Accountancy Board

2022 ANNUAL REPORT

THE ACCOUNTANCY BOARD
ANNUAL
REPORT
2022

Enquiries relating to this report should be addressed to:

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The Accountancy Board
Ministry for Finance & Employment
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The Accountancy Board presents its Annual Report for the year ended 31 December 2022 pursuant to Article 7(19) of the Accountancy Profession Act, Cap. 281 of the Laws of Malta.

13 March 2023

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Accountancy Board

Message from the Chairman

This is my first address as Chairman of the Accountancy Board. Firstly, I wish to thank the previous Chairmen and Board Members for developing this Institution, set-up in 1979, to what it is today.

The Board, through its various sub-committees has continued to build upon the solid work carried out by previous Boards. Presently the Accountancy Profession Act is being reviewed in the light of regulatory complexity stemming from the rapid developments in the financial sector. It is felt that the Board requires stronger tools to be able to address current challenges in the financial field including the fight against financial crime, money laundering and more sophisticated financial schemes which at times are set-up with bad intent. The strengthening of Good Corporate Governance is also one of the aims guiding the Board in its decisions.

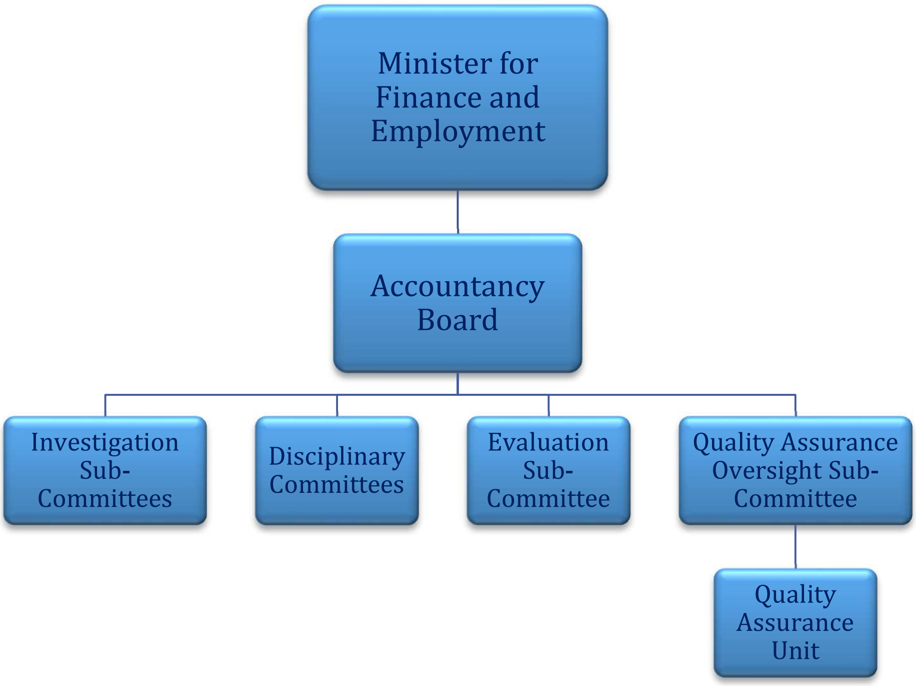
The Board, during the last months intensified its collaboration with various institutions both local and foreign, including the Committee of European Auditing Oversight Bodies (CEAOB) and its various sub-committees and working groups, the Financial Intelligence Analysis Unit (FIAU), the Malta Financial Services Authority (MFSA), the Malta Institute of Accountants (MIA) and other Professional Bodies. We are continuing consultations with the MIA and the Chamber of Advocates, in reviewing the roles specifically reserved for Certified Public Accountant (CPA) warrant and Practising Certificate in Auditing holders. A lot of work is also being carried out with the CEAOB in enhancing the institutional Regulatory European framework concerning the audit profession. Work is being also finalised, together with other institutions, on the framework regulating Environmental, Social and Governance reporting matters. In this present day and age, it is felt that this collaboration is of the utmost importance in the fight against financial crime and money laundering, the promotion of good Governance, sound Regulatory structures, and the setting -up of robust Accounting Standards. The further development of the local Accountancy Profession and the maintenance of standards and discipline are some of the issues continuously focused upon by the Board. All of this does not detract any of the attention of the Board that, in all its decisions, the Board maintains the Public Interest at the forefront.

I will end this address by thanking the other members of the Board for their support and professional work to develop further the local profession. I also thank all team members including the Board Secretary, Legal Advisor and last, but not least, the Quality Assurance Unit, for the professional work it is doing in enhancing the standards and reputation of the local Accounting Profession.

E Borg

Mr Edgar Borg, FCCA, FIA, CPA
Chairman - Accountancy Board
13 March 2023

Organisational Structure



The Accountancy Board forms part of the portfolio falling under the remit of the Minister for Finance and Employment, Mr Clyde Caruana.

The Accountancy Board

Present Members of the Board

Chairman:
Mr Edgar Borg, FCCA, FIA, CPA

Secretary:
Mr Martin Spiteri IEng, MIIE, MBA (Leicester)

Members*:*
Professor Peter J. Baldacchino, Ph.D. (L'boro) M.Phil, FCCA, FIA, CPA
Mr Luke Coppini, FCCA, FIA, CPA
Mr David Demarco, B.A.(Hons) Accountancy, MBA, ACIB, FIA, CPA
Dr Lauren Ellul, B. Accty. (Hons), MBA (Exec.) (Edin. & ENPC), FIA, CPA, PhD (Birm.)
Mr John Sammut M.A (Fin. Serv), M.A. (Risk and Ins.), B.A. (Hons) Accty, ACIB, CPA
Ms Denise Vella, B.A. M.A. (Econ.)

The Board was re-constituted on the 2nd June 2022 for a period of one year.

The Accountancy Board met 8 times during the year. Meetings were held in January, February, April, July, August, October, November and December 2022. Furthermore, 2 ad-hoc meetings were also carried out in January and March 2022.

During the year, the Accountancy Board was involved in a number of meetings in regards to changes in legislation. The following directives and guidance note were issued throughout 2022:

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

On the 1 February 2022, The Accountancy Board issued Directive 6 - The Accountancy Profession (European Single Electronic Format) Assurance Directive.

The Directive is applicable to the assurance reports on the annual financial reports and the financial statements included therein, published by issuers whose securities are admitted to trading on a regulated market in the European Union, for financial years beginning on or after 1 January 2021, and fall within scope of the European Single Electronic Format (ESEF).

The ESEF was introduced pursuant to Article 4(7) of the Transparency Directive - Directive 2004/109/EC. ESEF is the new single electronic reporting format for the issuance of annual financial reports to be published by issuers of listed companies. The ESEF provisions integrated in the Transparency Directive are based on the consideration that a harmonised electronic format for reporting would be very beneficial for issuers, investors and competent authorities, since it would make reporting easier and facilitate accessibility, analysis and comparability of annual financial reports. ESEF has been specified in Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 with regard to regulatory technical standards on the specification of a single electronic reporting format ("the ESEF Regulation"). To satisfy the statutory requirements for the ESEF regulation within the meaning of Article 28(2)(c)(ii) of the Audit Directive and Article 179A(1)(c)(ii) of the Companies Act (Cap. 386), the principle standard to be used is the International Standard on Assurance Engagements 3000 (ISAE 3000) (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, subject to amendments specified in this Directive and further clarifications specific to ESEF as provided in this Directive.

