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A Relevant Voice *for the* *Profession*

A message from MIA President Jonathan Dingli



Welcome to the third edition of *The Accountant* for this year, which brings together a wealth of information relevant to our profession and provides an overview of the work and initiatives the Institute has been involved in over the past few months.

I would like to take this opportunity to reflect on some of the issues that, in my view, underline the relevance of the Institute and the contribution we can make. Indeed, the relevance of an Institute is not measured only by the number of events it organises or the number of consultations it responds to, even though the numbers are quite impressive. However, I believe relevance is also measured by the Institute's ability to be present when important issues are being discussed, to understand the challenges faced by its members and to bring the collective experience of the profession to the table.

Through our engagement with Government, regulators, public authorities and other local and international stakeholders, the Institute has continued to make sure that the voice of its members is heard where decisions affecting accountants and the wider economy are being considered.

Our meeting with the National Audit Office (NAO) earlier this summer was particularly meaningful in this regard. It gave us an opportunity to better understand the needs of accountants working within the NAO and, more broadly, those working in the public sector. It was also a reminder of the breadth of our membership and of our responsibility to represent accountants, regardless of where they work.

Our participation in the Malta Tax and Customs Administration Stakeholder Panel that was established this summer provided another important channel through which the Institute could contribute to discussions on taxation and policy. We also met with Minister for Finance Clyde

Caruana following his re-election, discussing continued collaboration and issues affecting the profession, including those emanating from international policy positions.

These engagements are valuable not only because they give us the opportunity to put forward the views of accountants, but also because they enable us to listen. Representation should never be one-directional. Understanding the challenges faced by others is essential if we are to contribute constructively to policy discussions.

This is particularly true in taxation.

As we do every year, the Institute is engaging with members and different stakeholders as part of the preparation of its proposals for the forthcoming Budget. Through this process, we can draw on the experience of the profession and put forward recommendations that we believe can contribute to a stronger and more effective tax framework.

At the same time, the work of the Institute does not begin and end with the Budget. Some matters require more immediate attention, while others are better addressed through policy or administrative changes. In such cases, the Institute will continue to engage directly with the relevant authorities.

This is part of what I believe a modern professional institute should do: not simply react to decisions once they have been made but contribute to the conversation early enough to help shape better outcomes. That role is becoming increasingly important as the environment in which accountants operate becomes more complex. Regulation continues to evolve, artificial intelligence is changing the way professional services are delivered and expectations of accountants and auditors continue to expand.

In this environment, maintaining trust in the profession is essential.

Accountants are trusted with information that is fundamental to businesses, investors, public authorities and individuals. That trust carries responsibilities. It requires professional competence and sound professional judgement, independence, integrity and a willingness to uphold standards even when doing so is not the easiest option.

I also believe the profession has a wider responsibility to society.

Financial literacy is one area where accountants can make a meaningful contribution. We work with financial information every day, but our knowledge can also help individuals, families and businesses better understand financial decisions, risks and opportunities. I recently participated in a televised discussion on financial literacy, and I believe this is an area where the profession can have a much broader impact too.

Our standing as a profession will ultimately depend not only on what we do within our workplaces, but also on how we contribute to the communities and economy around us.

This is also why I believe the Institute must remain open to different perspectives. We need strong relationships with Government and regulators, but we must also engage with business, academia and other professional bodies. We may not always agree, but constructive dialogue is essential.

Added to this, I also look forward to seeing more members contributing and participating in the Institute's events. From now until the end of the year, there is certainly no shortage of opportunities for us to meet, learn and contribute. Our programme includes a range of social and technical events, CPE sessions and other initiatives, and I encourage all members to take an active part in them. The strength of the Institute comes from the involvement of its members, from sharing knowledge and experience to engaging in the discussions that shape our profession. I hope to see many of you at our upcoming events, to exchange ideas, strengthen our connections and most importantly, continue building an Institute that remains relevant to all of us.

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A Profession in Progress

**A message from
Maria Cauchi Delia,
MIA CEO**



Welcome to another edition of our flagship publication, *The Accountant*. I hope the summer months have given you an opportunity to recharge and return refreshed ahead of another busy period for the profession and for the Institute.

As we enter the final quarter of the year, the Institute's work continues across a wide range of areas, from technical and policy matters to professional development and member engagement. For this edition of *The Accountant*, I would like to share with you a few updates on some of the work currently underway, particularly how we are strengthening the way the Institute draws on the expertise and experience of its members.

We are currently working with the Institute's different working groups to discuss their priorities and define the areas where their contribution can have the greatest impact. This is important because the Institute's work is strongest when it is informed by the practical experience of members working across the different areas of the profession. By bringing together this expertise, we can ensure that our engagement is relevant, informed and focused on the issues that matter most.

This collaborative approach is reflected in the Institute's ongoing, proactive and solutions-based engagement with authorities and other stakeholders. By way of example, recent discussions have included engagement with Malta Enterprise in relation to MicroInvest, and with the Malta Business Registry and the Malta Tax and Customs Administration on liquidations. Through these discussions, the Institute seeks to balance the needs of the authorities with the practical realities and professional responsibilities of accountants and auditors, ensuring that requirements are workable and aligned with professional expectations and standards. At the same time, the Institute supports professionals through the necessary guidance, helping to establish clear expectations on both sides and enhance consistency in reporting and implementation.

Our contribution to the fight against money-laundering and the upcoming National Risk Assessment is another example of this engagement. As Malta prepares for its next wave of assessments, first through its national exercise and eventually through the next MONEYVAL evaluation, the Institute has an important role to play in the national discussion. Our feedback to the National Coordinating

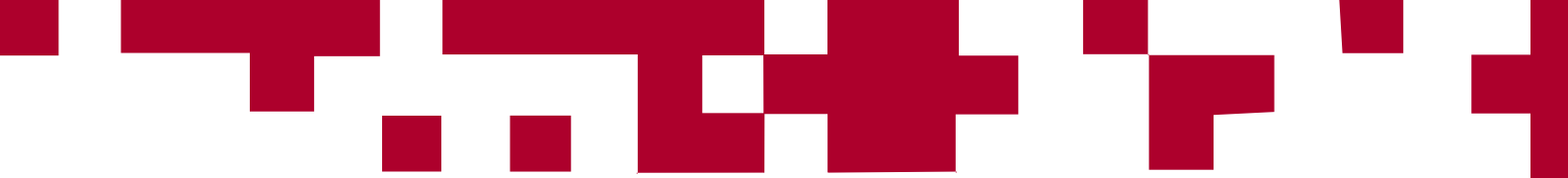
Committee has focused on assessing data, the identification and mitigation of risks, and the respective roles and responsibilities of accountants and auditors. This work is particularly important given the role that professionals across our sector play in maintaining strong systems and standards that support the integrity of Malta's financial services industry.

At the same time, digitalisation continues to cut across virtually every area of the profession. This is reflected in the way the Institute has positioned its Digitalisation Group as a horizontal group, recognising that technology cannot be considered separately from financial reporting, audit, taxation, professional skills or the wider delivery of professional services.

The Group is supporting initiatives such as the Professional Accountants in Business (PAIB) Conference and continues to engage with various stakeholders to explore opportunities that may support the profession's digital transformation. For accountants, digitalisation is not simply about adopting new tools or technologies. It also raises important questions around professional judgement, ethics, data, skills and how the role of the professional will evolve.

That same focus on the future brings us to another area that requires our attention: talent. Ensuring that accountancy remains attractive to the next generation is essential to the continued strength and relevance of our profession.

Over the past couple of years, we have gathered significant insight into how accountancy can remain attractive to the next generation. We have now reached a pivotal point at which we need to assess our available resources, prioritise our next steps and determine where our efforts can have the greatest impact, whether among students, educators, parents, practising accountants or a combination of these groups. We are also working with the University of Malta on an event for first-year students in the year ahead, as part of our broader efforts to communicate the opportunities offered by the profession more effectively.



Importantly, we do not have to address this challenge in isolation. We are pairing our local efforts with strong international engagement, which continues to provide valuable opportunities to exchange ideas and learn from the experiences of others.

An important initiative by the International Federation of Accountants is bringing professional accountancy organisations together to strengthen the profession's appeal and relevance. The initiative provides a global platform for sharing research, practical resources and successful approaches to attracting and retaining talent, while developing a more consistent narrative about the opportunities and wider value of a career in accountancy. The Institute's participation provides a platform to collaborate with international counterparts, share experience and draw on these global insights and resources. By working together, we can develop a stronger, more consistent message that can be adapted effectively to Malta's needs.

This international cooperation was also reflected in a visit from our Lithuanian counterparts together with representatives from their university. While our respective professional environments and structures are not necessarily identical, the visit highlighted the value of peer-to-peer collaboration and the exchange of perspectives.

The visit offered an excellent platform for mutual knowledge sharing. It allowed us to exchange experience on shared priorities, including stakeholder areas such as engagement, regulatory cooperation and the links between the profession and collaboration with academia. Relationships such as these are valuable because they enable us to look beyond our own environment and consider how different approaches can inform our continued development.

All of this work provides an important backdrop to what promises to be a particularly active final quarter of the year. We will be resuming our highly successful *Meet the Regulator* series, giving members an opportunity for direct engagement and discussion with key regulatory authorities. These sessions are an important part of the Institute's commitment to creating meaningful channels of dialogue between members and those responsible for regulation.

An event being led by the PAIB Group, under the theme *The Future of Finance Leadership*, will bring together Chief Financial Officers (CFOs), Chief Executive Officers and other industry experts, to explore how the role of the finance leader is evolving. Discussions will cover artificial intelligence and integrated thinking, sustainability and resilience, today's business challenges and the ethical dilemmas facing CFOs and Boards. November will then bring about our annual Tax Conference, having become an established and important element of the Institute's calendar and a valuable opportunity for members to discuss the latest developments in taxation.

Alongside our professional activities, we remain committed to supporting the wider community. We are particularly proud of our increased collaboration with the Malta Trust Foundation, and I encourage members to keep the 29th of November free for a day of football, padel and other activities in support of this important cause. Stay tuned to our socials for more information on this special event which will combine networking with a rewarding social and charitable cause.

I therefore encourage members to continue engaging with the Institute, our groups and the many activities taking place over the coming months. The stronger that connection is, the better placed we are to represent the profession, support our members and ensure that accountancy continues to evolve while retaining the standards, values and professional judgement on which it has always been built.



Accountancy Europe AAPG Meeting **4 June 2026**

The Malta Institute of Accountants' (MIA) Senior Technical Officer, Veronica Micallef, attended the Audit and Assurance Policy Group Meeting organised by Accountancy Europe. The meeting focused on key European Union (EU) audit policy developments, with particular attention given to proposals aimed at simplifying audit requirements for smaller entities while preserving audit quality and stakeholder confidence. Discussions also covered differing interpretations of group audits and common control arrangements, anti-money laundering-related developments and the ongoing review of the Public Interest Entity framework.

