving profession.

In parallel, we are also keeping an eye on developments related to EU audit reform, which could have a significant impact on audit firm independence, firm rotation, the content of the audit and audit reporting, the provision of non-audit services by such companies, transparency rules and the internal governance of firms.

We are also working with the National Coordinating Committee (NCC) and the Financial Intelligence Analysis Unit (FIAU) on a National Risk Assessment. Additionally, we are moving closer to the finalisation of the new sector specific implementing procedures regulating the accountancy profession with the FIAU, which have been long awaited for by our members. I look forward to see many professionals from the compliance, tax and accountancy fields and beyond at our Anti-Money Laundering (AML) conference in January. This conference will specifically address these new procedures amongst other important matters such as the FIAU's newly launched strategy and practical case studies dealing with various aspects of interest to the profession. We are also planning a number of Continuous Professional Education (CPE) sessions in collaboration with the FIAU in order to delve into the detail of the Implementing Procedures Part II regulating the accountancy profession.

The MIA is also following up with the Commissioner for Revenue in terms of anticipated reforms in local tax administration, by being a member of a working group set up on the matter. The invitation to participate in this working group is another tangible confirmation of the institutional relevance the MIA has achieved in recent years at various levels.

I also had the opportunity to share Malta's views during members' Engagement Day hosted by Accountancy Europe. This year's event featured discussions on sustainability reporting, the evolving role of corporate governance, the European Commission consultation on tax intermediaries and developments related to the Corporate Sustainability Reporting Directive (CSRD).

As has always been our mantra, while the Institute is keen to support legislative reform which enhances the industry's competitiveness, at the same time we are pushing back proposals that would seemingly introduce overlapping multiple regulators to the profession. I am referring here to apparent efforts to bring members of the accountancy profession under regulatory control of other entities not related to the sector in areas which are already regulated or which should be regulated by the Accountancy Board. We are all in for quality, but not at the scope of creating new regulations which stifle economic activity.

In recent weeks, the Institute has also continued to push authorities to address bottlenecks related to work permits which are seriously undermining organisations' capabilities to attract the necessary human resources. In addition, with a look towards the future, we have launched the second edition of the #AccountsForYou Awareness Campaign as we drive our efforts to encourage young students to discover more about the exciting and varied career opportunities that this profession provides. In parallel, while recognising the invaluable contribution of local educators, we are also setting up communication lines with the educational institutions, to ensure that the gap between industry requirements and what children are taught in schools is better addressed.

In concluding, I would like to thank all the contributors who throughout the year have shared their insight and experiences on *The Accountant*, allowing the editorial team at the Institute to produce four high-quality editions. We are privileged as an Institute for being able to count on these professionals allowing us to come up with a production of this quality on a sustained basis.

*
* MERRY *
* Christmas *
AND HAPPY NEW YEAR
to all our readers



News Roundup

IESBA issues staff publication highlighting the relevance and applicability of the IESBA Code in combatting greenwashing

A new question and answer publication, titled **Ethics Considerations in Sustainability Reporting** *Including Guidance to Address Concerns about Greenwashing*, was issued by IESBA. This publication highlights the relevance and applicability of the International Code of Ethics for Professional Accountants to ethics-related challenges in the context of sustainability reporting and assurance, especially circumstances involving “greenwashing”.

Read more and access the publication [here](#).

ESMA’s 2023 Working Programme and Strategy for 2023-2028

The European Securities and Markets Authority (ESMA) has published its annual working programme for the next year, setting out its priority work areas for 2023.

Read more [here](#).

Furthermore, through the publication of the strategy for the next six years, ESMA highlighted sustainable finance as one of its main areas of action, among the consideration of other EU key priorities.

Read more [here](#).

EU proposes draft law requiring instant payments by banks

The European Union has proposed draft legislation requiring banks to provide instant payments in euro at no extra cost. Currently, traditional card payments or credit transfers can take up to three days. The proposed legislation will require approval by both the European Parliament and national governments.

Read more [here](#).

Financial services contribute to bulk of new FDI

Financial services activities contributed to the absolute majority of foreign direct investment moving towards Malta during 2021. The latest NSO data shows that during 2021, FDI flows in Malta increased by €3.4 billion. In December 2021, a total stock position of €204.1 billion was reached. This represents an increase of €7.9 billion over the corresponding period of the previous year. Data shows that the main contributors to FDI flows were financial and insurance activities with a total contribution of 85.9%.

Read more [here](#).

Local News

The current economic situation in Malta

In the aftermath of the covid-19 pandemic, the Maltese economy has showed its resilience, notwithstanding the fact that Malta relies heavily on tourism, which was halted completely by the pandemic.

In 2021, the economy recovered strongly from the contraction in gross domestic product (GDP) experienced in 2020 with a real GDP growth of 10.3%. During the first half of 2022, this recovery was sustained, and real GDP continued to grow at a steady rate of 8.5%. Moreover, between May 2020 and May 2022, the Maltese economy kept on generating jobs with a total of 27,859 new places of work being created, 19,712 of which on a full-time basis. However, both of these results came at a heavy cost to the Maltese government as in 2021 alone, General Government debt amounted to €8,284 million, or 57% of GDP, an increase of €1,306 million over 2020.

Despite the encouraging figures registered in 2021 and the first half of 2022, the Maltese economy is now under threat from the Russian invasion of Ukraine. As the reality of a lengthy Ukrainian war sinks in, the economic consequences for the world economy become more dire. The war's shocks are directly and indirectly affecting the EU economy, putting it on a path of weaker growth and greater inflation. Malta is influenced significantly by international economic performance and hence is

no exception, with annual inflation reaching 7.4% in September 2022.

Moving forward, the Maltese economy is likely to be influenced more by the performance of European economies and decisions taken by the European Central Bank (ECB). The tightening of monetary policies that provided unmatched support in the past, will obviously effect demand negatively, as policymakers aim to lower inflation back to the target of 2% per annum. As a result, real GDP for economies within the Eurozone is expected to grow by only 2.6% and 1.4% in 2022 and 2023 respectively. When we look at GDP growth estimates by the European Commission for Malta, as published on the 14th of July 2022, we can see that, like all other Eurozone nations, our economic growth for 2023 is expected to dip dramatically when compared to what is being forecasted for 2022. However, despite the reduction in economic growth, the Maltese economy is still expected to outperform most other Eurozone economies with a forecasted real GDP growth of 4.9% for 2022 and 3.8% for 2023. Finally, annual inflation is predicted to amount to 5.6% and 3.3% for 2022 and 2023 respectively, which although rather high, it is still lower than most Eurozone economies.



Author

Kurt Muscat is a senior executive for the Advisory service at EMCS. He holds a Masters of Science degree in Economics from the University of Malta and an ACCA qualification. He worked on a number of product development costing analysis and economic impact assessments, among other projects.



Participation in World Standard-Setters Conference and Accountancy Europe Members' Engagement Day

WSS Conference 2022

On 26th and 27th September, Dinahlee Delceppo, the Institute's IFRS and Regulatory Senior, attended the World Standard-Setters Conference in Canary Wharf, London, organised by the IFRS Foundation. This two-day conference provided participants with the opportunity to get updates on the Foundation's activities and conduct discussions, based on these updates, through interactive questions and answers, panels and breakout sessions. The Foundation spoke in detail about the status of the Management Commentary project, post-implementation reviews, the Primary Financial Statements project, and the work being done by the International Sustainability Standards Board (ISSB), including an overview of the feedback received during the consultation on the first two IFRS Sustainability Disclosure Standards,

among others. The breakout sessions further dealt with several different topics, of which Dinahlee, on behalf of the Institute, attended those on Financial Instruments and Goodwill and Impairment.

Accountancy Europe: Members' Engagement Day

On 19th October, the Institute's Chief Executive Officer, Maria Cauchi Delia, and Technical Manager, Amanda Zammit, attended the Members' Engagement Day at Accountancy Europe. During this event, discussions focused on the future of the profession in various areas, including sustainability reporting and assurance, the SMEs' role in sustainable transition, corporate governance and the European Commission consultation on tax intermediaries.

Local Appointments



Tri-Mer Services Ltd

Ian Mercieca a partner at local Corporate Services Provider Tri-Mer Services Ltd has been appointed on the EMEA Board of BKR International.



Grant Thornton

Patrick Debattista has joined Grant Thornton as an Associate Director in Transaction Advisory Services with effect from 26th September 2022.

KPMG

KPMG in Malta has announced the appointment of four Partners (Alex Azzopardi, Giselle Borg, Curt Gauci and Lisa Zarb Mizzi) and eight Directors (Roderick Borg, Edward Curmi, Mark Dalli, Amanda Formosa, Ryan Mizzi, Marlon Sammut, Steve Stivala and Shirley Vella) with effect from 1st October 2022.