Directive 7 - The Accountancy Profession (Local Variant Examinations Delegation of Authority) Directive

Directive 7 - the Accountancy Profession (Local Variant Examinations Delegation of Authority) Directive was issued by the Accountancy Board on the 2 August 2022.

The Directive will apply in cases where the academic examination of local variants is required when members of non-Maltese accountancy bodies are to be considered for acceptance for the purposes of the CPA warrant and Practising Certificate in Auditing, the examination of such local variants is to be carried out by the Accountancy Board or delegated by the Board to a national approved accountancy body for accountants in Malta, acting solely or jointly with a foreign approved accountancy body.

In instances of joint administration by the local recognised accountancy body and the Foreign Accountancy Body, the local body shall have a full and equal say with the foreign accounting body in the determination of syllabi, the choice of examiners, the standards of examination papers and the academic levels to be achieved by the candidates to be successful in attaining the levels determined to be achieved in these examinations. In the eventuality of disagreement, the matter shall be referred to the Accountancy Board and the ultimate decision with respect to the aforementioned elements, rests with the Accountancy Board. The Accountancy Board may choose to issue further directives regulating the conditions of this relationship. In accordance with sub-article (3) of article 7B of Cap. 281 of the Laws of Malta the Accountancy Board may at any time reclaim these competences on a case-by-case basis.

Guidance Note on the Review of the System of Quality Management under ISQM 1

On the 7 November 2022, The Accountancy Board also published a guidance note on the review of the system of Quality Management. The guidance note was published as a result of the new standard ISQM 1. The aim of the guidance note is to determine the review cycle to be adopted by firms and sole practitioners in its monitoring process, which should be designed to test the relevance, adequacy and effective implementation of the quality management policies and procedures under ISQM 1 and the inspection of a selection of completed audit engagements.

The review cycle outlined in the guidance document constitutes the minimum requirements that are expected to be addressed by firms and sole practitioners. Audit practices may adopt more stringent requirements.

During the year, Accountancy Board representatives were also involved in a number of ad-hoc meetings with respect to the Code of Ethics, Continued Professional Education, Professional Indemnity Insurance and other changes.

Board Structure

The structure of the Accountancy Board is set out in Article 6(2) of the Accountancy Profession Act, which states that the Board should consist of:

- a chairman of recognised standing and experience in the accountancy and auditing profession;
- a member from a list of two nominated by the University of Malta from among the teaching staff of the Faculty or Faculties in which teaching of and research in the field of accountancy and auditing is organised;
- a senior official of the Ministry responsible for finance;
- two members from a list of four nominated by a recognised accountancy body; and
- two other members.

Functions of the Board

The Accountancy Board regulates the accountancy profession in Malta and is entrusted with a number of functions, as outlined in Article 7 of the Accountancy Profession Act, including:

- the issue of accountants' warrants;
- the issue of practising certificates in auditing;
- the registration of firms of accountants and auditors;
- keeping a register of the above;
- the operation of an appropriate system of quality assurance;
- dealing with cases of professional misconduct and other disciplinary proceedings;
- taking measures to protect the public interest and the integrity of the profession;
- advising or making recommendations and expressing its views to the Minister; and
- such other functions arising from any law or as may be delegated to it by the Minister under the Accountancy Profession Act.

Other Committees and Sub-Committees

The Accountancy Board has set up a number of committees and sub-committees to assist it in carrying out its functions in line with Article 7 of the Accountancy Profession Act.

The Investigations Sub-Committee

Chairman:
Mr David Demarco B.A.(Hons) Accountancy, MBA, ACIB, FIA, CPA

Members*:*
Mr Luke Coppini FCCA, FIA, CPA
Mr Mario P. Galea FCCA, FIA, CPA
Ms Denise Vella B.A. M.A. (Econ.)

Legal Consultant:
Dr Ivan Sammut M.A. (Fin. Serv), LLD

Secretary:
Mr Charles Buhagiar, ACCA, MIA, CPA

The scope of the Investigations Sub-Committee is to investigate cases brought to the attention of the Board, mainly complaints. The sub-committee carries out an assessment of the cases presented and provides the Board with advice on whether such cases should be referred to the Disciplinary Committee.

In 2022, 5 cases were investigated by this sub-committee, 3 of which were brought forward from the previous year. During the year, three cases were concluded, and two cases were continued in 2023. Apart from the above-mentioned cases, another case is kept in abeyance until the outcome of a court judgement concerning matters which are in part being investigated by the sub-committee.

Most of the cases were resolved by providing adequate recommendations to the parties involved. In other cases, the sub-committee engaged in deeper analysis of the situation, carried out interviews with the parties involved and requested corrective action.

The Investigations Sub-Committee met six times during the year.

During 2022, the Accountancy Board members' term of office elapsed. As a result, Mr John Sammut's term as the Chairperson of the Investigations Committee also reached its end. The Accountancy Board was re-constituted on the 2 June 2022 and Mr David Demarco was appointed as Chairman of the Investigations Committee.

The Disciplinary Committee

Chairman:
Mr John Sammut M.A (Fin. Serv), M.A. (Risk and Ins.), B.A. (Hons) Accty, ACIB, CPA

Members*:*
Mr Joseph Agius, BSc (Hons) Fin. Serv, FCIB, Dip Fund Admin
Mr Renzo Farrugia, MBA (Henley), B.Accty (Hons), FIA, CPA
Mr Stephen Muscat, FIA, CPA
Mr Anthony Scicluna, B.A. (Hons) Business Management, FIA, CPA

Legal Consultant:
Dr Ivan Sammut, M.A. (Fin. Serv), LLD

Secretary:
Mr Charles Buhagiar ACCA, MIA, CPA

The Disciplinary Committee acts on behalf of the Board in respect of cases of professional misconduct and other disciplinary proceedings. Disciplinary proceedings may lead to the suspension or withdrawal of any warrant or practising certificate issued under the Accountancy Profession Act. The Disciplinary Committee is set up on an ad hoc basis.

The Disciplinary Committee dealing with cases relating to non-submission of annual returns and fees by warrant holders held one sitting during the year. The Disciplinary Committee was chaired by Mr David Demarco.

As a result of the above-mentioned sitting, the Accountancy Board approved that 3 CPA warrant holders to be reprimanded and had their reprimands published anonymously on the Accountancy Board website.

In view that the Accountancy Board members' term of office elapsed during the year, Mr David Demarco's term as the Chairperson of the Disciplinary Committee also reached its end. Following the Accountancy Board's re-constitution on the 2 June 2022, Mr John Sammut was appointed as Chairman of the Disciplinary Committee.

Evaluation Sub-Committee

Chairman:
Professor Peter J. Baldacchino, Ph.D. (L'boro) M.Phil, FCCA, FIA, CPA

Members*:*
Dr Lauren Ellul, B. Accty. (Hons), MBA (Exec.) (Edin. & ENPC), FIA, CPA, PhD (Birm.)

Secretary:
Mr Martin Spiteri IEng, MIIE, MBA (Leicester)

The Evaluation Sub-Committee assists the Accountancy Board with respect to the evaluation of applications for warrants, practising certificates as well as firm registrations which are approved during Accountancy Board meetings.

The sub-committee meets before each monthly Accountancy Board meeting and submits its recommendations and comments for the consideration of the Board.

The Evaluation Sub-Committee was chaired by Prof Peter J. Baldacchino.