A significant portion of the meeting was dedicated to International Standard on Auditing 540, where participants debated whether the standard should be revised or supported through additional guidance, highlighting the need for proportionality, scalability and practical implementation. Broader discussions addressed audit quality indicators, regulatory convergence, common supervision methodologies and ongoing initiatives by the European Commission and the Committee of European Auditing Oversight Bodies, with a shared emphasis on achieving greater efficiency and consistency across the European audit landscape.

Accountancy Europe Members' Assembly **10 June 2026**

MIA Chief Executive Officer (CEO) Maria Cauchi Delia participated in Accountancy Europe's Members' Assembly in Brussels, joining representatives of member bodies from across Europe to exchange views on the strategic direction and future of the accountancy profession.

The discussions focused on the profession's role in supporting sustainable growth, small and medium-sized enterprises access to liquidity and a more competitive European business environment. Members considered the progress of Accountancy Europe's Purpose 2030 initiative, current EU policy and regulatory developments and emerging risks and opportunities arising from growing assurance demands, regulatory simplification, new market entrants and technological change. The programme also featured exchanges on the future of the profession and on developments in sustainability reporting, including the need for regulatory stability and proportionate implementation.

Through its active participation in Accountancy Europe, the MIA continues to contribute Malta's perspective to European discussions, remain closely informed of developments affecting the profession and strengthen its collaboration with counterpart bodies. This engagement supports the Institute's work in anticipating change, informing its policy positions and helping members navigate an evolving professional and regulatory landscape.

Flusek Interview

19 June 2026

MIA President Dr Jonathan Dingli appeared on *Net TV's Flusek*, a programme sponsored by FinanceMalta as part of a series promoting financial literacy. The appearance forms part of the MIA's ongoing commitment to promoting financial literacy and supporting greater public understanding of financial and business matters.

During the interview, Dr Dingli discussed the core elements of company financial statements and how they provide a clear overview of a company's performance and financial position. He explained the key sections of an annual report, including the income statement, cash flow statement, balance sheet, notes to the financial statements, auditor's report, events after the reporting period and Environmental, Social and Governance disclosures. He also shared practical insights on how financial information can be interpreted and used to better evaluate a company's overall financial health.

The Institute actively supports financial literacy initiatives and contributes to related national efforts through its participation in the Malta Financial Services Advisory Council Financial Literacy Working Group.

MIA Networking Event

25 June 2026

The MIA Networking Event welcomed more than 700 members and professionals from across the accountancy and business community for an evening of networking, celebration and connection. The event marked a significant milestone for the Institute with the official unveiling of the MIA's new brand identity and logo, reflecting a renewed vision for the future of the profession.

Beyond bringing the profession together, the event also demonstrated the generosity and community spirit of MIA members. Through registrations, over €7,000 was raised in support of The Malta Trust Foundation, with all proceeds being donated to help further the Foundation's valuable work and initiatives.

The Institute extends its sincere appreciation to all attendees, sponsors including Scope, KPMG, Deloitte, PwC, EY, RSM, Jesmond Mizzi Financial Advisors and Fyorin, and contributors whose participation helped ensure the success of the event, making it both a memorable celebration and a meaningful opportunity to give back to the community.



MIA Summer Lunch

26 June 2026

Ahead of the summer months, the MIA team stepped away from their daily routines to enjoy a team-building lunch, providing an opportunity to connect, reflect and celebrate collective achievements.

It was a welcome opportunity to recharge, foster collaboration and reinforce the positive culture that continues to drive the MIA forward.

At the heart of the event was a simple reminder that strong teams are built not only through professional collaboration, but also through shared experiences and meaningful connections.



MIA Rebranding: A New Identity for a Dynamic Profession

26 June 2026

The Malta Institute of Accountants has unveiled its new brand identity, marking an important milestone in the Institute's continued evolution. More than a visual refresh, the new identity reflects the MIA's vision for the future and its ongoing commitment to professional excellence, innovation and the development of both its members and the wider business community.

The new brand embodies a modern and forward-looking profession, while remaining rooted in the values that have guided the Institute throughout its journey. It serves as a symbol of the MIA's dedication to supporting its members, fostering growth and responding to the changing needs of the profession in a dynamic environment.

As the Institute looks ahead, its new identity will continue to represent a profession that is progressive, resilient and ready to embrace new opportunities.

Inspiring Future Finance Professionals at the I Choose Fair

24 July 2026

The MIA participated in this year's *I Choose Fair*, engaging with students and promoting the wide range of opportunities available within the accountancy and finance profession.

A key highlight of the event was the panel discussion "Careers in Finance: Your Journey Towards Unlimited Opportunities," which brought together MIA members Annette Gauci, Gabriella Borg and Andreas Lanzon to share insights into their professional journeys and discuss the evolving role of finance professionals in today's business environment. The discussion emphasised how accountancy extends far beyond numbers, with professionals contributing to strategic decision-making, business growth, innovation, governance and value creation across a diverse range of industries.

Throughout the fair, the MIA was also supported by representatives from leading accountancy firms, including Deloitte, KPMG, PwC, RSM and BDO. Together, they welcomed students at the MIA stand, where young people had the opportunity to learn more about the profession, ask questions about their future studies and career prospects and gain a better understanding of the many pathways available within accountancy and finance.

The Institute's presence at the fair forms part of its ongoing commitment to raising awareness of the profession among younger generations and providing aspiring professionals with the information and guidance needed to make informed decisions about their future careers.





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MTCA Stakeholder Forum

30 July 2026

MIA Assistant Technical Managers Kristina Busuttil and Laura Farrugia attended The Malta Tax and Customs Administration (MTCA) Stakeholders Forum 2026. The event brought together stakeholders to review the organisation's performance over the past year and discuss key priorities for the future. It commenced with an opening address by Commissioner Joseph Caruana, who outlined the forum's objectives and the strategic direction for the year ahead. This was followed by a presentation of the Annual Report 2025, highlighting major achievements, performance results, strategic initiatives and key milestones reached during the year.

A significant part of the forum focused on upcoming legislative and operational developments affecting stakeholders. Discussions covered important topics including Value Added Tax in the Digital Age, domestic e-invoicing and Digital Reporting Requirements, Flat-Rate Duty and the Carbon Border Adjustment Mechanism. Participants were also provided with an update on the Integrated Tax and Customs Administration System project, including its objectives, implementation progress, expected benefits for taxpayers and practitioners and the planned rollout.

Interview on Business News Malta

10 August 2026

The MIA CEO was invited by the Malta Financial Services Authority to participate in an interview for its Boardroom Brief series, which was published on the Business News Malta platform. The interview explored the evolving role of the accountancy profession in a rapidly changing regulatory and technological environment, covering topics such as the impact of the new EU Anti-Money Laundering Authority, the growing influence of artificial intelligence on the profession, talent attraction and skills shortages and the MIA's ongoing contribution to policy development and professional education. The discussion also highlighted the Institute's role in supporting members, promoting proportional and effective regulation and strengthening Malta's competitiveness and resilience.

Member Outreach Visits

Ongoing initiative

During the first half of 2026, the MIA continued strengthening its connection with the profession through a series of member outreach visits to audit and accountancy firms across Malta.

These visits provided a valuable opportunity to engage directly with members, gain insight into the challenges and opportunities facing the profession and ensure that the Institute's initiatives remain aligned with the needs of practitioners. Such engagements play an important role in helping the MIA remain informed, responsive and member-focused.

To date, visits have been carried out at Agius & Associates, Advitac, Cutajar Busuttil Accounting, JP Audit & Advisory Services Limited, Borg Galea Associates, 3a Malta, Tri-Mer Services Malta and Nouv. The Institute looks forward to continuing these engagements in the months ahead as part of its ongoing commitment to supporting and representing the profession.

Sustainability Corner



Tax Omnibus Package & DAC Recast

The European Commission (EC) has published a package of proposed tax measures that could reshape key aspects of cross-border taxation within the European Union (EU). Released on 24 June 2026, the taxation omnibus package introduces amendments to several major EU tax Directives, including the Anti-Tax Avoidance Directive (ATAD), the Parent-Subsidiary Directive and the Interest and Royalties Directive. Among the proposed changes are updates to interest limitation rules, the treatment of Pillar Two entities under controlled foreign company rules and the removal of certain holding requirements, reflecting positions that have been discussed at European level in recent years.

In parallel, the Commission has proposed a recast of the Directive on Administrative Cooperation (DAC), bringing together the various DAC regimes within a single legislative

framework. The proposal seeks to simplify reporting requirements, reduce administrative burdens and enhance the effectiveness of information exchange between tax authorities. Key measures include adjustments to DAC6 and DAC7 reporting obligations, the introduction of a unified notification mechanism for certain reporting frameworks and the development of a centralised EU Tax Identification Number verification system. The proposals are expected to form part of ongoing discussions on the future direction of tax cooperation and compliance across the European Union.



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EC Releases Two DAs Under ESG Ratings Regulation

The European Commission (EC) has adopted two Delegated Acts supporting the Environmental, Social and Governance (ESG) Ratings Regulation. The measures further clarify the supervisory responsibilities of the European Securities and Markets Authority (ESMA).

The first Delegated Act establishes the enforcement framework, including the procedures ESMA will follow when conducting investigations and imposing fines or periodic penalty payments. The second introduces a fee regime for ESG rating providers, setting different charges for entities established within and outside the EU.

Both Delegated Acts remain subject to scrutiny by the European Parliament and the Council before entering into force.



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EC Sets Detailed Application Requirements for ESG Rating Providers

The EC has adopted technical standards setting out the information and documentation requirements for ESG rating providers seeking authorisation or recognition in the EU. The standards establish a more structured and consistent application process, helping to ensure that ESMA receives the information needed to assess applicants effectively. The measures form part of the broader ESG Ratings Regulation framework aimed at enhancing transparency, reliability and supervisory oversight of ESG rating activities.



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EU Simplifies Sustainability Reporting Framework

The European Commission has adopted revised sustainability reporting standards designed to reduce compliance costs and administrative burdens for businesses, while maintaining the quality and usefulness of sustainability disclosures. The package also introduces a voluntary reporting framework for smaller companies, offering a proportionate approach to sustainability reporting and information requests throughout value chains.



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EFRAG Launches Interactive Hub for Revised ESRS and Voluntary Standard

EFRAG has launched an interactive hub bringing together the 2026 Revised European Sustainability Reporting Standards (ESRS) and the Voluntary Standard, with the aim of helping stakeholders navigate and apply the updated requirements more effectively. The resource includes comparison tools, amendment logs and links to previous ESRS versions, with additional supporting materials expected to be added over time.



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News *Roundup*



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Fitch confirms Malta A+ rating

Fitch Ratings has affirmed Malta's long-term credit rating at 'A+' with a stable outlook, highlighting strong economic growth, high income levels and European Union (EU) membership. The agency said Malta remains among the best-performing economies it rates, with the economy expanding by 90% since 2015, compared with 16% across the euro area. Average annual growth stood at 6.5% over the period. Fitch also welcomed Malta's improving fiscal position and falling deficit, but warned that governance standards have deteriorated over the past decade, posing a key challenge to the country's credit profile.