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MIA Diary



MIA launches 2nd Edition of #AccountsForYou campaign **23.09.2022**

Building up on the feedback obtained from industry professionals, educators and students themselves, MIA President David Delicata and MIA CEO Maria Cauchi Delia launched the second edition of the #AccountsForYou Campaign, in the presence of Hon. Clifton Grima, the Minister for Education, Sport, Youth, Research and Innovation. The aim of this campaign is to encourage young students to learn about the opportunities that the accountancy profession provides, whilst promoting engagement with financial literacy from a young age. Through #AccountsForYou, the MIA is seeking to sustain and improve the reach of the first edition of the campaign, where over 1,000

children from 40 schools had taken part. This campaign is being supported by the Department of Accounting within the Directorate for Learning and Assessment Programmes within the Ministry of Education.

Annual General Meeting **30.09.2022**

The MIA held its 58th Annual General Meeting at the MIA's Head Office, featuring the return of the physical version of this event for the first time in three years. During this AGM, seven fellows of the Institute were elected to its Council. The members are Mr Fabio Axisa, Mr David Delicata, Dr Jonathan Dingli, Mr Shawn Falzon, Dr Ivan Grixti, Mr Christopher Portelli and Ms Annabelle Zammit Pace. They join Ms Charmaine Baldacchino, Mr Edmond Brincat, Mr Mark Bugeja, Mr Noel Mizzi,

Ms Lucienne Pace Ross and Mr William Spiteri Bailey on the Council. MIA Members had the opportunity to express their views and vote on a series of statutory changes proposed by the Council to improve and strengthen the operations of the same organisation. Other changes also reflected the MIA's efforts to continue to ensure gender equality in all of its activity.

The first meeting of the same Council was held shortly after, featuring an election for the four Officers of the Council. Mr David Delicata was re-elected as the Institute's President, while Mr Mark Bugeja was elected as Vice President, Ms Lucienne Pace Ross as Secretary and Dr Jonathan Dingli as Treasurer.

New Members Ceremony **21.10.2022**

The MIA family has grown further as around 200 members have joined its ranks following a formal ceremony held at the





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Mediterranean Conference Centre in Valletta on Friday 21st October 2022. Certificates to the new members were handed out by MIA President, Mr David Delicata. During the ceremony, five graduates were recognised for distinguishing themselves in their studies, with awards being handed out by the MIA President in the presence of Prof Emanuel Said, Dean of the Faculty of Economics, Management and Accountancy at the University of Malta and Mr Thomas Galea, International Assembly Representative of ACCA respectively. Two other members of the Institute, Cinzia Fenech and Nicholas Ferry, were honoured with the Kevin Mahoney award for their voluntary contribution towards the needs of the more vulnerable members of society.



Staff Team Building 26.10.2022

A day well spent - bowling and lunch for our team while at the same time contributing to the Pink October cause.



From the Committees

Paving the way to ESG - A Practical Eye Opener 19.09.2022

The practical and regulatory elements related to upcoming ESG requirements, including new standards developed at EU-level, took centre stage at an event hosted by the Young Members Focus Group. Engaging in a lively discussion on the matter, speakers called for a proactive philosophy rather than one focusing only on compliance, to ensure that ESG contributes tangible action towards a fair and better society. Accountants were encouraged to highlight within their organisations not only the costs associated with ESG implementation but also the benefits, particularly as more investors are revisiting their priorities and favouring companies

that truly champion the ESG agenda.

The future of the finance function: the digital agenda and technology assurance 5.10.2022

The Digital Committee brought together industry leaders and professionals to analyse the impact of technology as a changing force on finance functions within organisations. The event focused on two elements, namely the impact of digital transformation on the finance function as well as the regulatory aspect and its implications on the technological landscape. Discussions addressed the change in skillset and mindset required to embrace this rapid transformation that enhances value-added for organisations, as well as the emerging regulatory framework being developed to reflect the new technological realities.

Budget Proposals 06.10.2022 / 14.10.2022

The MIA presented proposals for Budget 2023, together with recommendations to address other tax-related matters, during meetings held with the Minister for Finance Hon. Clyde Caruana



Europe's Mr Paul Gisby and Mr Johann Barros.

MIA Quiz Night – Let's Get Quizzical

17.11.2022

On the 17th November, the MIA hosted its first ever MIA Quiz Night. In collaboration with the Young Members Focus Group, this event was held at Putters Inn at the Royal Malta Golf Club and welcomed around 70 participants.

Teams were asked to test their knowledge in various categories, such as Sports, History, Geography and Music. In the end, the winning team contained 4 individuals working in different industries. Following the quiz, members were invited for networking drinks.

We look forward to host another Quiz night in the coming year!

and the Shadow Minister for Finance Hon. Jerome Caruana Cilia. During these meetings, the MIA President, CEO, Officers and representatives of the Direct Taxation Committee explained the rationale behind the proposals and recommendations put forward by the Institute.

ISQM 1 Transition in Practice: A risk assessment perspective **14.10.2022**

The MIA New Quality Management Standards Working Group, including representatives of the MIA Audit and Assurance Committee and the MIA SMP Group, organised a physical event focusing on the transition towards International Standard on Quality Management (ISQM) 1. During the event, the MIA launched guidance in relation to the risk-based approach embedded in the requirements of ISQM 1. This guidance is intended to be used by practitioners to aid in understanding, preparing for and transitioning from the International Standard on Quality Control (ISQC) 1 to ISQM 1.

Institute's Tax Conference. The Conference featured a number of engaging discussions on topical matters, including developments related to direct and indirect taxation, succession planning in family businesses, transfer pricing, AML considerations for tax practitioners and VAT developments in the financial services industry. The high-profile speakers of the event included the Minister and Shadow Minister for Finance, the Commissioner for Revenue as well as Accountancy



MIA Tax Conference: Deciphering the Tax Puzzle **10.11.2022**

The MIA, with the support of its Direct and Indirect Taxation Committees, has brought together politicians, professionals and other stakeholders to seek to decipher the key elements underpinning the tax environment during the





Time to give Pensions some attention

One debate which is gathering steam is definitely the Pensions landscape in Malta. The demographic challenges brought about by the baby boomers' era and the way social norms evolved over subsequent years, meant that Governments in developed countries could no longer depend on people in employment financing the ever-increasing number of pensioners. Whereas many countries have long implemented effective pension reforms to tackle these challenges, it was only in 2014 that the legislation was enacted in Malta to kickstart this process.

Fast forward to today, while developments have been made, we are still very early in the process and there is more to be done before we may bridge such a gap.

Pension legislation brought about important reforms, in particular the 3 pillars:

- 1st Pillar - The State Pension;
- 2nd Pillar - The Occupational Pensions;
- 3rd Pillar - The Personal Pensions.

These pillars work together and the benefits of each pillar complement each other.

APS Bank ("The Bank") is at the forefront of this relatively new phenomenon. The 2nd and 3rd pillar pensions are offered by the Bank and these enable organisations and individuals who invest in these products to fully enjoy the available tax benefits. Pensions are a long-term investment and when choosing a pension provider, reliability and reputation of the provider is key and APS, as the oldest Bank in Malta, has proved this since its inception in 1910.

The APS Occupational Pension Scheme falls under the 2nd pillar of the legislation. Occupational Pension Schemes are a cost-effective employee benefit which provide organisations with the opportunity to attract, retain and reward key employees in a tax efficient manner. By contributing to an employee's pension pot, employers benefit from a 25% tax credit on contributions of up to €3,000 per employee and are tax-deductible up to

€2,000 per employee per annum. If in any tax year the tax credit cannot be claimed (because there is no or less tax due by the company), then the excess can be carried forward to be utilised against tax in the future. Depending on the amount contributed, these two benefits combined may potentially reduce the cost to the employer by up to 60% i.e., for every €100 contributed the net expense is only €40. Further intangible cost savings associated to employee turnover, such as recruitment and retraining, enhance the viability of this product.

Furthermore, employees can also contribute in the 2nd pillar and as contributors, they will benefit from a 25% tax credit up to a maximum contribution of €3,000. They do not have to open a bank account with APS, since all contributions are done through payroll.

€100 top-up

To encourage MIA members to consider their own retirement planning, any member starting a new APS Personal Pension Plan will receive a €100 top-up in their pension account from APS Bank.

The APS Personal Pension Plan falls under the 3rd Pillar and is an effective way for individuals to save money for their retirement by setting aside a small portion of one's income on a regular basis enabling such savings to grow into a sizeable pot of money over the long-term. Contributions for the first €3,000 made during a particular year attract a 25% tax credit. Therefore, if you pay €3,000 into your plan, you'll receive €750 back as tax rebate.

One can start drawing benefits from their pension pot at 61 years and can withdraw up to 30% in the form of a tax-free lump sum. The rest can be withdrawn via programmed withdrawals or by purchasing a guaranteed income for life through an annuity. The amount of the eventual pay-out will depend on the amount invested, the term and the performance of the investments.

Starting a pension plan at a young age is more likely to lead to a larger pot upon retirement because returns are free of tax and compounded, resulting in a snowball growth effect.