The Quality Assurance Oversight Sub-Committee

Chairman:
Professor Peter J. Baldacchino, Ph.D. (L'boro) M.Phil, FCCA, FIA, CPA

Members*:*
Dr Lauren Ellul, B. Accty. (Hons), MBA (Exec.) (Edin. & ENPC), FIA, CPA, PhD (Birm.)
Mr John Sammut M.A (Fin. Serv), M.A. (Risk and Ins.), B.A. (Hons) Accty, ACIB, CPA

Secretary:
Ms Karen Sultana, B.Accty (Hons), CPA, FIA

As a result of the changes made to the Audit Directive, which became effective during 2016, the quality assurance function now falls directly under the remit of the Accountancy Board, which is composed of non-practitioners. In this regard, the Board set up a Quality Assurance Oversight Sub-Committee to assist in this role. The Quality Assurance Oversight Sub-Committee (QAOSC) reports directly to the Board.

The Quality Assurance Unit submits to the QAOSC all quality assurance visit reports for its consideration. Subsequently, the QAOSC carries out a detailed review of the visit reports and provides recommendations to the Board prior to their final approval.

The Quality Assurance Oversight Sub-Committee met five times during 2022. Meetings were held in February, March, August, November and December 2022.

The sub-committee was chaired by Prof Peter J. Baldacchino.

The Quality Assurance Unit

Overview

The Quality Assurance Unit (QAU) acts on behalf of the Accountancy Board in the implementation and supervision of the quality assurance process as contemplated in the provisions set out in Directive 4 to the Accountancy Profession Act. The quality assurance process is intended to be the means through which the Board provides assurance as to the quality of the professional work of statutory auditors and statutory audit firms and on the maintenance of appropriate levels of professional standards. The QAU conducts visits to statutory auditors and statutory audit firms.

New premises

In 2022, the Quality Assurance Unit was relocated to its new premises in the Marsa Industrial Estate.

The Team

The Quality Assurance Unit is headed by Ms Karen Sultana.

In 2022, a call for Senior Accountants was published and a reviewer joined the team in the last quarter of 2022. During the year, another person joined the team to assist in other regulatory matters.

At year end, the QAU team was composed as follows:

- The Head of Unit;
- Six reviewers – one of whom is mainly involved in the administration of the unit on a day-to-day basis and is also assigned other duties by the Board;
- One staff – regulatory matters; and
- One administrative staff.

Training

Professional staff are required, as a minimum, to adhere to the CPE requirements set out in Directive 1 of the Accountancy Profession Act and to keep updated with recent changes in the profession.

The Board is committed to ensuring competence of its staff members. Thus, reviewers are provided with the necessary support to attend Continued Professional Education (CPE) events. During the year, reviewers attended a number of training sessions focusing primarily on audit related topics, which are relevant to carry out audit reviews. Training also focused on the new audit quality standards ISQM 1 and 2 as well as ISA 220 which came into force on the 15 December 2022. Other areas such as financial reporting, legislation and taxation were also covered. Reviewers exceeded the mandatory CPE requirements set out in Directive 1 of the Accountancy Profession Act.

Source of Funding

Statutory auditors and audit firms are required by Directive 4 of the Accountancy Profession Act to settle an annual Quality Assurance Regulatory Fee. The Directive also stipulates other fees and penalties that may be imposed on statutory audit firms and statutory auditors.

The fees received by the QAU or the Board are remitted to the Ministry for Finance and Employment and subsequently, any operational expenses incurred by the Board or the Quality Assurance Unit are financed by the Ministry for Finance and Employment. This system of funding ensures that the Unit is free from undue influence by statutory auditors and audit firms. Currently, the Ministry for Finance and Employment funds approximately 55% of the Accountancy Board's expenditure, which is primarily related to the Quality Assurance Unit. The remaining 45% is funded through fees paid by warrant holders and firms.

Quality Assurance Regulatory Fees as stipulated in Directive 4 of the Accountancy Profession Act are as follows:

▪ Part-time sole practitioners	€116
▪ Full-time sole practitioners	€233
▪ Firms with one principal	€233
▪ Firms with less than three but more than one principal	€582
▪ Firms with less than five but more than two principals	€1,630
▪ Firms with five or more principals	€5,950

When the Board deems that a follow-up visit is necessary, the statutory auditor or audit firm will be subject to an additional fee for such visit. A rate of €34.94 per man hour will be charged for the total number of hours spent on the visit.

Also, regulatory penalties may also be charged in respect to breaches as stipulated in Schedule 1 to Directive 4, which are as follows:

▪ Re-scheduling of review visit without justifiable reasons	€232.94
▪ Failure to respond to any requests made by the QAU within the time limits set out in such requests	€23.29 per day
▪ Delays in submission of fees and returns due	€23.29 per day
▪ Failure to submit documentation requested by the Board or the QAU within the specified time	€23.29 per day
▪ Failure to provide access to information in terms of paragraph 16	€23.29 per day
▪ Failure to respond to the Board on requested remedial action	€23.29 per day

The Accountancy and Audit Profession

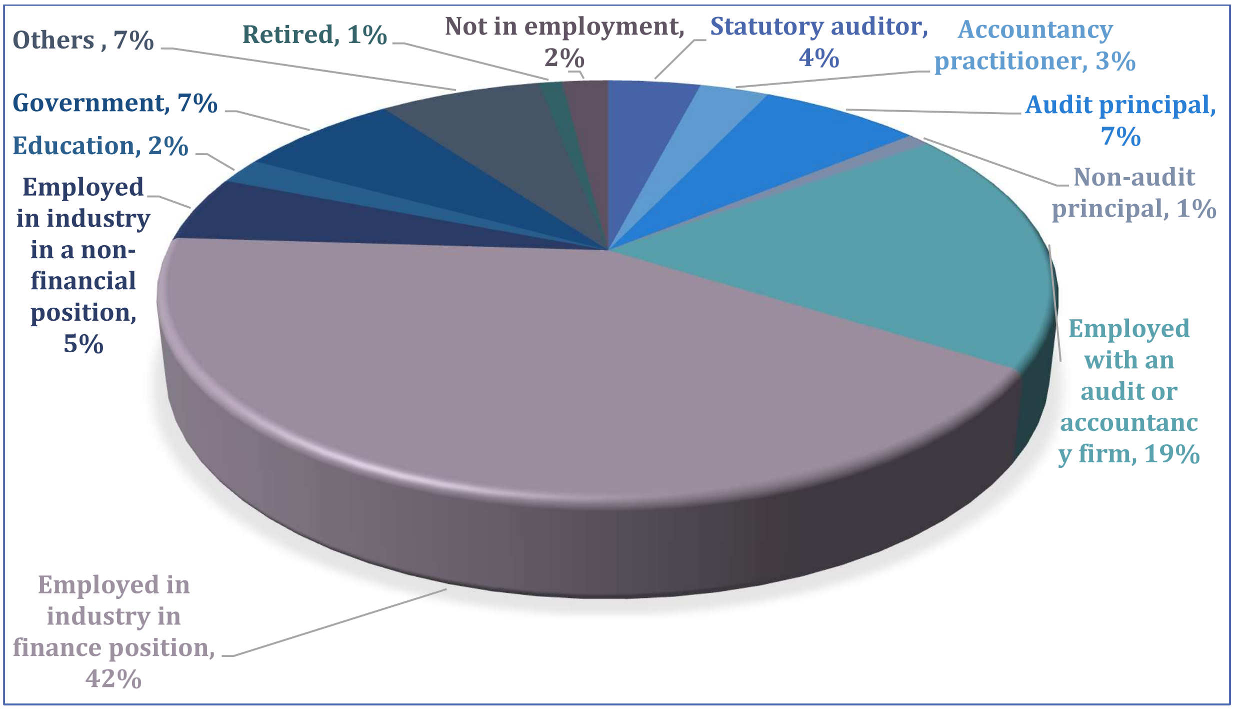
CPA Warrant Holders and Holders of a Practising Certificate in Auditing

At year end, the total number of CPA warrant holders registered with the Accountancy Board stood at 3,540 (2021: 3,420) whereas the total number of holders of a practising certificate in auditing as on 31 December 2022 amounted to 1,669 (2021: 1,635).