MFSA publishes Financial Crime Compliance Strategy

The Malta Financial Services Authority (MFSA) has published its Financial Crime Compliance Strategy 2026, outlining a forward-looking supervisory framework aimed at strengthening Malta's approach to combating financial crime. The strategy focuses on risk-based and outcomes-driven supervision, ensuring resources are directed towards higher-risk sectors and activities while promoting effective compliance. The strategy also supports Malta's preparation for significant European developments, including the implementation of the EU's anti-money laundering package and the establishment of the Anti-Money Laundering Authority.



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Central Bank Publishes Economic Forecast

Malta's economic growth is expected to remain robust, with Gross Domestic Product (GDP) forecast to expand by 3.8% in 2026, 3.6% in 2027 and 3.8% in 2028, according to the forecast published by the Central Bank of Malta. Private consumption is expected to remain the main driver, with the 2026 growth projection revised slightly upwards. Inflation is projected to ease to 2.2% in 2026, from 2.4% in 2025, before rising slightly in 2027 amid geopolitical tensions and supply disruptions in the Middle East. The budget deficit is projected at 2.2% of GDP in 2026 and is expected to narrow to 1.6% by 2028, while debt is forecast to fall to 44.2% of GDP. The Bank said that risks remain broadly balanced, although prolonged Middle East tensions could weigh on activity and increase inflationary pressures. Higher services inflation and increased energy support spending also pose risks.

New pay transparency rules enter into force

Employers in Malta will face stronger obligations on pay transparency following the transposition of the EU Pay Transparency Directive into Maltese law through the Equal Pay (Transparency and Reporting) Regulations, Legal Notice 173 of 2026. The new regulations reinforce the principle of equal pay for equal work or work of equal value between men and women, introducing clearer requirements on pay transparency, more formal reporting obligations and stronger enforcement mechanisms. Employers will be expected to have clear, evidence-based systems in place to assess pay practices and address potential inequalities, placing greater emphasis on transparency and accountability in the workplace.



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Local *Appointments*



BDO

BDO Malta has announced the appointment of Andrea Kis as Audit Director with effect from January 2026.



Grant Thornton

Grant Thornton Malta has announced the appointment of Brunella Bugeja as Senior Manager – Indirect Tax, with effect from 8 July 2026.



EY Malta

EY Malta has announced the appointment of Silvio Camilleri and Chris Bugeja as Partners with effect from July 2026.



RSM Malta

RSM Malta has announced the appointment of Ludwig Micallef as Director with effect from 24 August 2026.



PwC Malta

PwC Malta has announced the appointment of David Micallef as Head of Business Unit (HBU) within PwC Digital Services effective from 1 July 2026. He will be leading the firm's Cloud and Infrastructure and IT Managed Services team.

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MTCA and University of Malta Launch Tax Workshop Series for *Master of Accountancy Students*

The Malta Tax and Customs Administration (MTCA) and the Department of Accountancy, within the University of Malta's Faculty of Economics, Management and Accountancy, are pleased to announce the launch of a new workshop series for Master in Accountancy students. The first workshop, to be held in December 2026, represents a collaborative effort to provide Master in Accountancy students with hands-on experience of the tax process, return submission and practical online submission problem solving. In collaboration with the Department of Accountancy, these workshops will be run by MTCA's newly formed Education Section, which forms part of the Strategy & Innovation Division within MTCA. Through increased investment in education and public

awareness, the MTCA new section is committed to building stronger connections with the community and recognises the importance of fostering an informed and responsible tax knowledgeable society. The workshop initiative is expected to further strengthen the division's efforts, creating valuable opportunities for learning while promoting a greater understanding of the role taxes play in supporting society. Through these initiatives and partnerships, MTCA is investing in a more informed, responsible and financially aware society, helping to empower future generations with the knowledge and values needed to contribute positively to Malta's continued development and prosperity.

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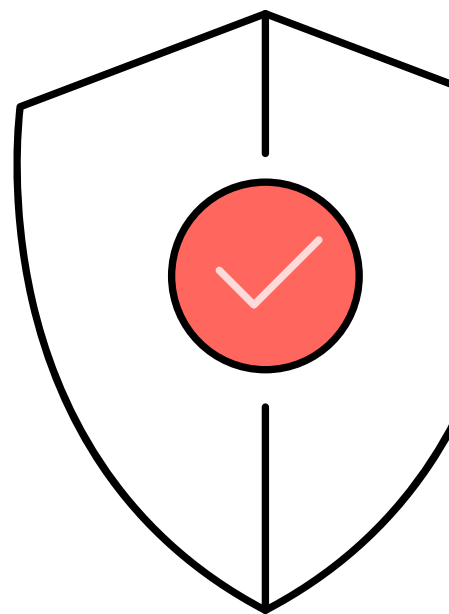
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Strengthening Quality Assurance Frameworks

in a Changing Regulatory Landscape



Quality Assurance (QA) is an important element of the audit profession. In an environment shaped by evolving standards, increasing stakeholder expectations and heightened regulatory scrutiny, organisations cannot treat audit quality as a periodic compliance exercise. It must operate as an integrated, risk-focused and forward-looking framework that supports public trust, strengthens accountability and drives continuous improvement.

The shift from quality control to quality management is particularly significant for the profession. International Standard on Quality Management 1 requires firms to design a system of quality management that is tailored to their nature and circumstances and based on a proactive assessment of quality risks. This reflects a broader regulatory expectation: quality should be embedded in governance, culture, methodology, monitoring and remediation, rather than addressed only after deficiencies arise.

THE ROLE OF QUALITY ASSURANCE IN TODAY'S PROFESSIONAL ENVIRONMENT

At its core, quality assurance provides confidence that professional work is performed consistently, competently and in accordance with applicable standards, laws and ethical requirements. It serves several interconnected purposes: protecting the public interest, helping firms and practices identify weaknesses before they develop into systemic issues and providing findings that highlight whether a firm's policies, procedures and behaviours are operating effectively in practice.

Effective quality assurance also reinforces professional scepticism, ethical conduct and accountability. It helps ensure that teams do not simply complete the required steps but understand the purpose of those steps and apply judgement appropriately. In this sense, quality assurance is not merely a review function; it is a mechanism for learning, improving and sustaining trust.

REGULATORY AND SUPERVISORY DRIVERS FOR STRONGER QA FRAMEWORKS

Regulators and oversight bodies continue to place strong emphasis on the design and operation of quality management systems. Inspection programmes across jurisdictions have highlighted recurring deficiencies in audit execution, documentation, risk assessment, professional judgement and internal monitoring.

In Europe, supervisory convergence, sustainability assurance, technological innovation and cross-border oversight are also shaping the regulatory agenda. Competent authorities are increasingly focused not only on whether organisations have documented policies, but whether those policies are effectively implemented, monitored and improved.

CHALLENGES FACING QA FUNCTIONS IN A RAPIDLY CHANGING LANDSCAPE

Quality assurance functions are facing a wider and more complex set of challenges than in the past. Standards and regulatory requirements are evolving, particularly in areas such as quality management, sustainability reporting and assurance, ethics, anti-money laundering, technology and data governance. At the same time, firms and practices must respond to increasing market pressure, talent shortages, fee constraints and growing expectations from clients, investors, regulators and the public.

Another challenge is the pace of technological change. Digital tools, automation, analytics and artificial intelligence (AI) can improve efficiency and insight, but they also introduce risks relating to data quality, security and over-reliance on automated outputs. QA teams must therefore develop the ability to evaluate not only traditional engagement files and processes, but also the controls surrounding technology-enabled work.



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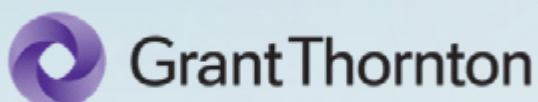
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MODERNISING QA FRAMEWORKS FOR EFFECTIVENESS AND EFFICIENCY

Modern QA frameworks should be designed around effectiveness, proportionality and efficiency. This means moving away from static checklists and towards systems that focus on the areas of greatest risk and impact.

Technology can support this shift. Over recent years, the profession has devoted considerable attention to the potential of AI to transform audit. Some firms and practices, primarily coming from a network, have started using AI tools in a number of areas to assist them in the audit process. It is envisaged that the use of AI will continue to become more and more significant in the coming years.

In addition, the Quality Assurance Unit (QAU) has started developing artificial intelligence tools to support the performance of its own inspections, and discussions are ongoing at the Committee of European Auditing Oversight Bodies (CEAOB) on the future use of AI in supervisory activities.

Although using AI tools in quality assurance frameworks can assist in facilitating the work carried out, technology should enhance professional judgement, not replace it. The most effective frameworks combine digital capability with experienced review, clear accountability and timely dialogue with those responsible for quality.

Another important aspect brought more into the spotlight by the International Standard on Quality Management 1, is that findings should be analysed for root causes, translated into practical improvements and monitored to determine whether corrective actions are effective. Without this cycle, quality assurance risks becoming an exercise in reporting deficiencies rather than resolving them.

EMBEDDING RISK-BASED THINKING IN QA PROCESSES

A risk-based approach is central to a credible QA framework. It requires both firms and regulators to identify where quality risks are most likely to arise and where their consequences would be most significant. This may include complex or high-risk engagements, new service lines, significant regulatory changes, inexperienced teams, independence threats, tight reporting deadlines, recurring inspection findings or areas involving substantial judgement.

Risk-based thinking should influence the scope, timing and depth of QA activities. Higher-risk areas may warrant more frequent monitoring. Lower-risk areas should not be ignored, but the level of work should remain proportionate. The purpose is not to reduce scrutiny, but to direct attention where it is most needed.

STRENGTHENING COMPETENCE AND CAPACITY IN QA TEAMS

The effectiveness of the Quality Assurance function ultimately depends on the quality assurance reviewers carrying out the reviews. QA reviewers need not only technical expertise, but also the ability to challenge constructively, identify root causes, communicate findings clearly and influence behavioural change within firms and practices. They should understand standards and regulation, but also the practical realities of how work is performed.

In addition to undertaking continued professional education, reviewers within the QAU are given opportunities to participate in training activities organised within the CEOB to keep abreast of new developments at European Union level.

Within the QAU, over the past year, additional staff members have been engaged and are undergoing on-the-job training to strengthen their competencies in quality assurance. This investment in capacity is essential to ensure that reviews remain robust, proportionate and responsive to emerging risks.



PRACTICAL RECOMMENDATIONS FOR FIRMS AND PRACTICES

Firms and practices seeking to strengthen their QA frameworks should begin with a clear assessment of whether the framework remains fit for purpose. This includes evaluating governance responsibilities, documented policies, monitoring activities, reporting lines, escalation processes, remediation procedures and the quality of management information provided to leadership.

Cold file reviews should be viewed as an important tool for improving the quality of future audit work, rather than as a narrow compliance exercise. Reviewers should have the necessary competence, independence and practical experience to assess files thoroughly, challenge appropriately and identify both individual deficiencies and wider patterns of non-compliance. The outcome of such reviews should provide meaningful insight into whether audit methodology, supervision, review procedures and documentation are operating effectively in practice.