For further information contact Darran Agius, Employee Benefits Schemes Manager at APS Bank on darran.agius@apsbank.com.mt.



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TAAF

Strengthening Tomorrow's Technology

The Technology Assurance Assessment Framework (TAAF) has been conceptualised following a strategic decision by the Malta Digital Innovation Authority (MDIA) to further widen the scope of its technology assurance programme from purely certification for Distributed Ledger Technology (DLT) solutions to a much broader array of assurance levels attributed to wider technological solutions deployed and operating in diverse scenarios. The TAAF has been designed to offer a custom assurance experience through the alignment of the technology with international standards and industry best practices. It provides augmented value to a multitude of technology stakeholders including sector regulators, investors, developers, suppliers, end-users, and the public, through the recognition of the Information Security and technologically operational robustness aspects.

The model provides a custom assurance journey tailored for the needs of the technology. The applicant can customise its assessment journey through the selection of the Assessment Levels, Applicable Technologies and Control Types. Five Assessment Levels have been defined, namely:

- **Custom Certification** - providing sectorial Government Authorities/Agencies/Entities the possibility to craft an assurance assessment, specific for the intended requirements of technological deployments within a particular sector, ensuring compliance in regulated markets.
- **Level 0** - presented as a self-assessment utility that allows technology solution owners to qualify the maturity level of the technology being assessed, and hence identify gaps to ensure an adequate maturity level of the technology under assessment. This level provides an easy-to-access and easy-to-use educational utility, quantitative self-assessment taken directly by the applicant to provide immediate feedback on the cybersecurity maturity levels of a particular technology. It is primarily intended for technologies deployed in unregulated markets. The first scheme to be launched, as derived from this level is the Mind the Gap Cyber Security Utility designed specifically for Maltese eCommerce operators, and is composed of two distinct initiatives:
 - Self-assessment Scheme - shall indicate the level of cybersecurity maturity levels (both overall as well as across specific categories) of the operators' eCommerce service allowing them to identify any strengths and weaknesses they may have, also providing the possibility to obtain an acknowledgement of participation.
 - Improvement Scheme - providing eligible candidates with up to €10,000 in funding to be able to improve maturity levels for any weaknesses they may have identified in taking the self-assessment, depending on the level of maturity they would like to achieve.
- **Levels 1 & 2** – providing assurance assessment types via qualitative ratings of Authority established Control Objectives. It offers a comprehensive and tailored set of objectives ranging from control design to control operational effectiveness to ensure robustness and augment technology preparedness against basic cyber-attacks.
 - **Technology Assurance Level 1** is a qualitative assessment of the compliance of the technological solution within scope, as conducted by the Technical Expert in the form of an interview, ensuring the suitability in design of the implemented controls as established by the Authority for such a solution, as at date of assessment.
 - **Technology Assurance Level 2** builds on technology Assurance Level 1 but necessitates the Technical Expert to also conduct a hands-on verification of the implemented controls.



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- **Level 3** – Primarily intended as a compliance utility for technological solutions deployed within high-risk environments, operating in regulated markets. It offers a qualitative set of control objectives ranging from control design to control operational effectiveness to ensure robustness and augment technology preparedness against state-of-the-art cyberattacks carried out by actors with significant skills and resources. The assessment is conducted by a System Auditor in the form of an interview and a hands-on verification, ensuring the operational effectiveness of the implemented controls designed for high-risk technological deployments as established by the Authority for such a solution, as at date of assessment and re-validated periodically.

The technology assurance level is selected commensurate with the risk appetite of the context where such technologies are deployed. Each level adopts a unique assessment methodology and a defined assessor, ranging from either the applicant him/herself, a Technical Expert or a System Auditor.

Each level also adopts unique Due Diligence levels and Forensic requirements. Applicants will be asked to select the technologies to be assessed, including Traditional Technologies, Cloud Computing, Big Data, Internet of Things, Artificial Intelligence and Distributed Ledger Technologies. The applicants will also be asked to select the Control types to be assessed, which include Accountability, Confidentiality, Availability, Integrity and Privacy.

The Malta Digital Innovation Authority has completed the pre-drafting consultation sessions earlier this year, from which it collected insightful feedback, aligned the conceptual framework, as well as conducted additional internal sessions to continue its developing and is currently in the final development stages. Two final milestones are currently underway in completing a Proof of Concept with a number of technology owners, and discussions with pertinent national stakeholders, one of which is the Malta Institute of Accountants, to seek their feedback through a closed consultation session. The Framework is earmarked to be available for the local market early next year.

**Author**

Efreem Borg is the chief technology officer at MDIA, committed to facilitate, promote and encourage the local uptake of secure and robust innovative technology. He successfully managed prominent National Digital Projects and also lead the transformation of Government's Information Security function, whilst conducting a nationwide cyber security awareness campaign.

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DORA – adding value to financial services

The COVID-19 pandemic prompted consumers to move online and, in response to the changing nature of the demand, the financial services sector answered accordingly by adopting services, tools and functions which are increasingly dependent on Information and Communications Technology (ICT). In addition, as a way of achieving economies of scale, firms relied on ICT Third-Party Providers to support their changing ICT needs. While this meant that the sector had been able to successfully answer to the shift in demand, it also introduced significant cyber risk.

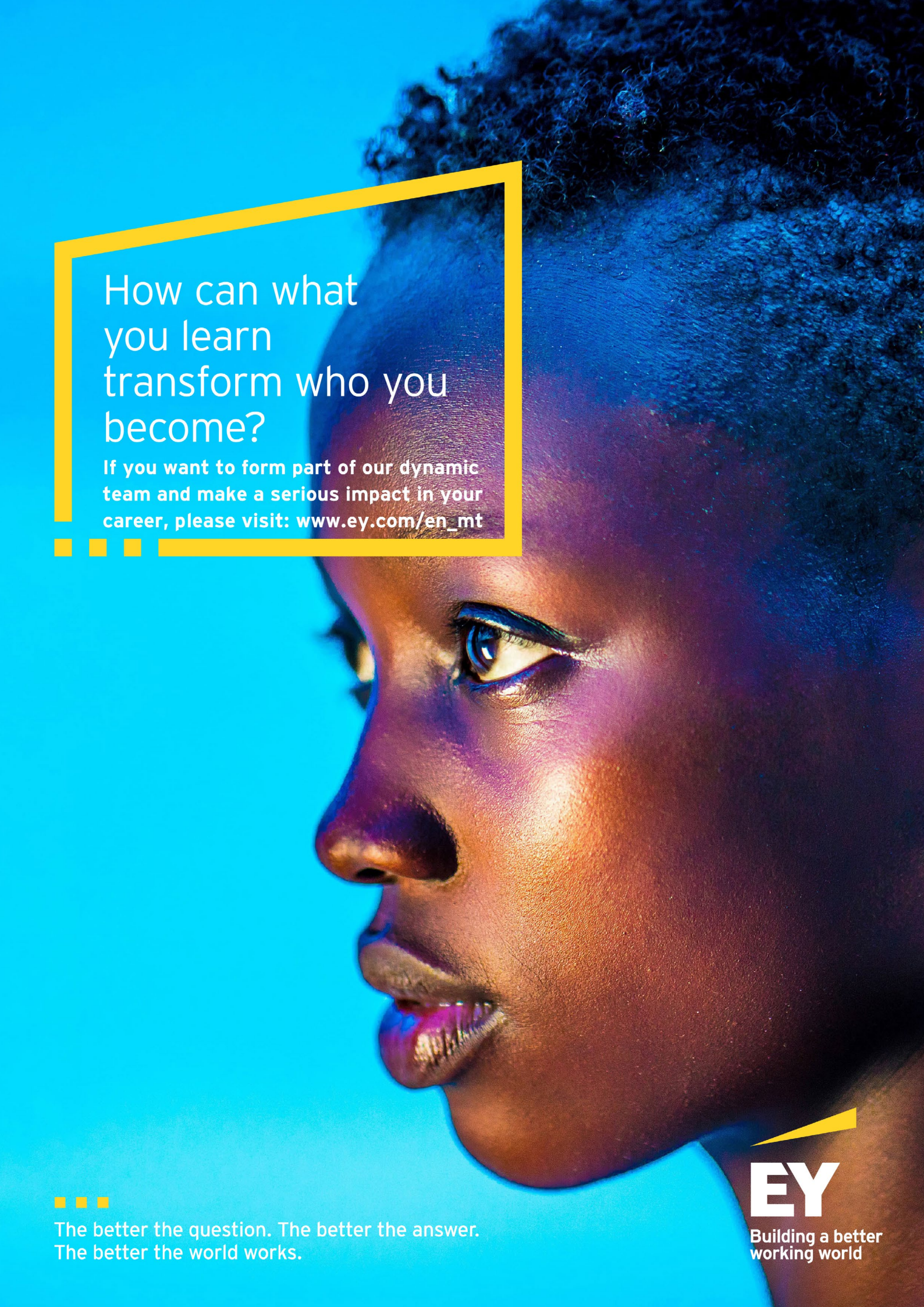
Against the backdrop of this post-pandemic reliance on ICT and outsourcing, the European Union's (EU) regulatory framework on cybersecurity for the financial sector was fragmented and complex, which placed unnecessary barriers to market players. In 2020, the Commission released a proposal for a Regulation known as the Digital Operational Resilience Act (DORA), which aims to increase the financial sector's digital operational resilience by setting new requirements for firms and harmonising the regulatory framework. The DORA Regulation is expected to come into force in the first quarter of 2023 and to become fully applicable within the first quarter of 2025, following a two-year implementation period.