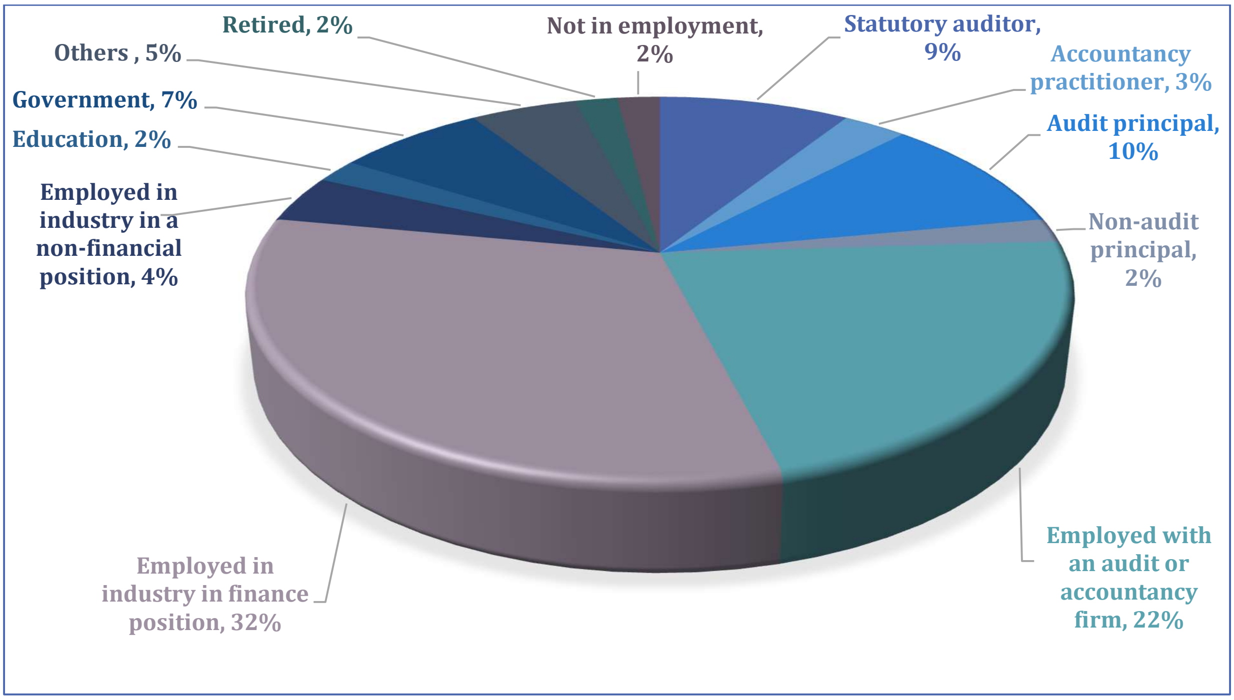
The number of CPA warrant holders and holders of a practising certificate in auditing registered with the Accountancy Board is steadily increasing from one year to the next, as can be seen below:

CPA warrant holders and practising certificate holders continue to be involved in a diverse range of sectors and roles and are availing of different positions and opportunities both within the profession and outside the profession. This is represented in the following analysis which is based on submissions made by registered warrant holders and practising certificate holders through the annual return:

CPA warrant holders - Work Sector



Practising Certificate in Auditing - Work Sector



Sole Practitioners

At year end, the number of sole practitioners increased by 1% and totalled 288 (2021: 282). Of these, 163 (2021: 166) provided statutory audit services (89 operating on a full-time basis and 74 operating on a part-time basis) and the remaining 125 (53 operating on a full-time basis and 72 operating on a part-time basis) did not conduct audits [1].

Statutory Audit Practitioners – share of market

Based on declarations made through annual return submissions, it is noted that statutory audit practitioners account for approximately 38% of total audits engagements.

Accountancy and Audit Firms

The Accountancy Board, apart from granting warrants and practising certificates in auditing to individuals, the Board also is responsible for registering accounting and audit firms. Accounting and audit firms may either be structured as a partnership, or else incorporated as a limited liability company. As on 31st December 2022, the number of accounting and audit firms registered with the Accountancy Board stood as follows:

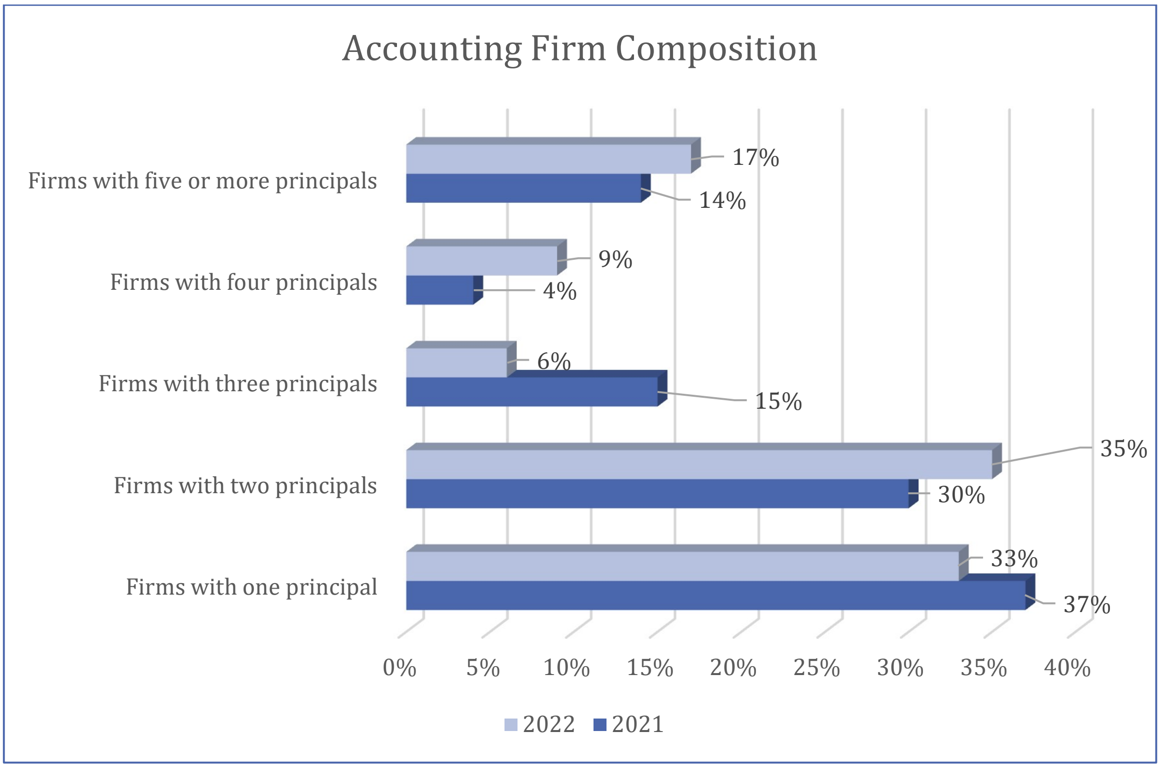
- 81 Accounting Firms (2021: 74); and
- 122 Audit Firms (2021: 110).