CONCLUSION

In a changing regulatory landscape, quality assurance frameworks must be proactive, proportionate and resilient. The firms and practices that will be best placed to respond are those that treat quality as a strategic priority, embed risk-based thinking into their processes, invest in competent teams and use monitoring outcomes to drive continuous improvement. Strong QA frameworks do more than satisfy regulatory expectations; they protect trust, strengthen professional performance and support the long-term credibility of the profession.

Where findings are identified, firms and practices should evaluate their severity, recurrence and underlying causes. Remedial actions should be specific, proportionate, time-bound and assigned to accountable owners. Root cause analysis should be embedded as a standard discipline, particularly for significant or recurring deficiencies, so that actions address the reason why issues arose rather than only correcting the immediate file-level matter.

Finally, firms and practices should ensure that lessons learned from monitoring activities are fed back into training, methodology updates, consultation processes and leadership discussions. A quality assurance framework is most effective when it creates a continuous improvement cycle: identifying risks, reviewing performance, addressing deficiencies, monitoring remediation and reinforcing a culture in which audit quality is consistently prioritised.



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Functional Analysis: *The Heart of Transfer Pricing*

INTRODUCTION:

The ecosystem of Transfer Pricing (TP) revolves around the arm's length principle. In simple terms, the objective is to ensure that intra-group transactions are priced in accordance with the prices at which independent enterprises operating under similar economic, market and business conditions but without any control or influence over one another, transact or would have transacted. While this may sound simplistic, the application of the arm's length principle comes with its own nuances and complexities.

As a discipline, TP aims to approximate business reality. Accordingly, any TP analysis undertaken without a clear understanding of the underlying business, its value drivers and how the transacting parties fit within the broader value chain, is inherently flawed. It is for this reason that getting a thorough understanding and analysing the functions performed, assets employed and risks assumed (FAR) by the transacting parties takes centre stage in determining the arm's length amount.

Following the accurate delineation of the transaction, the FAR analysis feeds directly into the comparability analysis by facilitating the identification and selection of appropriate comparables. Accordingly, it serves as the foundation upon which the arm's length nature of the transaction is determined. Put simply, a FAR analysis seeks to identify the economic substance of the transaction and, therefore, constitutes a core component in accurately delineating the transaction from a TP perspective.

FAR ANALYSIS: A DEEP DIVE

WHEN?

As recognised in paragraph 1.42 of the Organisation for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines, 2022, a FAR analysis should begin after reviewing the written contractual terms reflecting the intentions of the parties at the time of entering into the transaction and governing the transaction, including the documented roles and responsibilities of the transacting parties.

However, a written contract is merely the starting point and should not be relied upon exclusively for determining the arm's length nature of a transaction. Indeed, the objective of a FAR analysis is to test contractual allocation against the actual conduct of the parties, particularly which entity exercises control over the risk, has the financial capacity to assume it and bears the economic consequences of that risk.

HOW TO DOCUMENT?

A proper FAR analysis should seek to identify and break down the economically significant FAR in relation to the transaction and appropriately assign them to the transacting parties.

Further, one-sided TP methods such as the Cost-Plus Method, Resale Price Method and the Transactional Net Margin Method, require the selection of a tested party. Simply put, the tested party is generally the entity with the least complex FAR profile and for which reliable comparable financial information is available. It is therefore the entity whose contribution is easier to value. Accordingly, documenting the FAR profile of each transacting party becomes essential to identifying the tested party.

To put this into perspective, below follows a FAR analysis for a transaction wherein the tested party, say Company A, performs routine software development functions for Company B, which acts as the economic entrepreneur within the MNE. Ideally an explanation of each parameter would also be provided, but this is omitted for the sake of brevity.

HOW TO CONDUCT?

A FAR analysis should be conducted in a manner that identifies the actual economic reality of the transaction. While there is no prescribed roadmap, most TP experts recognise that the best approach to adopt is as follows:

- **Understanding the business:** Before analysing any transaction, it is important to understand the business, its drivers and how the transaction fits within the overall business model. Each and every transaction typically has an objective. Relevant information may be gathered from stakeholders, industry sources, the Multinational Enterprise's (MNE) Master File and its website(s).
- **Transaction-specific functional interviews:** Once the contractual terms and business are understood, functional interviews should ideally be conducted with key stakeholders directly involved in the transaction. The objective is to identify and assign economically significant FAR to each transacting party. This may be supplemented through questionnaires or checklists.



1 FUNCTIONS PERFORMED:

STRATEGY FORMULATION:

The overall strategy formulation within the MNE was undertaken by Company B in its capacity as the MNE's economic entrepreneur and key decision-maker. Key managerial personnel engaged by Company B were responsible for driving the MNE's strategic objectives. The transaction under consideration did not involve any core strategic functions, and Company A's role was limited to executing the service based on the directions and framework established by Company B.

PRICING:

The decision-making and strategy formulation in relation to end third-party pricing were driven by Company B.

In the context of the transaction under consideration, the pricing was determined mutually between Company A and Company B by applying an arm's length mark-up on the total operating costs incurred by Company A in providing the said services.

2 ASSETS EMPLOYED:

TANGIBLE:

Routine tangible assets in the nature of office infrastructure were employed by Company A in providing the services. Such infrastructure primarily included leased office premises, furniture and computer equipment.

INTANGIBLE:

The key intangible assets of the MNE, namely the unified customer services platform and the relevant brand, were legally as well as economically owned (explained below) by Company B. The key personnel engaged by Company B were responsible for performing the strategic development, enhancement, maintenance, protection and exploitation functions in relation to these intangible assets.

Company A neither owned nor employed any such intangible assets. Its role was limited to providing routine services to Company B.



MARKETING:

Company B was responsible for the formulation and monitoring of the MNE's global marketing strategies and campaigns. The MNE's Chief Marketing Officer was also engaged by Company B.

Company A did not perform any marketing functions given that it operated as a captive software development service provider within the MNE and its only customer was Company B.

QUALITY CONTROL:

The overall quality control parameters were formulated by Company B in accordance with the directions of the Chief Operating Officer engaged by Company B.

Company A, in its capacity as a captive service provider, was expected to adhere to these quality control parameters in relation to the services provided.

3 RISKS ASSUMED:

MARKET RISK:

Factors such as the availability of substitutes, entry of new players or competitors reducing the prices of comparable products could adversely impact market share. Company B, being the MNE's economic entrepreneur, assumed and controlled market risk decisions, including pricing and strategy, and had the financial capacity to bear potential losses.

Company A, being a captive service provider with no direct market-facing exposure, was not directly exposed to this risk. However, any adverse impact on the business of Company B could have indirectly affected the demand for services rendered by Company A.

OPERATIONAL RISK:

Operational risk primarily relates to disruptions to business activities arising from operational breakdowns or poor financial health/performance.

Company B was primarily exposed to this risk, as it was responsible for ensuring the operational and financial health of the MNE under the directions of the Chief Operating Officer and the Chief Financial Officer.

Company A was also exposed to this risk, albeit to a limited extent, given that it was assured of a fixed mark-up over its total operating costs and operated within the operational parameters established by Company B.



CREDIT RISK:

Credit risk primarily relates to the risk of non/late repayment of outstanding dues. Company B, being exposed to end third-party customers, primarily assumed the credit risk.

Company A was exposed to this risk only to a limited extent in the context of the services rendered. However, given that its customer was Company B, the intensity of this risk was minimal. During the period under consideration, invoices raised by Company A were settled by Company B within 60 days in accordance with the intercompany agreement.

FOREX RISK:

Forex risk primarily relates to the risk of impact of forex currency fluctuations on the profitability of the Company.

Company B raised invoices on third-party customers primarily in USD, whereas its reporting currency was Euro. Accordingly, Company B was exposed to foreign exchange risk. However, this risk was partially offset by expenses incurred in USD.

In the context of the services provided by Company A to Company B, Company A raised invoices in Euro, which was also its reporting currency. Accordingly, Company A was not exposed to any foreign exchange risk. This can be summarised as follows:

Category	Company A	Company B
Functions	Routine development, limited pricing inputs, basic quality control.	Group Strategy, strategic marketing, pricing, setting quality control parameters.
Assets	Tangible only	Intangibles
Risks	Limited	Full

CHARACTERISATION:

Having regard to the FAR profiles of Company A and Company B, Company A was concluded to be the least complex entity and the one for which the most reliable comparable data was available. It was therefore selected as the tested party, given that its profile was akin to a routine software development support service provider. Company B, on the other hand, was characterised as the economic entrepreneur engaged in strategic and non-routine functions within the MNE.

HOW FREQUENTLY SHOULD A FAR ANALYSIS BE REFRESHED?

Typically, a FAR analysis should be reviewed annually and updated where there are material changes. Think of it from this perspective: in Year 1, a transaction is priced based on the intentions and actual conduct of the transacting parties at that point in time. But what if, in Year 2, the circumstances are no longer the same? What if the parties perform functions that they did not perform in Year 1, or there is a significant change in their risk or asset profile? Such changes could invalidate the pricing strategy originally adopted for the transaction.

While the intensity of the exercise may not be as high where the fact pattern remains substantially unchanged, proceeding with the assumption that nothing has changed could potentially lead to non-arm's length outcomes.

A thoroughly documented and well-substantiated FAR analysis lies at the heart of any TP analysis. Conducting a robust FAR analysis is essential to accurately delineate the transaction under consideration and evaluate the actual conduct of the parties against their contractually documented roles and responsibilities, if any.

The high degree of subjectivity involved in TP makes it more of an “economist’s art” than an exact science. Consequently, global TP litigation today is at record levels, with a significant proportion of disputes centered around the accurate delineation of the controlled transaction.

A comprehensive FAR analysis embedded in timely contemporaneous documentation thereof therefore plays a pivotal role in enabling taxpayers to demonstrate adherence to the arm’s length principle and also serve as the first line of defense in the event of scrutiny by tax authorities.



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Professional Judgement Under EU-Level Scrutiny:

Navigating Consistency and Complexity

Professional judgement has always been at the heart of the accountancy profession. Whether in financial reporting, auditing, assurance or emerging areas such as sustainability, standards alone cannot anticipate every situation, nor provide a predetermined answer to all technical questions. Economic reality evolves faster than regulatory frameworks, and business models are increasingly complex. In this context, professional judgement is not simply desirable; it is indispensable.

However, the environment in which that judgement is exercised is in a constant state of change. At European Union (EU) level, supervisory expectations are converging, enforcement activity is becoming more coordinated and stakeholders are demanding greater transparency and comparability. As a result, professional judgement is exercised under ever greater scrutiny, creating a structural tension between flexibility and consistency.

This is not a marginal issue. It speaks to how the profession can keep serving the public interest as regulation becomes more complex in practice.

THE GROWING CONVERGENCE OF SUPERVISORY EXPECTATIONS

Over the past decades, the EU has made significant progress in strengthening the coherence of its regulatory and supervisory frameworks. Bodies such as the European Securities and Markets Authority, the European Banking Authority and, in the area of reporting, EFRAG, previously referred to as the European Financial Reporting Advisory Group, play an influential role in shaping expectations on interpretation, disclosure and enforcement.