The scope of the Regulation is broad and will impact most of the financial services sector. The Regulation introduces requirements for financial entities in the areas of ICT risk management, incident reporting, digital operational resilience testing and advanced testing through Threat Led Penetration Testing (TLTP), the management of ICT third-party risk including an oversight framework for critical ICT third-party providers, and voluntary information sharing arrangements between financial entities. Moreover, the Regulation is built upon the principle

of proportionality, consisting of three principal proportionality layers. The first layer is about the application of the main provisions in accordance with financial entities' size, overall risk profile, as well as the nature, scale and complexity of their services, activities and operations. The second layer is essentially a simplified ICT risk management framework for specific financial entities. The third layer is an exemption for microenterprises from some of the requirements.

While DORA is arguably a job for a firm's compliance, risk management, audit and ICT functions, the Regulation impacts the business in a holistic manner. By setting requirements that contribute towards increasing resilience, the Regulation can contribute to adding trust and value to businesses and their partners. For instance, by regularly subjecting themselves to testing regimes, firms can learn from the outcomes of these tests and potentially mitigate, deter or be able to better manage a possible ICT-related incident. In turn, this builds stakeholders' trust in the entity's ICT capabilities and resilience, in addition to preventing immediate capital loss and a drop in consumer confidence following an incident. This is especially important for the financial sector, which is increasingly being targeted by threat actors.





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Another example of how DORA can add value to the financial sector relates to ICT third-party providers, which are also within scope of the Regulation. Under DORA, there are substantial requirements for ICT third-party providers – and more extensive requirements for critical ones – on the quality of their services. This means that DORA contributes towards a more consistent and standardised outsourcing landscape throughout the EU. Moreover, the EU's oversight of critical ICT third-party providers introduces a much-needed supervisory aspect over the most utilised and relied-upon service providers in the Union. Once again, by reassuring businesses' stakeholders of the quality of the service being

provided by both critical and non-critical ICT third-party providers, the Regulation establishes greater trust and assurance throughout.

In short, the DORA Regulation should not be perceived purely as an added compliance cost that negatively impacts a firm's balance sheet, but rather as a tool which can contribute towards assurance, trust and – ultimately – as a contributor of value to businesses. Indeed, these characteristics work hand in hand with the accountancy profession, which also seeks to contribute to businesses' growth, assurance and overall economic stability.



Author

Beatriz Brunelli Zimmermann is a junior analyst within the Supervisory ICT Risk and Cybersecurity function at the Malta Financial Services Authority. She is responsible for the implementation of the EU's Digital Operational Resilience Act (DORA) in Malta.

Sustainability corner

CSRD adopted by the European Parliament and approved by the Council of the European Union

On 10th November 2022, the European Parliament adopted the Corporate Sustainability Reporting Directive (CSRD). Through this development, transparency on environmental and social affairs as well as governance matters will become the new norm for large firms. Read more [here](#).

The final approval of the CSRD was given by the European Council on 28th November 2022, resulting in the legislative act being adopted and entering into force within 20 days from its publication in the Official Journal of the European Union. This will see companies soon starting to publish detailed information on sustainability matters, with member states implementing these new rules in 18 months' time. Read more [here](#).

First set of draft ESRS submitted by EFRAG to the European Commission

The European Financial Reporting Advisory Group (EFRAG) approved the final version of the European Sustainability Reporting Standards (ESRS) on 15th November 2022. Following this, EFRAG then submitted this final version of the first set of draft ESRS to the European Commission on 22nd November 2022. Read more [here](#).

ISSB at COP27

The International Sustainability Standards Board ("ISSB") have launched a new United Nations-backed Partnership Framework for Capacity Building. With more than 20 partner organisations, this Framework is designed to support preparers, investors and other capital market stakeholders as they prepare to use IFRS Sustainability Disclosure Standards. The ISSB is also working with the European Commission and EFRAG towards maximising interoperability across the standards and aligning key climate disclosures. Read more [here](#).



DORA is on the horizon This is how we can help you

The European Commission has presented a proposal for a regulation on digital operational resilience for the financial sector (the 'DORA Regulation'). The increased digitalisation required a comprehensive framework to address the ability of a financial entity to build, secure and review its operational integrity from a technological perspective, ensuring the security of the networks and information systems it uses to deliver financial services, and mitigate risks.

DORA is expected to come into force in 2023 and to be fully applicable by 2025 following a two-year implementation period.

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- Update of findings and final report

The 2024 VAT PSP Directive – New Reporting Requirements for *Payment Service Providers*



1st January 2024 marks an important date. From this day, Payment Service Providers ('PSPs') shall be required to collect a defined set of records pertaining to payment services which they provide in relation to certain cross-border payments where the payee (i.e. the person receiving the payment) is located in any country, not necessarily an EU Member State, and the payer (i.e. the person making the payment) is located in an EU Member State.

The rationale behind this initiative is for PSPs to collect and pass on to the respective EU Member State, information regarding cross-border payments which underly supplies of goods and services taking place for VAT purposes within that Member State. In view of the ongoing shift towards an EU VAT regime based on the principle of taxation at the place of consumption, information regarding payments made by customers established in a particular EU Member State to taxable persons established outside that Member State provides the tax authorities of that Member State with valuable information which enables enhanced compliance control and fraud detection – key to limiting opportunities for fraudulent businesses to exploit e-commerce to gain an unfair competitive advantage by evading their VAT obligations.

The records required to be collected by PSPs on cross-border payments falling within the scope of these new rules include, but are not limited to, details on the payee, such as their IBAN, as well as on the payment itself, such as the date, time, amount and currency.

Whilst it is possible that PSPs would already be in possession of the information they are required to collect in terms of these new rules, it is important for PSPs at this stage to be conversant with the

new requirements to ensure that the information required to be collected is available to them.

Terms such as “payment service provider”, “payment service”, “payment”, “payer” and “payee” are all specifically defined within the new EU Directive (Council Directive (EU) 2020/284), which shall be reflected in the transposition of said Directive into Maltese legislation (which is expected to be published in the second or third calendar quarters of 2023). The definitions contained therein, more or less, refer to the definition of those terms contained under PSD2¹ (Directive (EU) 2015/2366). Of note however is that PSPs covered by these new rules also extend to PSPs which may be excluded from the requirements of PSD2. This issue however is not relevant in a Maltese context since Maltese payment



¹ PSD2 is a Directive issued by the European Commission in 2015 which regulates payment services throughout the European Union. This Directive builds on the first Payment Services Directive which was introduced in 2009 with the aim to create a single market for payments in the European Union.

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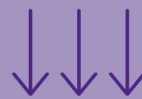


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services legislation does not exclude any PSPs from the obligations arising from this Directive.

The information required to be collected by PSPs in terms of the new rules is required to be exchanged electronically, every calendar quarter by no later than the end of the following month, with the Office of the Commissioner for Revenue (OCfR) where:

1. Malta is the 'Home Member State' (typically PSPs licensed by the MFSA), i.e. where the registered office of the PSP is situated in Malta, or in the absence of a registered office in another EU Member State, where the head office of the PSP is situated in Malta; and
2. Malta is the 'Host Member State' (typically PSPs passporting their EU license into Malta), i.e. where the PSP provides payment services in Malta.

In this respect, a dedicated portal will be made available on the OCfR's official website through which PSPs are required to report to the OCfR in terms of these new rules. PSPs required to report to the OCfR will be obliged to register with the OCfR for this purpose, and accordingly submit the required quarterly data. This dedicated portal is envisaged to be made publicly available, with registrations also made possible, during the third or fourth calendar quarter of 2023.

As regards to the reporting requirements themselves, of note is the carve-out pertaining to the 25 cross-border payment threshold per payee per quarter. The aim behind this carve-out is to attempt to filter between payees being taxable businesses and payees being non-taxable persons receiving occasional payments of a personal nature. In terms of this carve-out, PSPs are only obliged to report information on payment services where more than 25 cross-border payments relate to the same payee. The 25 cross-border payment threshold is to be calculated by the PSP per Member State by taking into consideration all payment services relating to payments made to the same payee, irrespective as

to how the payee is identified (the payee may be identified by several identifiers, such as for example an IBAN for the purpose of credit transfers and an e-money account for e-money transfers). PSPs with establishments, branches or agents across EU Member States shall calculate a separate threshold per establishment, branch or agent located in the respective EU Member State, and should not consolidate transactions at group level.