Accounting Firms

During the year, there was an increase of circa 9% in the number of accounting firms registered with the Board.

Furthermore, it was noted that during the year, 33% of accounting firms were composed of one principal (in 2021 - 37%), and 35% of accounting firms were composed of two principals (in 2021 - 30%). The following bar graph shows the composition of accounting firms during 2022 and 2021:

[1] This information is based on data extracted from 2022 Annual Returns submitted by 24 February 2023.



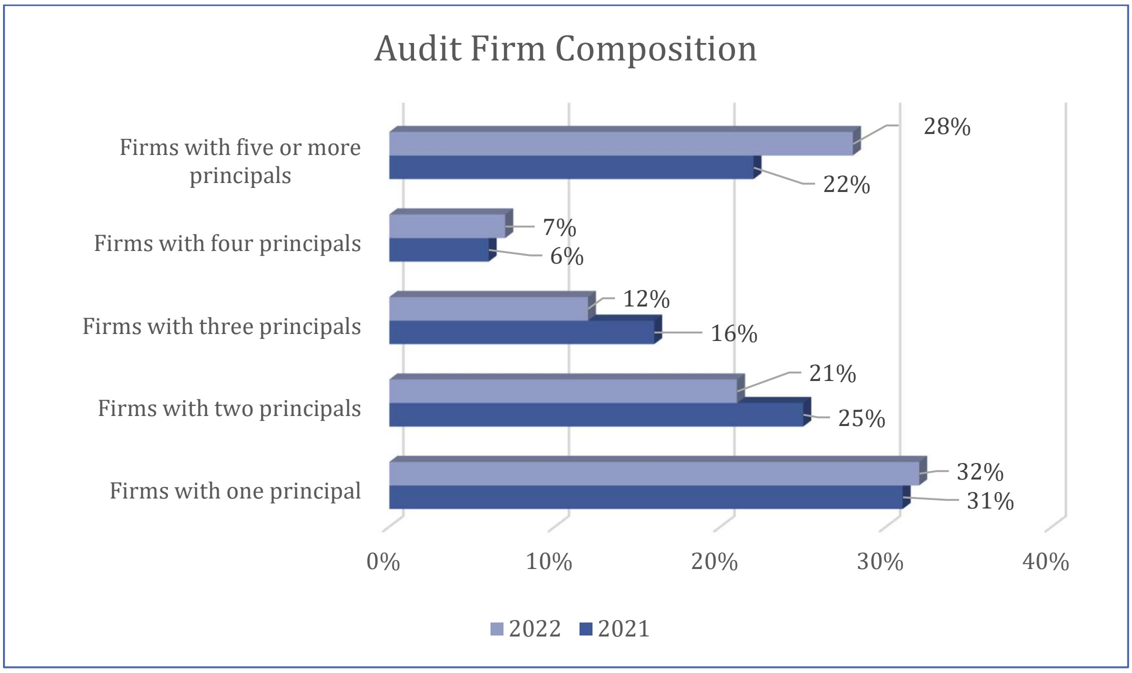
During 2022, 96% (in 2021 96%) of accounting firms were incorporated as limited liability companies, whilst the remaining 4% (in 2021 4%) were registered as partnerships.

Audit Firms

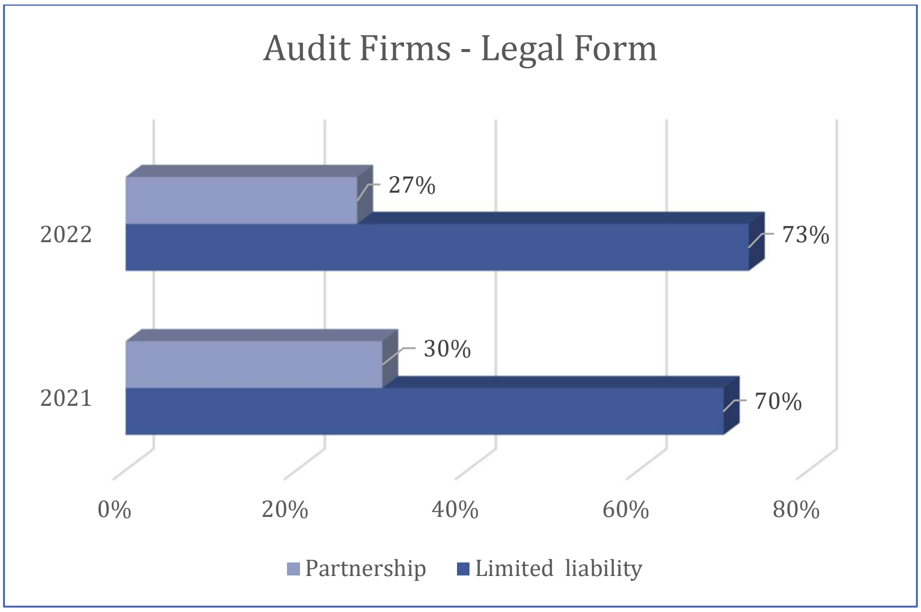
At year end, there was an overall increase in the number of audit firms registered with the Accountancy Board of 11%.

It was further noted that during the year, 32% of audit firms were composed of one principal (in 2021 31%), and 28% of audit firms were composed of five or more principals (in 2021 22%).

In respect to audit firms, the composition of principals in such firms has changed from the consistent trend in prior years as shown in the bar-chart below.



During 2022, audit firms with a limited liability legal structure increased by 3% to 73% from 70% in 2021. This is a continuing trend, subsequent to the adoption the Audit Directive, where new audit firms tend to seek registration as limited liability companies, whilst existing audit firms are also shifting to limited liability structures and de-registering existing partnerships.



Statutory Audit Firms – share of market

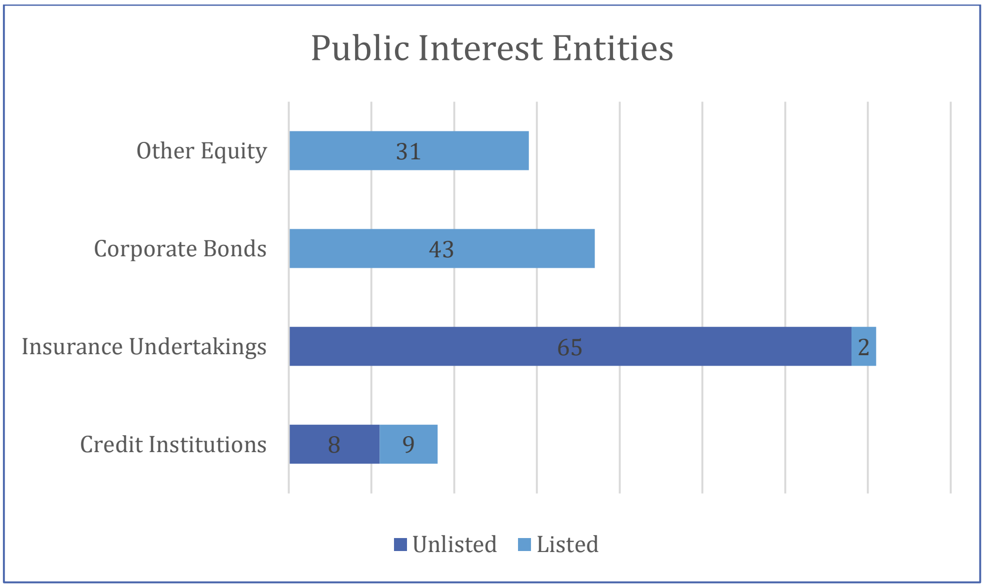
In respect to audit firms, as declared in annual return submissions, such firms carry out approximately 62% (in 2021 61%) of total audit engagements.