This convergence reflects a broader objective: reinforcing trust in the Single Market. Investors, lenders and other stakeholders rely on financial and non-financial information to allocate capital efficiently across borders. For this to function, they must be able to interpret information consistently, regardless of where it originates.

Supervisory convergence contributes to this goal. Through common enforcement priorities, coordinated reviews and ongoing dialogue between authorities, it reduces fragmentation and improves the overall robustness of reporting practices.

Yet, it is important to distinguish convergence of expectations from similar application of requirements and supervision in all circumstances or uniformity of outcomes. While regulators may align on principles, entities operate in different economic, legal and organisational environments. It is therefore inevitable, and often appropriate, that similar principles lead to different conclusions in different, especially national, contexts.

The objective of European convergence should not be to eliminate judgement, but to ensure that judgement is exercised consistently in terms of process, quality and transparency.

CONSISTENCY ACROSS JURISDICTIONS: A PERSISTENT CHALLENGE

Despite progress in regulatory coordination, achieving consistent application of EU law, regulation and standards across jurisdictions remains a major challenge.

Inconsistency rarely stems from disagreement on the wording of standards. Instead, it arises in areas such as:

- interpretation of principles
- assessment of materiality
- evaluation of evidence
- intensity and approach of enforcement

Materiality is definitely a case in point. It is inherently entity-specific and context-dependent, requiring qualitative and quantitative judgement. Two professionals may reach different conclusions based on similar facts, and both conclusions may be defensible. The challenge emerges when such differences are perceived as arbitrariness rather than reasoned outcomes.

This challenge is even more pronounced in emerging fields such as sustainability reporting. Concepts like double materiality, transition risk assessment and value chain analysis involve significant estimation and forward-looking assumptions. Practices are still evolving, and interpretative frameworks are not yet fully stabilised.

For multinational groups, the complexity is compounded by cross-border operations. Centralised reporting processes must accommodate diverse regulatory expectations and supervisory cultures. Judgements acceptable in one jurisdiction may be challenged in another.

In such a scenario, increasing the volume of rules is unlikely to be the solution. More detailed requirements may reduce some ambiguity, but they often generate additional complexity and unintended rigidity.

Consistency is better achieved through stronger judgement discipline: clear reasoning, robust documentation and transparent communication of assumptions and limitations.

PRINCIPLES-BASED FRAMEWORKS AND ENFORCEMENT: A NECESSARY TENSION

A defining feature of European reporting frameworks is their principles-based nature. This is a deliberate design choice. Principles-based standards allow professionals to reflect economic substance rather than merely comply with formal rules. They provide the flexibility needed to adapt to innovation and changing business environments.

However, principles-based frameworks interact with increasingly detailed enforcement practices. Regulators, understandably, seek assurance that standards are applied rigorously and consistently. Over time, enforcement decisions, thematic reviews and public communications may create a body of expectations that can appear more prescriptive than the standards themselves.

This creates a delicate balance.

If enforcement becomes overly prescriptive, there is a risk that professionals shift from exercising judgement to managing compliance risk. Judgement is not eliminated but replaced by risk-averse behaviour. In such a scenario, the focus may move from faithfully representing economic reality to anticipating regulatory preferences.

This dynamic can have unintended consequences. Reporting may become more extensive but less informative. Disclosures may increase in volume while decreasing in clarity and relevance. Assurance processes may become more compliance-oriented rather than judgement-oriented. Effective enforcement should therefore focus on the quality of judgement rather than its outcomes. The distinction between weak judgement and well-reasoned judgement leading to a different conclusion is fundamental.

A mature supervisory ecosystem recognises that consistency does not require identical answers; it requires credible, transparent and defensible reasoning.

THE ROLE OF PROFESSIONAL BODIES AND STANDARD SETTERS

Professional bodies and standard setters play a critical role in maintaining and enhancing the quality of professional judgement.

Their contribution extends beyond technical rulemaking. They provide guidance, education, ethical frameworks and platforms for dialogue between practitioners, regulators and policymakers. In periods of significant regulatory change, such as the ongoing development of EU sustainability reporting and assurance, this role increases in relevance.

Professionals now need support not only in understanding standards, but in applying them in practice. This includes methodologies, examples, interpretative guidance and opportunities to share experience across jurisdictions.

Professional bodies act as a bridge between high-level principles and operational reality. They help translate regulatory expectations into practical approaches while preserving the flexibility necessary for judgement.

Equally important is the reinforcement of ethical foundations. Professional judgement is not purely technical. It combines technical competence with integrity, professional scepticism and a clear sense of responsibility towards the public interest. Standard setters contribute by designing frameworks that encourage thoughtful application rather than mechanical compliance. Standards that clearly articulate objectives while avoiding excessive prescription are more conducive to robust judgement.

Finally, continuous professional development is essential. The scope of judgement is expanding beyond traditional financial reporting to include areas such as sustainability, data governance, digitalisation and emerging technologies. The profession's skill set must evolve accordingly.

BALANCING FLEXIBILITY AND COMPARABILITY

One of the central challenges of modern reporting is balancing flexibility with comparability.

Flexibility is necessary because entities differ in their business models, strategies and risk profiles. Reporting must reflect these differences to provide meaningful information.

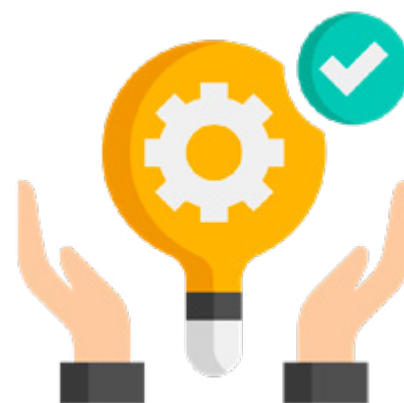
Comparability is equally important, as users need to assess performance and risks across entities and jurisdictions.

This tension is particularly evident in non-financial reporting. While financial reporting benefits from established conventions and decades of practice, sustainability reporting is still developing. It often involves forward-looking information, uncertain data and evolving metrics.

In this context, comparability cannot rely solely on standardised indicators. It requires transparency about methodologies, assumptions and limitations.

High-quality reporting is not only about what is disclosed, but about how clearly it explains the underlying reasoning. This is where professional judgement creates value: by bridging the gap between standard requirements and economic reality.

The objective is not to eliminate differences, but to ensure that differences are understandable, justified and transparent.



FROM FRAMEWORK TO PRACTICE: STRENGTHENING TRUST IN JUDGEMENT

Ultimately, the future of professional judgement in Europe will be defined by the profession's ability to maintain trust in a more complex environment.

Trust no longer depends solely on compliance with standards, but on the quality of judgement processes. This includes:

- technical understanding of the objectives behind standards
- robust internal governance and challenge mechanisms
- clear documentation of reasoning and assumptions
- transparency in communication
- strong ethical foundations

Professional judgement is not only about technical competence but also about the willingness to act on it with integrity and, where necessary, moral courage.

Moreover, constructive dialogue across the regulatory ecosystem is essential. Regulators, standard setters, professional bodies and practitioners all contribute to improving outcomes when engagement is collaborative rather than adversarial.

Professional judgement should not be seen as a weakness in principles-based systems. On the contrary, it is their defining strength, provided it is exercised rigorously and responsibly.

As EU-level scrutiny continues to increase, the objective should not be to replace judgement with uniformity. Instead, the focus should be on strengthening the credibility and transparency of judgement so that flexibility and consistency can coexist.

In a regulatory environment which is becoming progressively more complex, the ultimate goal is not mechanical alignment, but defensible, high-quality decision-making that serves the public interest.

That is how frameworks are translated into practice, and how the profession continues to create trust and value.

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From Documentation to Defensibility:

Strengthening Governance Through Data, Controls and Audit Readiness



In a complex regulatory and business environment, documentation can no longer be treated as a retrospective administrative exercise. Good documentation is not simply about keeping records or producing evidence when requested. At its best, it is the visible expression of sound governance: it shows how decisions were made, what information was relied upon, who was involved, which risks were considered and whether the organisation acted with appropriate discipline, consistency and accountability.

This matters because boards, regulators, auditors and other stakeholders increasingly expect organisations to demonstrate not only that they complied with rules and procedures, but also that they had a defensible basis for the decisions taken. In practice, this requires reliable data, effective controls, clear audit trails and a culture that values evidence-based judgement.

In my role as Group Chief Internal Auditor at Mizzi Organisation, I have had the opportunity, and corresponding challenge, to work across a broad portfolio of business interests and industry sectors. Among the many lessons learnt over the years, that diversity has reinforced one key message: governance cannot be effective unless it is supported by reliable information. Whether the matter relates to financial reporting, operational efficiency, regulatory compliance, health and safety, sustainability, procurement, customer service or internal investigations, management and boards need data they can trust. Without reliable data, oversight becomes reactive, controls become difficult to assess and decision-making becomes more exposed to challenge.

RELIABLE DATA IS THEREFORE NOT MERELY A TECHNICAL REQUIREMENT; IT IS A GOVERNANCE ASSET.

RELIABLE DATA AS THE FOUNDATION OF OVERSIGHT

Good governance depends on timely, accurate and complete information. If data is fragmented, inconsistent, incomplete or poorly controlled, even well-intentioned decisions may be weakened. This is particularly true in diversified organisations, where information may be produced across different departments, systems and operating units. Different teams may define key metrics differently; manual spreadsheets may evolve outside formal control environments; approvals may sit in emails rather than structured workflows; and supporting evidence may be retained inconsistently.

Internal Audit has an important role in helping management address these risks. The function should not be viewed only as checking whether procedures were followed. Its value lies in assessing whether governance, risk management and control arrangements are sufficiently robust to support reliable decision-making. This often means asking direct but constructive questions: is the data complete? Is it accurate? Has it been reconciled? Who owns it? Who reviews it? Are exceptions investigated? Is there evidence to support the conclusion? Would the organisation be able to explain and defend this decision if challenged months or years later?

FROM RECORDS TO EVIDENCE

There is a significant difference between having records and having evidence. Records may show that an activity took place; evidence should demonstrate that the activity was properly considered, authorised, reviewed and aligned with the organisation's policies and obligations. A signed form may confirm approval, but it may not explain the basis for that approval. A management report may show performance against target, but it may not evidence how the underlying figures were compiled or validated. A policy may exist, but it may not prove that it has been consistently applied.

This distinction becomes critical when organisations face regulatory scrutiny, external audit, litigation, complaint investigations, whistleblowing reports or internal reviews. In such circumstances, the issue is rarely limited to whether a document exists. The more important question is whether the organisation can demonstrate a coherent, consistent and defensible process.

In my experience, some of the most valuable audit and advisory work arises when organisations move beyond asking "Do we have documentation?" and start asking "Would this documentation withstand independent scrutiny?" That shift encourages management to consider whether responsibilities are clear, decisions are traceable, exceptions are justified and evidence is retained in a reliable and accessible manner.