The second carve-out from the new requirements to note relates to payment services provided by PSPs of the payer where the PSP of the payee is located in an EU Member State. The PSP of the payer can identify the PSP of the payee by means of the PSP's BIC or any other business identifier code which clearly indicates the PSP's location. Despite such transactions not being reportable by the payer's PSP, that PSP is still required to take into consideration such payment services for the purpose of calculating the aforementioned 25 cross-border payment threshold.

From the perspective of the OCfR, the data received from PSPs in terms of these rules will be directly fed into the Central Electronic System of Payment information ('CESOP'). This data will be filtered, aggregated and cross-checked at CESOP level, the output of which will then be made available to the anti-fraud tax experts of all EU Member States. As already noted, this information will give tax authorities across the EU a valuable tool in ensuring compliance with VAT law and to detect possible VAT fraud or evasion, particularly in the digital economy where e-commerce has grown exponentially in recent years, even more so in light of the pandemic during which commerce in most economies experienced a paradigm shift toward e-commerce.

Disclaimer: *The content of this article is of an explanatory nature and shall not serve as binding guidance in terms of legislation. This article should not be relied upon as tax advice.*



Author

Nico Sciberras, an accountant by profession, is a technical advisor within the Office of the Commissioner for Revenue, specialising in VAT matters. Domestically, he mainly deals with matters involving the drafting, interpretation and implementation of Maltese and EU VAT law. At EU level, he forms part of Malta's representation in most VAT-related EU fora.

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How will accountants adapt to industry transformation brought about by Technology?

In business, as in life, change is the only true constant. From mitigating unprecedented business disruptors to adapting to new operational paradigms, professionals in all industries find themselves dealing with major changes — many of them driven by emerging technologies.

Accounting is no exception. Accountancy professionals are more than number crunchers, and the profession is taking an increasingly strategic role for forward-thinking businesses. Technologies such as cloud-based data management, process automation and advanced analytics are poised to further elevate accountants in new and empowering ways. Accountants have to embrace these rapid advances in technology to remain relevant and successfully meet their employer's/clients' changing needs.

It is important that accountants recognise that the finance functions are changing and ensure that they adapt and react positively to this change, by having the right mix of skills and technology in order to enhance their efficiency in adjusting and adapting alongside this evolution.

The skills which once dominated the accounting profession are changing rapidly, and innovative technologies such as artificial intelligence (AI) have automated complex and repetitive tasks. Therefore, administrative tasks, which previously required human intervention, no longer need to be human-intensive.

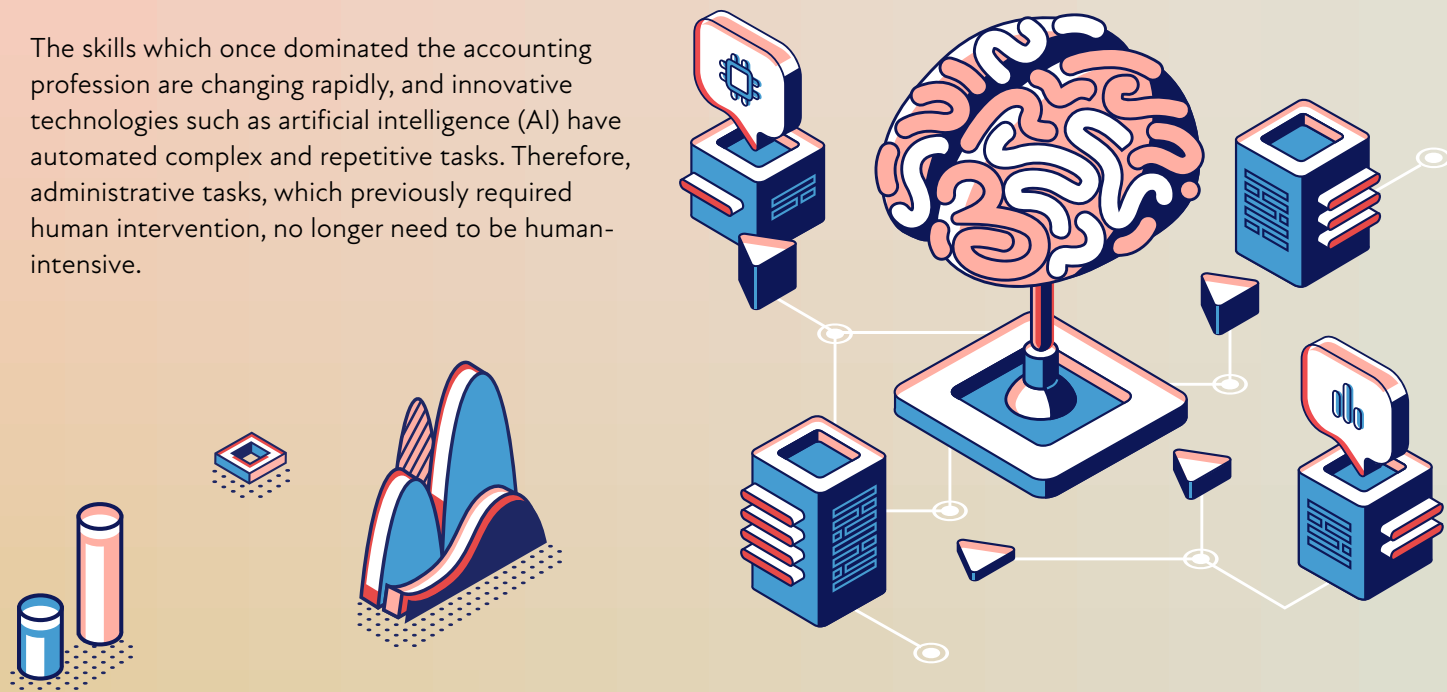
The role of the accountant:

1. Leveraging the Cloud, Automation, AI And More

Consider this: Centralising data management, particularly through the use of cloud technology, reduces waste and lowers costs by improving communication and collaboration. Standardisation and a cohesive datasphere make it easier to capture, access, share and analyse data. Transparency improves as data silos are dismantled, and data quality rises, rather than falls, with data quantity.

Similarly, automation reduces costs and improves efficiency by eliminating tedious and time-consuming manual labour (for example data entry and three-way-matching) and reduces human error. It drives straight-through processing, and rather than replacing accountants, it frees up their time, enabling them to focus on strategic tasks requiring creativity, collaboration, and ingenuity. By rendering raw data into more manageable formats and providing well-developed connections between disparate data sources, AI can support the accountant.

Accountants, for example, can put their unique human skills to work by transforming the insights



extracted from high-quality data into more effective financial planning and reporting. In an integrated environment, they can collaborate with peers from other business units to leverage financial data to drive innovation, build more resilient and agile supply chains and develop business management plans that promote growth while ensuring continuity.

2. Opportunity for learning, career development and diversifying skills

Each and every accountant has the responsibility to approach learning from the perspective of it being specialised and driven by the market's needs, rather than through a compliance-based approach.

Technology is reducing the need for certain skills and increasing the demand for other skills such as business planning and advisory. Accountants must be ready to learn new skills and adapt to an ever-changing environment.

Furthermore, accountants will need to develop stronger analytical skills, especially the ability to understand how vendors, employees, and customers interact, and how business is conducted and measured. They must also be able to analyse large data using their professional judgement. This means that they must be competent in working with structured and unstructured data, and evaluating this data to ensure its completeness, accuracy, and relevance.

3. Understanding the business and providing the necessary recommendations

When practising as internal auditors, professional accountants provide independent assurance to management that the organisation's risk management, governance and internal control processes are operating effectively. Internal auditors need to revisit and update their methodologies to ensure that they are in a position to provide the necessary advice to address new risks, while also identifying new opportunities for the organisation to continue on their own digital transformation journey.