PIE Auditors

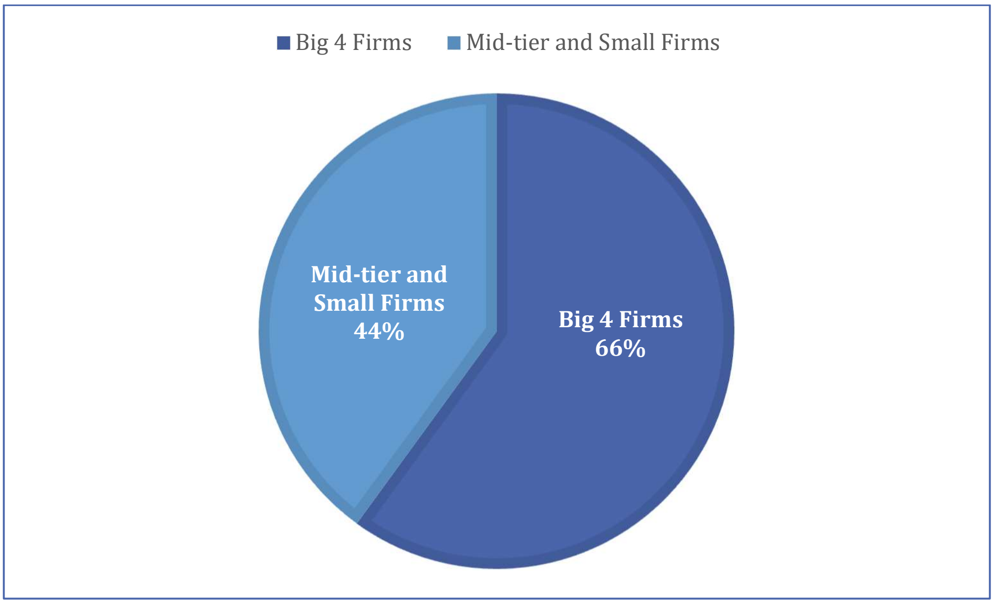
Public interest entities (PIEs) are entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC, a credit institution as defined in point 1 of Article 3(1) of Directive 2013/ 36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, other than those referred to in Article 2 of that Directive, an insurance undertaking within the meaning of Article 2(1) of Directive 91/674/EEC and such other entities as may be prescribed by the Minister responsible for Finance.

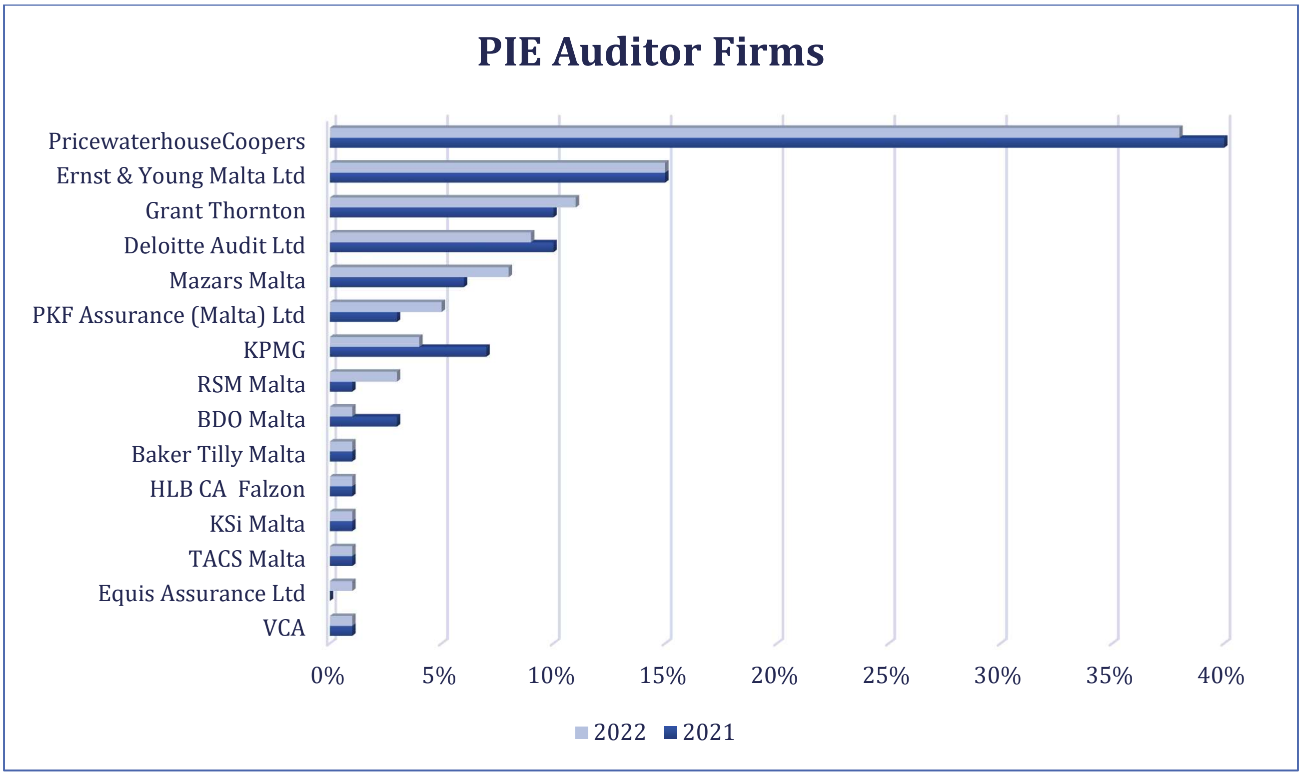
The Accountancy Board acquires information about statutory audit clients that are Public Interest Entities, through the information which audit firms and sole practitioners are required to submit through their annual returns. In 2022, the number of audit clients declared by audit firms, and which fall within the definition of a public interest entity, amounted to 158.

The following is a breakdown of the PIEs by type:



In 2022, the number of audit firms providing statutory audit services to PIE audit clients amounted to fifteen. It was noted that 66% of the PIE audits are being conducted by the big 4 statutory audit firms. The remaining 44% of PIEs audits are carried out by mid-tier and small statutory audit firms.


Big 4 Firms
Mid-tier and Small Firms
Mid-tier and Small Firms 44%
Big 4 Firms 66%


PIE Auditor Firms
PricewaterhouseCoopers
Ernst & Young Malta Ltd
Grant Thornton
Deloitte Audit Ltd
Mazars Malta
PKF Assurance (Malta) Ltd
KPMG
RSM Malta
BDO Malta
Baker Tilly Malta
HLB CA Falzon
KSi Malta
TACS Malta
Equis Assurance Ltd
VCA
0%
5%
10%
15%
20%
25%
30%
35%
40%
2022
2021

Accountancy Board

The QAU Inspection Methodology

A risk-based approach is adopted when carrying out monitoring visits to statutory auditors and audit firms. This approach is applied to select the statutory auditors and audit firms for review and also throughout the visit itself from the planning stage to the completion stage.