CONSISTENCY OF CONTROLS ACROSS THE ORGANISATION

For diversified organisations, one recurring governance challenge is consistency. Different business units may operate in different sectors, with different systems, customer expectations, regulatory touchpoints and operational pressures. Some local adaptation is necessary. However, excessive variation in control practices can create risk, especially where the organisation expects group-level assurance over compliance, reporting, conduct or risk management.

Consistency does not mean uniformity in every detail. It means establishing minimum control expectations while allowing operational teams to implement them practically. Evidence may be captured differently from one business unit to another, but the underlying principles should remain consistent: clear ownership, documented review, appropriate approval, segregation of duties, exception monitoring and reliable retention of supporting information. Internal Audit can support this by identifying good practice across the organisation and helping management understand where controls vary unnecessarily. Advisory work is particularly valuable here. By engaging early on new processes, system implementations, policy development or organisational change, Internal Audit can help ensure that controls and audit trails are designed properly from the outset. It is far more effective to build control discipline into a process at the design stage than to reconstruct evidence after a problem has emerged.

TECHNOLOGY, STANDARDS AND AI-ENABLED ASSURANCE

Technology and data analytics are ever more important in strengthening assurance activities. Internal Audit functions can now analyse larger populations of data, identify anomalies, test control effectiveness more efficiently and provide deeper insights to management. Used well, analytics can move assurance away from limited sample-based testing towards more continuous and risk-focused monitoring.

This is consistent with the continued evolution of the profession. The Institute of Internal Auditors' 2024 Global Internal Audit Standards, a mandatory component of the International Professional Practices Framework and with which all internal audit functions are expected to be in conformance, place significant emphasis on the quality, consistency and evidencing of internal audit activities, providing a framework for evaluating and enhancing the performance of internal audit functions. The domains covering the governance, management and performance of internal audit services reinforce an important point: Internal Audit must not only provide assurance but also be able to demonstrate that its work is appropriately planned, performed, supervised and documented, with sufficient evidence to support sound professional judgement and reliable conclusions.

At the same time, Internal Audit is entering a new phase shaped by artificial intelligence (AI). Agentic AI tools are being developed and adopted by internal audit teams across the globe. These technologies have the potential to transform the delivery of internal audit activities by supporting and accelerating work across the audit lifecycle, including audit planning, risk assessment, fieldwork, reporting and follow-up.

The opportunity is significant, but so is the responsibility. The "human in the loop" remains essential at key stages involving risk assessment, interpretation of results, validation of exceptions, formulation of findings and communication with management and the board. AI can enhance the auditor's capability, but it should not replace professional scepticism, ethical judgement or accountability.

More importantly, the primary challenge in adopting AI within Internal Audit is not simply the technology itself. It is data readiness. AI tools are only as effective as the data they are permitted to access, interpret and rely upon. If organisational data is incomplete, inconsistent, poorly structured, inadequately governed or unsupported by reliable audit trails, the output of even the most advanced tools may be flawed, misleading or difficult to defend.

INVESTIGATIONS AND DEFENSIBLE DECISIONS

My experience as Group Whistleblowing Reporting Officer has also reinforced the importance of documentation, evidence and audit readiness. Internal investigations, whistleblowing matters and risk reviews require objectivity, confidentiality and professional scepticism. They also require a disciplined approach to evidence. Conclusions must be supported by facts, not assumptions. Recommendations must be proportionate. Management actions must be traceable. Sensitive matters must be handled with integrity and care.

Weak documentation can significantly undermine an organisation's position. If decisions were made informally, approvals were not retained, responsibilities were unclear or exceptions were tolerated without explanation, it becomes more difficult to establish what happened and why. This does not necessarily mean that misconduct occurred or that management acted improperly; however, weak evidence creates uncertainty and uncertainty undermines confidence.

Strong documentation protects the organisation, but it also protects individuals who acted properly. It provides clarity, reduces ambiguity and supports fair outcomes. When evidence is reliable, investigations can focus on facts rather than speculation. When audit trails are complete, management can respond with confidence. When controls are consistent, lessons learned can be translated into practical improvements rather than isolated reactions.





Scope Strengthens Cloud Offering with Talexio Partnership

Scope announces a new partnership with Talexio, bridging payroll and accounting through connected, intuitive cloud solutions.

Businesses increasingly turn to specialist cloud platforms to manage everything from accounting, payroll, HR, and customer relationships. The real value emerges when these systems communicate, allowing information to flow seamlessly between platforms.

Building those connections has been central to Scope's approach for over a decade. The Malta-based cloud specialist works locally and internationally to identify fitting technologies, finding synergies between systems to build leaner ecosystems.

Scope's portfolio now includes Talexio, a Maltese HR, payroll, and time attendance platform that manages employee records, leave, and workforce processes. Bringing Talexio into Scope's cloud suite promises a smoother flow of payroll and financial data, less manual work, and better coordination between departments.

Scope has built strategic relationships with leading providers including Xero, Zoho, Syft, and Zuper. Rather than locking clients into a single platform, the company brings together complementary technologies. Talexio was a natural fit.

"We've actually been working with Talexio for a number of years and we've always been impressed by their professionalism, their forward-thinking approach and the way they've developed solutions around a very specific set of business needs," explains Brian Ferris, Co-Founder and Head of Strategic Software Solutions at Scope. "We've also simply liked working with them as people. We share a similar philosophy of wanting to deliver genuine value for clients, so formalising that relationship felt like a very natural next step."

A key element is Talexio's integration with Xero. As the official Xero ambassador in EMEA, Scope notes that payroll journal entries can be mapped within Talexio and sent directly to the Xero ledger, retaining the mapping for future runs. Instead of re-entering data by hand, the systems talk directly, cutting manual entry and errors.

Neville Micallef, Co-Founder and Head of Tech at Scope, sees this as removing a barrier between systems meant to work together.

"We're always adapting to what our clients need, and we've increasingly seen the value in bringing payroll and financial processes closer together," he says. "By combining payroll

capabilities with accounting platforms, we can give clients a much more joined-up process. It's also an important partnership for Scope as we continue to build our network of trusted technology and industry relationships, much like our work with the Malta Institute of Accountants and Accountancy Europe. These partnerships strengthen our capabilities and expertise, while helping us expand into new areas and build further relationships that can deliver more value for our clients."

The partnership is equally significant for Talexio. Currently serving over 2,000 clients and processing more than 34,500 payslips monthly, Talexio is Malta's fastest-growing HR and payroll platform, combining local expertise with automation and workforce insights.

"At Talexio, our mission has always been to improve organisational well-being with our leading HR, payroll and time attendance platform," says Mark Camilleri Gambin, CEO at Talexio. "Partnering with a forward-thinking expert like Scope accelerates that vision. Their excellence in cloud strategy, combined with our software and its seamless Xero integration, creates a perfect synergy. Together, we are giving businesses a unified, powerful ecosystem where their workforce and accounting work in perfect harmony."

As Scope expands across Malta, Cyprus, Dubai, and European markets, partnerships like this support its platform-agnostic strategy to deliver connected workflows and less administrative drag.

"The more we understand how different platforms can work together, and the opportunities that creates, the more value we can deliver to clients looking to make the most of their cloud investment," Ferris adds.

Micallef sees the Talexio-Xero integration as indicative of Scope's broader direction.

"There are so many platforms available today that fatigue and overwhelm are becoming real problems for businesses, before you even get to the operational headache of making different systems work together," he says. "That's exactly why we do this work on our clients' behalf: researching and testing platforms, finding the best ways to connect them, and making sure those systems work around each business's specific workflows. The Talexio integration is a good example of what's possible when we do that, and it's something we'll continue to pursue as we work with more clients and expand into new markets."

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BUILDING A CULTURE OF AUDIT READINESS

Audit readiness should not be treated as an event shortly before an audit, inspection or regulatory review. It should be a continuous discipline embedded into day-to-day operations. An organisation is audit-ready when people understand their responsibilities, controls operate consistently, evidence is retained naturally as part of the process and management can explain not only what was done but why it was done.

This requires tone from the top, but also commitment throughout the organisation. Boards and senior management must set expectations for integrity, transparency and accountability. Middle management must translate those expectations into practical routines. Employees must understand that documentation and controls are not obstacles to performance, but safeguards that support sustainable performance.

Internal Audit contributes by providing independent assurance, but also by engaging constructively with management, sharing insights, challenging assumptions and highlighting emerging risks. The most effective Internal Audit functions are respected not because they find issues, but because they help the organisation become stronger, more resilient and better governed.



CONCLUSION: DEFENSIBILITY AS A GOVERNANCE PRINCIPLE

In today's environment, organisations must be prepared to justify their decisions, evidence their controls and demonstrate that governance is operating in practice, not merely on paper. Documentation, data and audit trails are no longer back-office administrative matters. They are central to trust, accountability and regulatory confidence.

From my professional experience, the organisations best placed to respond to scrutiny are not necessarily those with the most documentation. They are those with the right documentation: evidence that is reliable, relevant, accessible and capable of demonstrating sound judgement.

Looking ahead, this will become even more important as Internal Audit embraces AI-enabled tools and more advanced forms of assurance. The future of the profession will be more data-driven, more technology-enabled and supported by intelligent automation. Yet the ability to benefit from that future will depend on the quality, integrity and readiness of the data available today.

Ultimately, defensibility is not about preparing for criticism. It is about embedding discipline into governance. It is about ensuring that when decisions are challenged, the organisation can respond with confidence, clarity and integrity. In a complex regulatory environment – and in an AI-enabled future – that may be one of the most important indicators of effective governance.

PRIMARY SOURCES CONSULTED

The following primary or official sources were consulted for professional framing and alignment with recognised internal audit, internal control, data analytics and AI audit guidance:

- The Institute of Internal Auditors; 2024 Global Internal Audit Standards; <https://www.theiia.org/en/standards/2024-standards/global-internal-audit-standards/>.
- The Institute of Internal Auditors; The IIA's Artificial Intelligence Auditing Framework; <https://www.theiia.org/en/content/tools/professional/2023/the-iias-updated-ai-auditing-framework/>.
- Committee of Sponsoring Organisations of the Treadway Commission (COSO); Internal Control – Integrated Framework; <https://www.coso.org/guidance-on-ic>.



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Giancarlo Millo is the Group Chief Internal Auditor at Mizzi Organisation, which operates across diverse industries. He has also been appointed as the Group's Whistleblowing Reporting Officer and as Chairperson of the Group's ESG Steering Committee. He is a CPA and CIA, holding CISA and CRISC certifications as well as MBA (Fin) and Dip IoD qualifications. Mr Millo presently serves as Chairperson of the Institute of Internal Auditors – Malta Chapter.

Rethinking Retail Deposit Supervision in the *Digital Banking Age*

Online Deposit Platforms (ODPs) are transforming European retail banking by removing geographic barriers, allowing smaller credit institutions to access cross-border liquidity without physical branches. However, ODPs convert granular retail savings into rate-sensitive, highly volatile balances resembling short-term wholesale funding, challenging standard microprudential runoff assumptions under stress. Additionally, layered structures like fiduciary omnibus accounts obscure depositor visibility, fragment compliance responsibilities and elevate financial crime risks. To address these risks, European regulators must move from entity-centric supervision to an activity-based paradigm. This requires platform-specific stress testing, real-time transparency into pooled accounts and binding compliance standards across the intermediation chain.