Conclusion

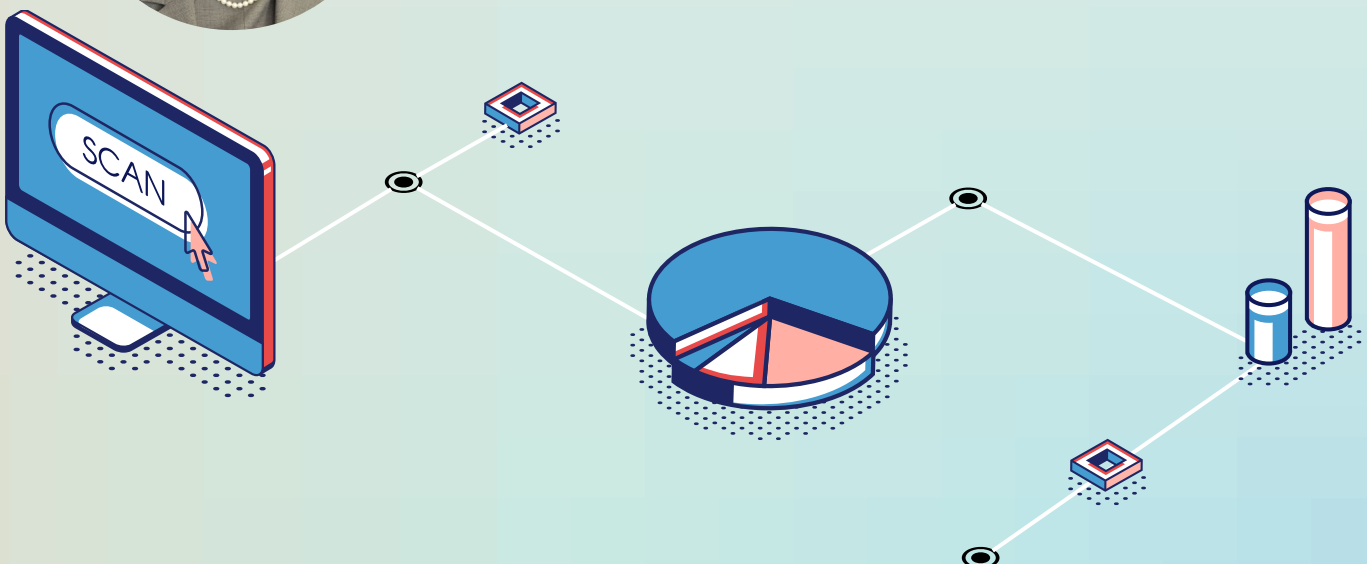
There are many attributes that define a successful accountant such as ethical commitment, strong diligence while meeting deadlines, the ability to understand business issues and, the ability to liaise and work hand in hand with other professionals, albeit for the latter the accountant is not expected to be an expert in every sector. One of the emerging attributes that define a successful accountant is possessing strong technical skills.

Professional accountants are the chief stewards of business information and, now more than ever, have both an important responsibility and a transformative opportunity to engage in and lead on upcoming changes.



Author

Marthese Vella is the team lead consultant for IT Assurance and ISO Outsourcing services at RSM Malta. Her career spans 30 years, holding different IT management roles in industry. She is an electrical engineer by profession and holds a Master's Degree in Information Management from Lancaster University (UK).



GAPSME Disclosure Requirements

1. Introduction

Small and Medium Enterprises (SMEs) are important contributors to a country's economic growth and development and therefore, an environment that is conducive to such entities to do business should be encouraged. This also applies to the suitability of their financial reporting regulatory framework, as financial reporting for SMEs should not be a burden on their resources. This article presents the empirical results of a study based on the extent of disclosure in a sample of small entities' financial statements that are prepared in line with the General Accounting Principles for Small and Medium-Sized Entities (GAPSME) in the first year that this became effective in 2016.

GAPSME is the result of the transposition of the EU Accounting Directive 2013/34/EU into Maltese legislation, the objectives of which are namely that of facilitating cross-border investment, and enhancing comparability and public confidence in financial statements through consistent disclosures. A high level of disclosure in line with GAPSME disclosure requirements is considered as a proxy for high quality reporting. This is fundamental as the "Financial statements of all business entities, including SMEs, must be of high quality to provide useful information to their users" (Mošnja-Škarea and Galant, 2013, p. 345).

GAPSME was based on the original General Accounting Principles for Smaller Entities (GAPSE), which itself was consistent as much as possible with International Financial Reporting Standards (IFRSs) and with a conceptual framework almost identical to that of the International Accounting Standards Board (IASB) for listed entities (Micallef, 2009). There are however various differences between IFRS as adopted by the European Union (EU), GAPSME and GAPSE. Although the coming into effect of GAPSME in Malta was not a major shift in accounting culture, it was nevertheless a learning process. A number of studies (for example, Al-Htaybat, 2018; Day and Taylor, 2005; Jaruga et al., 2007; and Obradovic et al., 2018) have identified challenges of switching from one accounting system to another and suggest that such a learning process can take several years to adjust to. Consequently, a high extent of disclosure is not expected in the first few years of adoption.

2. The degree of disclosure in prior studies

Literature in this area is mostly centred around the determination of the extent of disclosure with IFRS mandatory disclosure requirements (Tsalavoutas et al., 2014). Some studies draw data from a single country. One such study is that carried out by Owusu-Ansah and Yeoh (2005), who examined the extent of disclosure of around 50 listed entities in New Zealand over a three-year period and found that the average degree of disclosure increased over the years. Other studies draw data from multiple countries. The study carried out by Hartwig (2015) drew data from Sweden and the Netherlands, and found that in both countries, the extent of disclosure increased over time.

Most prior studies employ a size filter and focus on larger or listed entities, such as that of Demir and Bahadir (2014) who investigated the degree of disclosure in relation to IFRS by 168 listed entities in Turkey. Other studies concentrate on smaller or developing markets and a few studies focus on SMEs. The study conducted by Mošnja-Skare and Galant (2013) serves as one such example. They analysed the degree of financial reporting disclosures related to revenues and expenditures of Croatian SMEs, as required by Croatia's national Generally Accepted Accounting Principles (GAAP), and found that medium-sized entities disclosed more information than smaller entities. This may be due to the relatively limited resources that smaller entities often have at their disposal.

Furthermore, while some studies focus on a few individual financial reporting topics, others look at the degree of disclosure in connection with a variety of such topics. Tsalavoutas et al. (2020) note that across the post-2005 literature addressing multiple topics, the average degree of disclosure lies between 70% and 90%. Additionally, Tsalavoutas et al. (2020) note that the literature shows that a degree of disclosure at a level below 70% is also commonly scored by entities. A degree of disclosure lower than 100% means that the extent of disclosure can be improved.

3. The Disclosure Index

For the purpose of this study, the sample used consists of 116 randomly selected small private entities

having their first financial statements for the financial year starting on or after 1 January 2016 prepared in accordance with GAPSME. In order to ensure content validity, the research instrument used to measure the degree of disclosure is the MIA GAPSME disclosure checklist. This was adjusted to meet the requirements of the study, resulting in 162 disclosure items.

The extent of disclosure is measured using the Disclosure Index method, as first adopted in Cooke (1992). This is calculated as a ratio of the number of disclosure items that are disclosed, divided by the total amount of disclosure items that are applicable to the entity, as shown in the following equation, where C_j is the score for each entity, T is the total number of items disclosed (d_i) by entity j , and M is the maximum number of applicable disclosure items for entity j that could have been disclosed. Each item is scored as 1 if the entity disclosed that item of information, 0 if not disclosed, or N/A if not applicable, resulting in the Disclosure Index standing between 0 (0%) and 1 (100%). A high Disclosure Index indicates a high degree of disclosure when compared with the disclosure requirements set out in the financial reporting framework in question.

$$C_j = \frac{T = \sum_{i=1}^n d_i}{M = \sum_{i=1}^m d_i}$$

4. The degree of disclosure

Descriptive statistics, summarising the results on the Disclosure Index for the sample used in this study is presented in Table 1.

Variable	Disclosure Index
Mean	80% (0.80)
Max	100% (1.00)
Min	40% (0.40)
Std dev	13% (0.13)
N	116

Table 1: Descriptive statistics for the Disclosure Index by entity

Table 1 shows that the maximum extent of disclosure was 100% (1.00), indicating that the level of disclosure was maximised, in line with GAPSME disclosure requirements, by one or more entities. The mean degree of disclosure by entity is 80% (0.80) with a 95% confidence level and a margin of error of 9%. This mean degree of disclosure is in line with what was observed in Germany, Bahrain and Turkey, and higher than that

in the rest of the countries presented in Table 2. These previous studies focus on listed entities which tend to have greater resources compared to smaller entities.

Country	Study	Mean Disclosure Index
Germany	Glaum and Street, 2003	81% (0.81)
Bahrain	Juhmani, 2017	81% (0.81)
Turkey	Demir and Bahadir, 2014	79% (0.79)
Saudi Arabia	Alsaeed, 2006	33% (0.33)
Bangladesh	Akhtaruddin, 2005	44% (0.44)
Switzerland	Street and Gray, 2002	74% (0.74)
Jordan	Naser, 1998	63% (0.63)

Table 2: Mean Disclosure Index in other countries

The frequency distribution of the Disclosure Index scores for the 116 sample entities is displayed in Table 3. In line with the framework of analysis used in previous studies, a distinction is made between four levels of entity degree of disclosure, ranging from a high degree of disclosure represented by a Disclosure Index of 80% or more, to a major gap between entity disclosure practices and GAPSME disclosure requirements when the index is below 40%. Given the results presented in Table 3, the majority of the entities scored 80% or more, suggesting that these entities disclosed the majority of GAPSME disclosure requirements.

The main topics denoting room for improvement are analysed in Table 4, focusing on the GAPSME topics applicable to more than 20% of the sampled entities, where the mean Disclosure Index is 80% or less. The main respective disclosures that could be improved are also presented.