In summary, the monitoring visit process can be divided into three stages as follows:

Stage 1 PLANNING

- REVIEW OF DOCUMENTATION SUBMITTED
- IDENTIFICATION OF RISK AREAS
- PLANNING PROCEDURES TO ADDRESS RISKS

Stage 2 FIELDWORK

- OPENING MEETING
- REVIEW OF QUALITY CONTROL/QUALITY MANAGEMENT PROCEDURES
- REVIEW OF AUDIT FILES
- REVIEW OF REPLIES & SUMMARISATION OF FINDINGS
- CLOSING MEETING

Stage 3 COMPLETION

- REPORT DRAFTING
- REPORT APPROVAL BY THE QAOSC & BOARD
- ISSUANCE OF REPORT AND FOLLOW-UP

Stage 1 - Planning

In preparation for the inspection visit, a review is carried out of information available pertaining to the statutory auditor or firm. This information is obtained through documentation such as correspondence files, annual returns, forms requested on notification of the visit, previous visit reports, transparency reports in the case of PIE auditors and MBR searches.

Based on the information obtained through the review of such documentation, the reviewer identifies the risks pertaining to the visit and plans procedures accordingly to address those risks.

Stage 2 - Fieldwork

The objective of the visit is to carry out an assessment of compliance with applicable auditing standards and independence requirements, of the quantity and quality of resources spent and of the internal quality control system of the statutory auditor/firm, supported by adequate testing of audit files. On this basis, a general practice/firm review and audit file reviews are carried out.

Opening Meeting

On the first day of the visit, the reviewer(s) hold an 'opening meeting' with the compliance principal, who is the individual appointed within a firm to address compliance related matters or in the case of the sole practitioner, the sole practitioner himself/herself. The opening meeting with the compliance principal is utilised to discuss risks arising during the planning stage as well as to identify other potential risks areas to focus on during the course of the fieldwork stage of the visit. During this meeting, other documentation will be provided, by the compliance principal, to the reviewer(s), such as the audit client list.

Review of Quality Control Procedures

The general practice/firm review entails a review of the quality controls/quality management of the statutory auditor/firm and a review of compliance with legislative requirements. In this regard, the following documentation is requested:

- ISQM 1 manual;
- Professional indemnity insurance policy;
- Independence declarations of principals and staff;
- CPE declarations pertaining to principals and staff;
- Letterheads of the practice or firm and any connected undertakings; and
- Audit compliance reviews; and
- Cold file reviews including any EQCRs carried out.

Accountancy Board

In view of the new quality management standards ISQM 1 and 2 as well as the revised ISA 220, which are effective for periods on or after 15 December 2022, the QAU has reviewed its methodology on quality control procedures to address the new requirements.

In addition, on visits to PIE statutory auditors/firms, the Unit applies the Common Audit Inspection Methodology ('CAIM'). CAIM is an inspection programme introduced by the European Audit Inspection Group (EAIG) to ensure an effective and consistent inspection approach across regulators within the EU.

The CAIM inspection programme consists of the following modules:

- A. Tone at the top work programme
- B. Ethics and independence work programme
- C. Acceptance & continuance work programme
- D. Partner matters work programme
- E. Staff matters work programme
- F. Methodology work programme
- G. Training work programme
- H. Consultation work programme
- I. EQCR work programme
- J. Other quality control/management reviews work programme
- K. Audit documentation and data security work programme
- L. Internal monitoring work programme
- M. Complaints and allegations work programme
- N. On and off-shoring work programme
- ISQM 1 work programme

On PIE auditor/audit firm visits, the compliance principal will be informed before the start of the visit of the additional documentation required in respect to whole firm/practice procedures.

Review of Audit Files

Apart from an assessment of the general practice/firm procedures, reviewers will also select one or more audit files for review. The number of files selected for review is at the discretion of the QAU. File selection is risk-based and depends on risk factors such as public interest, the size of audit clients and any audit qualifications, amongst others. Prior to the file review, the reviewer analyses risks relating to the audit client through a review of the audited financial statements. The reviewer would then assess how the statutory auditor/firm addressed those risks through the documentation found in the audit file.

Furthermore, when reviewing PIE audits, CAIM procedures addressing some audit specific related topics (i.e. revenue, group audits, estimates) will also be used in addition to other tailored templates adopted for such entities by the QAU reviewers.

Review of Findings and Summarisation of Findings

During the course of the visit fieldwork, the QAU reviewers will submit a number of queries to the compliance principal for his/her reply. These queries will be based on the documentation and audit files reviewed during the course of the visit. On the basis of the replies received and evidence found on file, the QAU reviewer(s) will draft a summary of the findings which have not been resolved.

Closing Meeting

The matters identified during the visit which have not been closed off, are discussed with the compliance principal during the closing meeting. The findings are documented and provided to the statutory auditor or audit firm during this meeting and the statutory auditor or audit firm is then given fourteen days to reply to the issues raised and to determine how these issues will be addressed.

Stage 3 - Completion

Drafting of Quality Assurance Visit Report

Following the completion of the fieldwork part of the visit and on receipt of the statutory auditor's or audit firm's responses to the closing meeting document, a report is drawn up on the findings identified during the visit and the conclusions of the quality assurance process in respect of the statutory auditor/firm, based on responses received from the compliance principal.

Reports are categorised for internal purposes into ratings which are determined by the instances and magnitude of non-compliance with the relevant regulations, the level of commitment and ability of the statutory firm/auditor to correct the problems identified and the regulatory action, if any, which should be applied.

Report Approval by the QAOSC and the Accountancy Board

The Head of the QAU will then present individual visit reports to the QAOSC for their review and approval. Subsequent to the QAOSC's review and approval, the QAOSC will refer these visit reports to the Accountancy Board for their final review and approval.

Based on the extent of the findings identified during the visit and the compliance principal's replies, the Board would then request confirmations from the statutory auditor/firm about actions expected to be taken by the statutory auditor/firm. Also, sanctions may be imposed, when necessary. Such confirmations and sanctions would be included in the closing down letter. Sanctions may include follow-up visits, external cold file reviews, hot file reviews, external audit compliance reviews, disciplinary action and other actions such as reprimands and declarations.

Follow-up visits

The QAU would carry out a follow-up visit to ensure that the practice would have addressed the issues noted during the prior visit. Follow-up visits are normally carried out within one year subsequent to the first visit and are carried out by the QAU.

A follow-visit fee is imposed on the practice/firm, based on the number of hours spent on the review.

External cold file reviews

The practice would be required to appoint an independent external reviewer to carry out a review of a completed audit file.

The appointed individual would need to be an approved external reviewer by the Accountancy Board. A list of approved external reviewers can be accessed through the Accountancy Board's website.

Hot file reviews

The firm or sole practitioner would be required to appoint one of the external reviewers approved by the Board to inspect an audit file before the auditor signs the audit report.

Following the review, the external reviewer would issue a letter to the QAU for consideration by the Board. If the Board deems it to be acceptable, the practice is given the go ahead to sign the audit report.

External audit compliance reviews

The practice would be required to appoint one of the external reviewers approved by the Board to carry out a review of the practice's whole firm policies and procedures in line with ISQC 1 and other legal requirements, including the Accountancy Profession Act.