INTRODUCTION

Digitalisation is reshaping European retail banking as ODPs, or “comparison-plus” platforms, replace traditional, branch-based deposit gathering with cross-border, single-interface access. While ODPs offer institutions, particularly in smaller jurisdictions like Malta, cost-effective funding diversification and enhanced consumer choice, they also challenge longstanding prudential assumptions. By eliminating switching barriers, ODPs transform historically “sticky” retail deposits into highly elastic, mobile capital, exposing underlying differences between direct intermediation and fiduciary or omnibus account structures. Consequently, this article argues that the growth of ODPs necessitates a shift toward activity-based supervision, evaluating funding risks by their economic substance and behavioural dynamics rather than their formal legal classification alone.

In line with this argument, the article first examines the limitations of traditional entity-based regulation and outlines the rationale for an activity-based supervisory framework rooted in the principle of “same activity, same risk, same regulation.” It then analyses how digital distribution accelerates depositor mobility and discusses how institutions should incorporate platform-specific stress scenarios into their Internal Liquidity Adequacy Assessment Process (ILAAP). Next, the article explores the operational, compliance and anti-money laundering/countering the financing of terrorism (AML/CFT) risks inherent in multi-intermediary and omnibus account structures, focusing particularly on the need for look through capabilities. Finally, it concludes by summarising the key supervisory implications and advocating for prudential oversight that reflects the operational realities of modern digital banking.

ACTIVITY-BASED SUPERVISION IN DIGITAL BANKING

European banking regulation pursues microprudential institution-level stability and macroprudential systemic resilience primarily through an entity-based model that applies regulatory requirements to licensed credit institutions. This traditional approach relies on the implicit premise that core banking activities, including deposit mobilisation, occur directly within these regulated entities. However, the rise of ODPs disrupts this assumption. While ODPs operate under non-bank regulatory frameworks and do not conduct unauthorised banking business, they exert a profound influence over funding flows, depositor behaviour and liquidity dynamics.

This divergence highlights a structural challenge in modern financial regulation; i.e. identical risks now manifest across varying organisational and technological structures under disparate supervisory regimes. Embracing the regulatory principle of “same activity, same risk, same regulation” requires shifting supervisory focus toward underlying economic functions rather than institutional legal forms. Rather than subjecting ODPs to full bank licensing requirements, an activity-based approach ensures that economically equivalent risks receive consistent, proportionate supervisory scrutiny regardless of the technological architecture used to mobilise deposits.

BENEFITS AND EMERGING RISKS: THE BEHAVIOURAL SHIFT IN RETAIL FUNDING

ODPs deliver significant commercial efficiencies by lowering distribution costs, broadening consumer access and fostering cross-border competition. For smaller institutions operating in constrained domestic markets, these platforms provide a vital mechanism to diversify funding sources without incurring the capital expenditure of physical branch networks. However, the exact mechanisms that drive these efficiencies also alter the fundamental behaviour of the underlying retail deposits.

Historically, retail deposits were treated as stable, “sticky” funding due to high switching friction, geographic limitations and search costs. By enabling real-time interest rate comparison and seamless digital transfers, ODPs eliminate these operational barriers, rendering platform sourced deposits significantly more elastic and price sensitive. As demonstrated by the 2023 banking turmoil, including the rapid failure of Silicon Valley Bank, digital connectivity drastically compresses withdrawal timelines. While legally classified as retail funding, these deposits behave with a speed and volatility that traditional prudential assumptions do not fully anticipate.

Consequently, liquidity risk assessments must evolve beyond static legal definitions to evaluate empirical behavioural dynamics, focusing on the velocity and triggers of digital capital flows. Rather than altering baseline Pillar 1 liquidity rules, banks with material ODP exposure should address these risks within Pillar 2 through their ILAAP. Supervisors should require tailored stress scenarios that model accelerated run rates, rate-sensitive deposit flight, operational disruptions and digitally driven herd behaviour.

A person stands on a rocky cliff, looking out over a vast fjord. The sun is low on the horizon, creating a bright glow and long shadows. The sky is filled with soft, white clouds. The water in the fjord is calm, reflecting the light from the sun. The surrounding mountains are rugged and dark, contrasting with the bright sky and water.

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Financial Statements · FY2025 **30 Nov DUE**
Client B · fieldwork

Income Tax Return **31 Dec DUE**
Client C · ready to file

Recurring engagements generate their own tasks and due dates each period.

REVIEW & SIGN-OFF

✓ **Prepared**
J. Camilleri · 12 Oct

✓ **Reviewed**
M. Grech · 14 Oct

○ **Partner sign-off**
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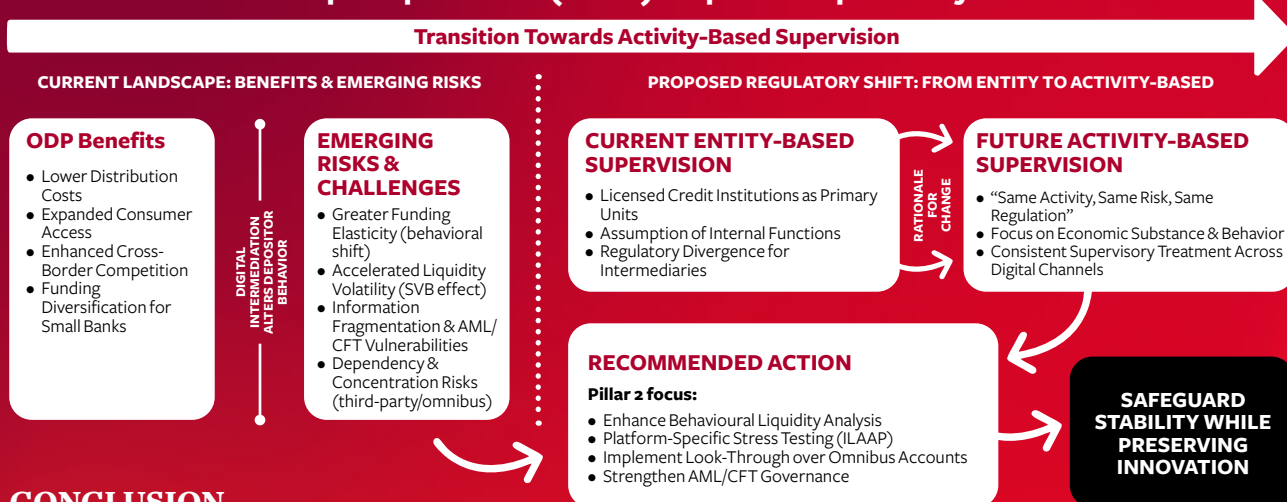
OPERATIONAL AND AML/CFT CHALLENGES

Beyond liquidity risk, ODPs introduce operational, governance and compliance complexities. Platform architectures typically involve multiple intermediaries, including software providers, partner banks and fiduciary agents. In fiduciary or omnibus “for benefit of” structures, deposits are pooled under a single nominee account, effectively severing the direct relationship between the product bank and the end-depositor and obscuring visibility over ultimate beneficial owners.

This intermediation creates AML/CFT vulnerabilities. When customer onboarding, sanctions screening and ongoing transaction monitoring are split across multiple entities in different jurisdictions, compliance data becomes fragmented. Despite delegating execution to third parties, product banks retain ultimate legal responsibility for AML/CFT compliance, making clear contractual allocations of duty and real-time information-sharing mechanisms essential to prevent oversights.

Furthermore, heavy reliance on ODPs introduces concentration risks and third-party operational dependencies that standard liquidity metrics miss. Disruptions from cyber events, vendor disputes or platform business model shifts can instantly halt deposit intake or trigger rapid outflows. To mitigate these risks, supervisors increasingly demand that institutions establish robust “look-through” capabilities over omnibus accounts, strengthen third-party risk management frameworks and enforce rigorous governance over all platform operations.

Online deposit platforms (ODPs): Impact & Supervisory Evolution



CONCLUSION

ODPs represent a structural evolution in European retail banking, driving market integration and enabling financial institutions to efficiently diversify their funding bases cross-border. However, ODPs are far more than a neutral distribution mechanism; their digital architecture fundamentally alters retail depositor behaviour, increases funding velocity and introduces operational and AML/CFT vulnerabilities. Because these risks stem from the economic and behavioural dynamics of digital intermediation rather than the underlying legal form of the deposits, effective oversight demands an equally modern supervisory response.

Rather than stifling innovation through rigid Pillar 1 reclassifications, supervisors should focus on enhancing internal risk management frameworks. This requires incorporating behavioural liquidity analysis, platform-specific ILAAP stress testing, robust look-through capabilities for omnibus structures and strict third-party governance into regular supervisory reviews. Ultimately, the rise of ODPs reinforces the need for an activity-based supervisory paradigm, one that evaluates financial risks by their true economic substance and operational realities, thereby safeguarding stability while preserving the benefits of digital innovation.

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From Framework to Practice:

Why Judgement Remains at the Heart of Compliance

The past few years have provided many reminders that compliance failures rarely happen because rules do not exist. More often, they occur when frameworks are not properly understood, responsibilities are unclear or risks are not fully integrated into decision-making. From cyber incidents and operational disruptions to challenges around sustainability disclosures and financial crime controls, organisations have seen that good governance depends on how effectively principles are applied in practice.

Bridging that gap between regulation and implementation requires more than technical expertise. It requires judgement, challenge and the ability to see risk as part of business strategy. Sharon Cilia Tortell brings this perspective from a career spanning audit, regulation, consultancy and executive leadership. Today she works with boards and executive leadership on governance, enterprise risk, sustainability and regulatory strategy across the financial services sector.

Alongside her professional roles, she lectures at the University of Malta, is undertaking doctoral research in artificial intelligence (AI) and risk management, contributes to the Malta Institute of Accountants through its respective Insurance and Digitalisation Groups and serves on the Board of the Federation of European Risk Management Associations. This combination of practical experience, research and professional engagement has shaped her view that governance should not be treated as a separate compliance exercise, but as a fundamental part of how organisations make decisions.

“Effective governance is about much more than regulatory compliance,” she begins.

“Its purpose extends beyond protecting organisations; it supports better decision-making, strengthens resilience and creates confidence among boards, regulators, investors, customers and society.”

Ms Cilia Tortell believes that each stage of her career has added a different dimension to her understanding of risk. Her time in financial services regulation provided insight into supervisory expectations, while consultancy offered exposure to organisations with varying levels of governance maturity. Internal audit strengthened her appreciation of independent assurance and constructive challenge, while risk management reinforced the importance of anticipating potential issues rather than simply reacting once problems emerge.

This broad perspective has shaped her approach today, where she sees governance, risk and compliance as contributors to organisational performance rather than barriers to business activity.

One of the main challenges facing organisations is ensuring that new requirements do not become isolated compliance projects. She is keen to point out that areas such as operational resilience, sustainability reporting, artificial intelligence, financial crime and cyber risk often overlap, yet organisations can sometimes address them through separate initiatives.