5. Key findings and concluding note

When a new set of requirements is adopted, it is a learning process and may thus take a while for entities to acclimate, adjust and fully master the specialised knowledge and skills involved (Wang, 2019). This has also been evidenced in previous studies focusing on the transition to IFRS (for example, Gallery, 2009) suggesting that the extent of disclosure may improve following the first few years of adoption. Nevertheless, although this study focuses on the first and hence the most challenging year, due to the adoption of a new set of requirements, the extent of disclosure with GAPSME

Degree of disclosure	Distribution of the Disclosure Index	Number of entities	% of entities
High	90% - 100% (0.90 - 1.00)	30	26%
	80% - 89% (0.80 - 0.89)	39	33%
Intermediate	70% - 79% (0.70 - 0.79)	21	18%
	60% - 69% (0.60 - 0.69)	20	17%
Low	50% - 59% (0.50 - 0.59)	3	3%
	40% - 49% (0.40 - 0.49)	3	3%
Major gap	0% - 39% (0.00 - 0.39)	-	-
Total		116	100%

Table 3: Distribution of the Disclosure Index

disclosure requirements in 2016 is comparable with that of larger, listed entities in other countries which, as stated above, typically have more resources at their disposal.

The findings also suggest that in compiling their first set of financial statements drawn up in adherence with GAPSME, small private entities referred to the MIA's *Illustrative GAPSME Small Entity Financial Statements* and made use of general, boilerplate clauses with limited tailoring to the specifics of the entities in question. The purpose of the MIA's illustrative financial statements is precisely that of helping entities in the transition to the new set of requirements when

preparing their financial statements. Hence, the use of such general clauses ease the burden on small entities, especially in the early years of adoption. Since Malta has now been applying GAPSME for a number of years, an increase in the extent of disclosure from the first-time adoption of GAPSME in 2016 to 2022 or later can be predicted in terms of increased familiarity with GAPSME disclosure requirements. Therefore, increased tailoring of such boilerplate clauses can also be expected to have occurred over time. It would thus be interesting to assess the situation across time by determining the extent of disclosure with GAPSME disclosure requirements prevailing today.

GAPSME Topic	Mean Disclosure Index
Section 5 - Accounting policies, estimates and errors	64% (0.64)
1. The measurement basis (or bases) used in preparing the financial statements; and	
2. The other accounting policies used that are relevant to an understanding of the financial statements.	
Section 6 - Revenue and construction contracts	80% (0.80)
The accounting policies adopted in relation to the recognition of revenue.	
Section 7 - Property, plant and equipment	80% (0.80)
1. The measurement bases used for determining the gross carrying amount;	
2. The depreciation methods used; and	
3. The useful lives or the depreciation rates used.	
Section 9 - Financial assets, financial liabilities and equity	70% (0.70)
The accounting policy for each category of financial instrument.	
Section 10 - Investment in subsidiaries, associates and joint ventures	73% (0.73)
The accounting policy for the entity's investments in subsidiaries, associates and jointly controlled entities.	
Section 24 - Adoption of GAPSME	77% (0.77)
The date of the transition to GAPSME.	

Table 4: Distribution of the Disclosure Index by topic



Monique Micallef lectures on financial accounting and reporting-related topics at the University of Malta. She also forms part of the MIA Financial Reporting Committee.



Bernice Gauci is a tax advisor at KPMG in Malta and holds a Masters in Accountancy degree from the University of Malta.



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18 JAN	M23021	The MIA AML Conference 2023	AML
JAN/FEB	TBC	The Implementing Procedures Part II – Accountants & Auditors	
16 FEB	M23019	Forensic Accounting and Internal Audit – Key Similarities and Differences	
09 FEB	M23020	Tax Investigations and non-compliance	Audit
16 FEB	M23019	Forensic Accounting and Internal Audit – Key Similarities and Differences	
02 FEB	M23003	Being the Financial Controller of a Family Business - 2 Day Package	Financial Reporting
15 FEB	M23009	Special considerations for Intangible assets under IAS 38 and GAPSME	
03 MAR	M23011	Leveraging historical financial data to predict the future	
07 MAR	M23001	The income approach to property valuations: Implicit versus explicit models	
15 MAR	M23014	Accountants and the Circular Economy and Carbon Neutrality	
20 JAN	M23004	The Proposal for a Council Directive concerning Shell Companies: One year on	Legal
24 JAN	M23017	Recent Tax Case Law	
01 FEB	M23018	Supporting Research, Sustainability and New Investments	Management & Finance
02 FEB	M23003	Being the Financial Controller of a Family Business - 2 Day Package	
28 FEB	M23015	Developing a Growth Mindset	
07 MAR	M23001	The income approach to property valuations: Implicit versus explicit models	
15 MAR	M23014	Accountants and the Circular Economy and Carbon Neutrality	
28 FEB	M23015	Developing a Growth Mindset	Personal Skills
01 FEB	M23018	Supporting Research, Sustainability and New Investments	Regulatory
17 JAN	M23008	Cross-border e-commerce: VAT implications	Taxation
20 JAN	M23004	The Proposal for a Council Directive concerning Shell Companies: One year on	
24 JAN	M23017	Recent Tax Case Law	
26 JAN	M23007	Managing VAT Risks (Penalties, Interest and Assessments)	
09 FEB	M23020	Tax Investigations and non-compliance	
21 FEB	M23006	VAT Considerations in the Gaming Industry	
14 MAR	M23016	Update on the EU's most recent tax proposals	



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Cinzia Fenech and Nicholas Ferry receive Kevin Mahoney Award

Cinzia Fenech and Nicholas Ferry are the winners of this year's Kevin Mahoney Award in celebration of their voluntary efforts to the less fortunate members of our society. Once again the Institute was spoilt for choice, with Council having to choose between valid nominations which prove the commitment of professionals in the accountancy sector to offer their spare time to reach out to those who are most in need.

Cinzia, who is an Assistant Audit Manager and a board member of a CSP company, specialises in tax, having recently completed a degree-level course in taxation. Her love for helping others knows few boundaries. Earlier this year, Malta hosted the Special Olympics event, where Cinzia was in charge of coordinating the liaison officers who accompanied the different delegations. She was responsible for a multitude of tasks to cater for the needs of the delegations to ensure a seamless transition during the event, including arrivals and departures, transport and other ad hoc needs. "It was a beautiful experience, working with very special people whom I am still in contact with today", she says. Also this year, Cinzia returned to her beloved Dar tal-Providenza volleyball marathon – the one which had seen her participate as a player for many years and had been missing for the past years due to the pandemic. This time round though, she assisted athletes as a coach and supervisor.

Cinzia, who is also hosting a Ukrainian family of five who escaped from the war, finds time to produce



some very tasty nut butters with the profits going to the Xgħajra Chapel close to Żabbar. Readers might wish to contact her through social media to taste her creations. Listening to all her efforts to help out others, we cannot help but ask how one can fit in a family life, a career and voluntary work. "It's second nature to help others", is her simple but poignant advice.

Nicholas Ferry, who works in accounting for international clients at a Big Four firm, also has a fantastic story of love and kind-heartedness to share. He was honoured for his work during summer with the Missionaries of Charity sometimes known as the Sisters of Mother Theresa. Nicholas supported the Sisters as part of a team during a three-week camp in Bormla for children from challenging backgrounds.

Nicholas has been volunteering for a long time, particularly with his local parish in Naxxar, where he leads a group of young people through their religious and social dimension. Wanting to move beyond his comfort zone, his role at the camp was certainly not a walk in the park. "The kids would at first be reluctant to trust you. Yet, slowly but surely not only does this happen, but they actually begin to confide in you with their problems – which in itself creates further responsibilities on what to do next", he explains.

Nicholas describes this experience as enriching and looks forward to keep on helping the Missionaries going forward. There is one message he would like to share with readers: "Loneliness is the biggest poverty around. There is a person willing to be listened to and he or she might be right behind your door, sometimes even a family member".



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Keith Azzopardi Tanti: **The Accountant who wants to put Malta on the Space Map**

The Accountant has caught up with Parliamentary Secretary for Research and Innovation **Keith Azzopardi Tanti** who shares with us his innovative ideas to make Malta an attractive jurisdiction for space-related activities and how accountancy shaped his flourishing career.

Despite his relatively young age, 38, Parliamentary Secretary and father-of-two Keith Azzopardi Tanti has navigated through a varied career path including stints at the advances section of a local bank, at the National Statistics Office and at the International Tax Unit. He has also served as a Mayor of Pietà, until his recent election to Parliament and subsequent appointment as Parliamentary Secretary for Research and Innovation.

Reminiscing on this exciting voyage, Mr Azzopardi Tanti needs no prompting to celebrate the merits and the fundamental role of his accountancy background. “Whenever I look back at any of the roles I have occupied over the past years, I can see the relevance of my accountancy education and practical experience”, Azzopardi Tanti explains. He recalls how his financial background helped him turn around the budgetary fortunes of the locality he stewarded, and even today, this knowledge backs him in his regular exchanges with the entities and departments under his remit, particularly when it comes to drawing up and negotiating budgets.