“The real task is translating regulatory principles into practical policies, processes, controls and behaviours that employees understand and apply consistently,” she says.

The challenge, she explains, is finding the right balance between meeting regulatory expectations and maintaining proportionality. Organisations need robust frameworks, but they must also avoid creating unnecessary bureaucracy that slows decision-making or limits innovation. Leadership has an important role in achieving this balance. She argues that boards and senior management must communicate not only what regulations require, but also why they matter.

MOVING BEYOND THE CHECKLIST APPROACH

Compliance is sometimes criticised for becoming a box-ticking exercise, particularly when organisations focus more on demonstrating that controls exist rather than understanding their purpose.

For Ms Cilia Tortell, this happens when compliance is viewed as the responsibility of one department rather than a shared organisational responsibility.

A strong compliance culture starts with leadership, she adds, with boards and senior management setting the tone through their actions. Employees are more likely to embrace compliance when they understand how it protects customers, supports sound decisions and contributes to long-term resilience.

Policies and training also have a role to play. Rather than simply listing requirements, organisations should explain the reasoning behind controls and encourage discussion around practical situations. “A mature compliance culture encourages people to ask questions, challenge decisions and raise concerns early. The objective should not simply be following rules but applying sound judgement.”



THE IMPORTANCE OF PROFESSIONAL JUDGEMENT

As regulatory frameworks become more principles-based, professional judgement assumes more importance. Regulations cannot anticipate every possible scenario, meaning professionals often need to balance technical requirements with ethical considerations, commercial realities and stakeholder expectations.

In this context, she explains that confidence comes from understanding the purpose behind regulation rather than simply memorising requirements.

“Exposure to audit, regulation, finance, consultancy, risk management and compliance provides valuable perspectives that strengthen professional judgement. Throughout my own career, one lesson has remained constant: regulations and technologies will continue to evolve, but integrity, independence and sound professional judgement will always remain the qualities that define trusted advisers.”

THE SECOND LINE AS A BUSINESS PARTNER

The role of the second line of defence has also changed, with risk and compliance functions expected to provide more than oversight.

Ms Cilia Tortell believes the second line should be viewed as a partner to the business rather than simply a monitoring function. While independent challenge remains essential, its broader purpose is to help management understand risks before decisions are taken.

This includes supporting discussions around risk appetite, challenging assumptions and ensuring governance arrangements remain aligned with organisational objectives.

“The second line should help organisations make better decisions, not simply identify problems after decisions have been made,” she explains.

Its success, she adds, should not be measured only by the number of findings identified, but by the contribution it makes to resilience, informed decision-making and sustainable outcomes.

Technology is another area where governance professionals are facing new challenges and opportunities. Artificial intelligence, in particular, is expected to have a significant impact on risk and compliance functions.

Ms Cilia Tortell believes AI can support regulatory monitoring, risk assessment, reporting and horizon scanning, allowing organisations to identify issues earlier and analyse information more effectively.

However, she stresses that technological adoption must be accompanied by appropriate governance. Questions around transparency, accountability, explainability, bias and data management will require careful consideration.

“Technology should not replace professional judgement. It should provide better information that enables boards and management to make more informed decisions.”

PREPARING THE PROFESSIONALS OF TOMORROW

Looking ahead, Ms Cilia Tortell believes that the future of governance and compliance will require professionals with broader skills.

Technical accounting knowledge remains essential, but she argues that professionals must also develop an understanding of technology, sustainability, risk management and the wider business environment.

Her advice to those building careers in the field is simple: remain curious, continue learning and seek diverse experiences.

“A breadth of professional experience provides valuable perspectives that strengthen professional judgement.”

While regulations and technologies will continue to change, her message to accountancy and audit professionals remains that the foundations of trusted advice will remain constant.

“Frameworks provide the structure, but it is professional judgement that brings them to life. That, ultimately, is what transforms compliance into good governance,” she concludes.

Sharon
Cilia Tortell



Meet *Veronica*



POSITION:

Senior Technical Officer

Something my colleagues might not know about me:

I'm an open book—mostly

The emoji that best represents my personality:

Home, family and dogs

My favourite way to spend a day off:

Baking or starting a DIY project

A technical initiative or project I am particularly proud to have contributed to:

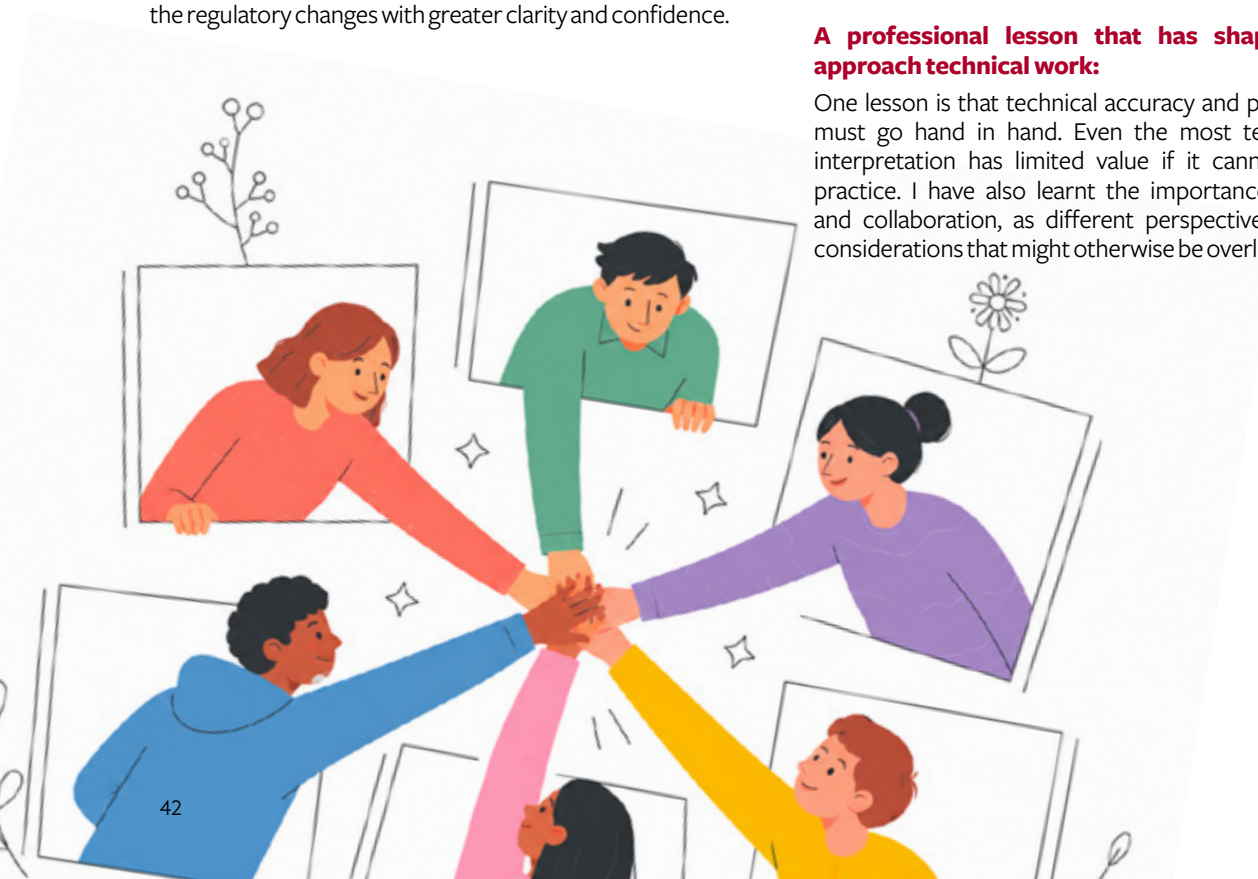
One initiative is the work carried out on the recent audit exemption changes. The project involved analysing legislative amendments, considering the wider implications for businesses and practitioners and engaging with stakeholders on practical implementation issues. I particularly valued the collaborative nature of the exercise and the opportunity to help develop guidance that supports members in navigating the regulatory changes with greater clarity and confidence.

One aspect of my role that I find especially rewarding:

What I find most rewarding is helping technical matters become more accessible and understandable. Whether coordinating with committees, responding to member queries or developing guidance, I enjoy transforming legislation, standards and regulatory requirements into practical insights that professionals can apply confidently in their day-to-day work.

A professional lesson that has shaped the way I approach technical work:

One lesson is that technical accuracy and practical relevance must go hand in hand. Even the most technically correct interpretation has limited value if it cannot be applied in practice. I have also learnt the importance of consultation and collaboration, as different perspectives often highlight considerations that might otherwise be overlooked.



VAT and tax considerations for artists and creative practitioners in Malta

Malta's creative sector continues to evolve, with artists, performers, designers, writers and other creative professionals increasingly building sustainable careers through self-employment. While creative practitioners are naturally focused on developing their craft, understanding tax and VAT obligations is equally important to ensure compliance and long-term success.

Whether providing services locally or internationally, creative professionals operating independently may be considered taxable persons for VAT purposes. Understanding the relevant registration requirements and available tax incentives can help avoid unnecessary complications as artistic activities grow.

When does VAT registration become relevant?

Creative practitioners who generate income through artistic or creative activities on a continuous basis are generally considered to be carrying out an economic activity. This can apply to a wide range of professions, including photographers, graphic designers, musicians, dancers, filmmakers, writers and visual artists operating on a self-employed basis.

Depending on annual turnover levels, individuals may be required to register for VAT under either Article 10 or Article 11 of Malta's VAT legislation.

Understanding the different VAT registrations

Article 10 registration applies where taxable turnover exceeds the applicable threshold. Registered persons charge VAT on supplies made and may generally recover eligible input VAT incurred on business expenses.

Article 11 registration may be available where turnover remains below the threshold. Registered persons do not charge VAT but are also unable to recover input VAT on business-related costs.

Selecting the correct registration is important, particularly as turnover levels change over time.

For artists and creative practitioners, success extends beyond artistic ability. Understanding the tax and VAT framework applicable to self-employment can provide greater certainty, reduce compliance risks and allow individuals to focus on developing their creative careers with confidence.

Seeking professional guidance can help ensure that the appropriate registrations are in place and available incentives are fully utilised as artistic activities continue to evolve.

Tax incentives available to creative practitioners

Malta offers a preferential tax regime for eligible self-employed artists and creative professionals. Subject to meeting the relevant criteria, artistic income may benefit from a reduced tax rate of 7.5% on income up to the prescribed threshold.

The scheme applies to a broad range of artistic disciplines, including musicians, singers, composers, writers, actors, dancers, filmmakers, visual artists and other recognised creative professions, including those practising on a part-time basis.

Social security considerations

In addition to income tax and VAT obligations, self-employed creative practitioners are generally required to pay Class 2 Social Security Contributions. These contributions should be factored into financial planning when setting fees and managing artistic activities.

"For creative practitioners, financial compliance is not just an administrative obligation; it forms part of building a sustainable and professional creative practice."

Article by



Michela Scicluna
RSM Malta
Manager, Indirect Tax



Martha Sammut
RSM Malta
Senior, Indirect Tax

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