The interview with *The Accountant* serves as trip down memory lane for Mr Azzopardi Tanti, who fondly remembers his early days studying accounts at school, his ACCA and eventually following CPE events at the Institute which in his



own words, opened significant career prospects throughout his life.

We move on to discuss the first months of his tenure and the areas he prioritised since the Prime Minister gave him such an important expression of trust. Over the past months, particularly in the post-pandemic phase, the talk of the town has been dominated by a rapid digital transformation. As the Junior Minister responsible for research and innovation, Azzopardi Tanti is in a position to lead these changes. He is enthusiastic in the opportunities available to our nation if all stakeholders embrace change. “Economic innovation is the force driving the improvement of socio-economic development”, he argues, describing innovation as “the discovery of new products and services which are more efficient and effective.”

“It is important, however, to streamline our country’s efforts, as sporadic initiatives will not cut it”, he adds. For this reason, Azzopardi Tanti has launched a smart specialisation strategy which foresees channelling of public and private investments in carefully selected priority areas, through an entrepreneurial discovery process.

The strategy identifies six key areas where this can be achieved, these being health and well-being, climate change mitigation, smart manufacturing, maritime, aviation and future digital technologies. This can be achieved, the Parliamentary Secretary explains, by bringing together government, academia, commerce and civil society. Despite the progress registered in recent years, Azzopardi Tanti does not shy away from a dose of healthy auto-criticism on the way things have been done so far, identifying fragmentation as the key challenge to Malta’s prospects. “There are too many schemes and initiatives undertaken by different regulators, entities and other government organisations. I believe that unifying these efforts will be more productive and therefore it is an important objective to bring all relevant stakeholders under one roof”.

On the subject of innovation, we ask the Parliamentary Secretary to talk us through what he describes as the most innovative idea that he brought around the table since his appointment. “Space” – he says, without the need to think twice. Setting the record straight, he smilingly tells us that Malta does not have any ambitions to put rockets into space or people on the moon.

“The space industry generates billions of dollars annually. We’re not interested in grandiose planetary projects, but we are in a position to transform Malta into a space business attraction, bringing to Malta significant foreign direct investment”. By way of example, the Parliamentary Secretary believes Malta can build up a reputable satellite and space-related asset registry, on the same concept of the maritime and aviation register which has a worldwide reputation. “This industry will create significant high-value added jobs and most openings will require accountancy and legal backgrounds”, he explains.

Azzopardi Tanti has clear ideas on how he intends to make this happen and has already secured Elon Musk’s SpaceX’s and Jeff Bezos’ Blue Origin’s support for working groups to support the country on drawing up a top-notch service offering, including fiscal and other incentives to lure such business here. We certainly are excited by such developments – and the Parliamentary Secretary commits to 2023 as the date when this Act will be in place.

Our exchange continues on the evolving role of the accountant in today’s evolving-world. Mr Azzopardi Tanti shares his belief that the accountant should look at opportunities to help the business on the path to growth. He calls on accountancy professionals to be aware of the opportunities being offered to support innovation and growth, including the recently-launched Go To Market scheme, which, with the support of the Malta Council for Science and Technology and the Malta Development Bank, seeks to address one of the biggest issues that most entrepreneurs face – access to finance. This initiative helps innovative start-ups secure guarantees and support on collateral – making it easier for them to put their innovative technologies, products and services on the market.

As we bring the interview to an end, we ask Mr Tanti for the traditional message to members of the profession. “Be a leader within your organisation, think outside the box, and achieve”, he suggests. Having just spoken to the accountant who is drawing up a space strategy for the nation – we’d be hard pressed not to agree.

Meet the MIA Team

Amanda Zammit



Are you a morning or a night person?

I am a morning person.

New Year Resolutions: Are they your thing?

I believe that if one feels the need to change something, then one must start working towards that change immediately. So, these are not my thing.

We've heard you travelled across the Atlantic this year. Share with us three memories you brought back to Malta.

1. The contrasting scenery, in particular when we drove on the historical Route 66 that crosses through stretches of desert and farmland on our way to San Diego from Williams.
2. Parks - We had the opportunity to enjoy different types of rides and appreciate different species of animals at the various theme parks and national parks that we visited. The natural beauty of the Grand Canyon national park from sunrise till sunset offered a unique experience.
3. Unfortunately, while we were in Santa Barbara, we lost our grandma in Malta. So the last time I saw her and spoke to her whilst I was in USA, is a cherished memory from this holiday.

How would you describe daily life at the Institute?

Representing the Institute during Committee/Group meetings, seeing to the daily and operational needs of our members, and contributing to projects in progress.

This role certainly keeps me on the go at all times. I am in constant contact with members of the profession – and seeing how the Institute helps them with their needs is truly a motivating element in our daily efforts.

Favourite music genre

Italian

Hobbies you'd like more time to enjoy

Sewing

What was the last TV show you watched?

Chernobyl

What's your go-to guilty pleasure?

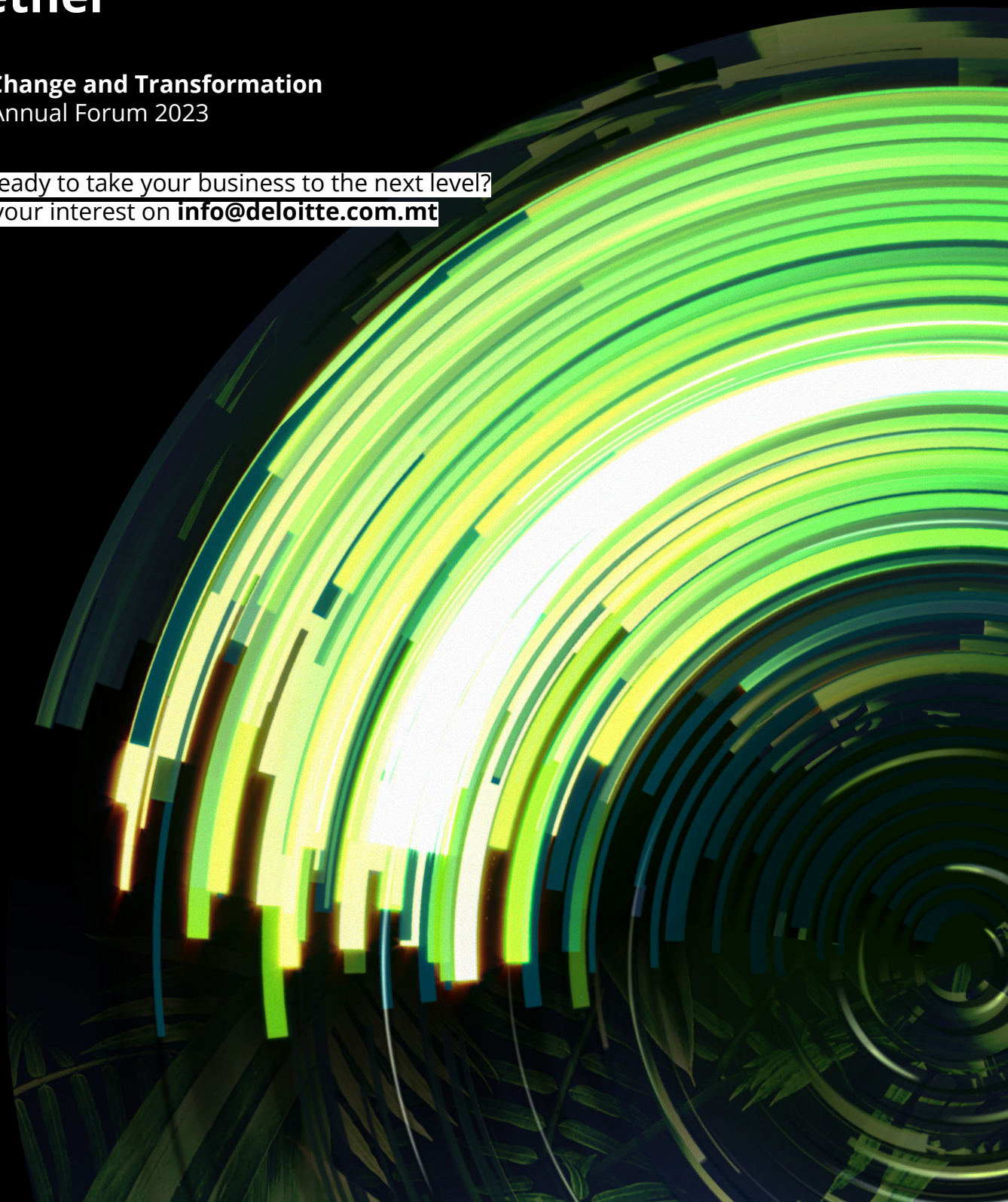
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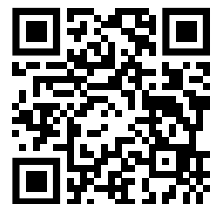
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