Disciplinary actions

Depending on the significance of the findings emanating from the visit, a firm or a sole practitioner may be referred to the Disciplinary Committee or the Accountancy Board for further consideration.

Other actions

The practice could be asked to provide an upcoming CPE plan and/or to implement an ISA compliant audit programme. Reprimands and/or declarations may also be issued and these are subsequently published on the Accountancy Board website.

Issuance of Report and Follow-up

The final report would also be sent with the closing down letter to the practitioner or audit firm.

The QAU ensures that any required confirmations provided by the compliance principal as well as any sanctions imposed will be satisfactorily addressed. If the QAU has any concerns regarding the confirmations received or the results of the sanctions imposed, the statutory auditor or statutory audit firm will be referred to the Accountancy Board for further action.

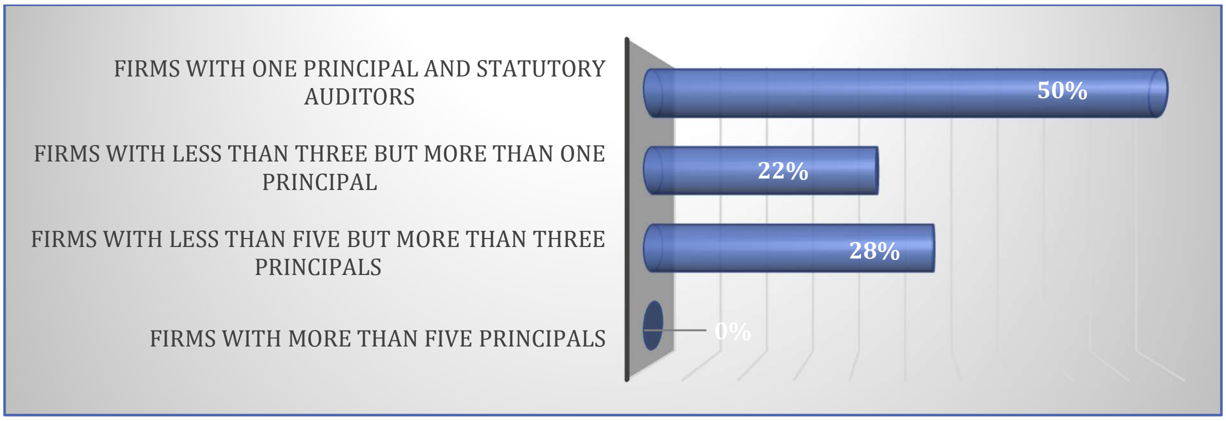
Quality Assurance Visits in 2022

Overview - Visits

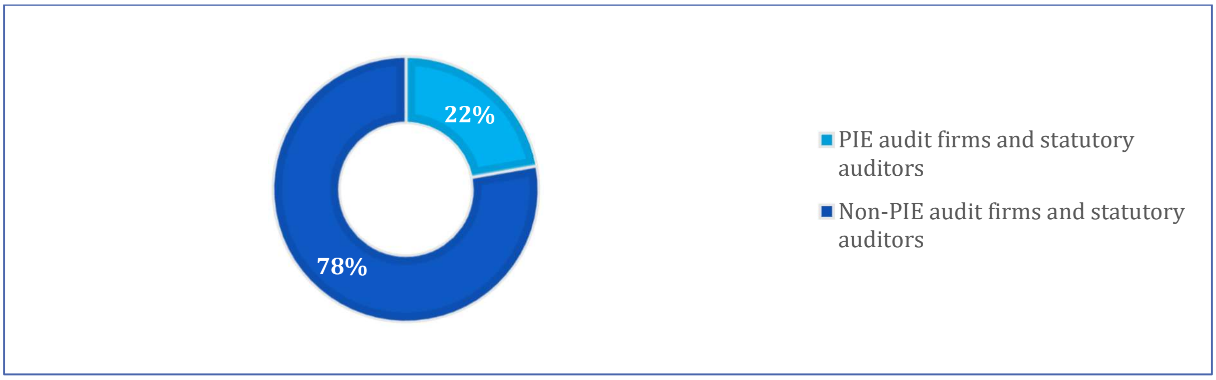
By the end of 2022, the Quality Assurance Unit had carried out a total of 24 visits during the year. Of these visits, 4 were to firms auditing public interest entities.

Thus since the commencement of the QAU function, i.e. from 2007 to the end of 2022 an aggregate amount of 478 quality assurance visits have been carried out by the Unit. Of these 478 quality assurance visits, as at year end a total of 466 had been approved by the Board.

Of the above quality assurance visits carried out, as well as the conclusion of some visits which commenced in late 2021, during 2022 the Quality Assurance Sub-Committee and Accountancy Board reviewed a total of 18 quality assurance visit reports which can be shown graphically according to the size of the practice/firm inspected as follows:

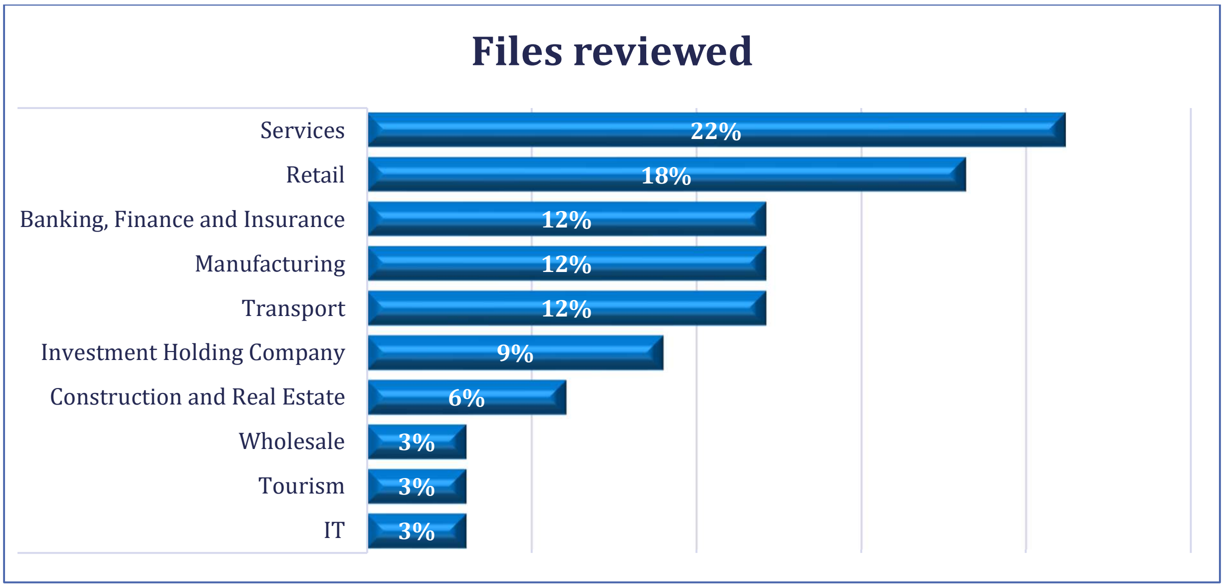


The Accountancy Board, during the year, approved a number of reports pertaining both to PIE auditors and non-PIE auditors. In fact, a total of 4 visits pertaining to PIE audit firms were approved, with the remainder being visits undertaken on sole practitioners and audit firms not auditing PIE engagements. This is shown below:

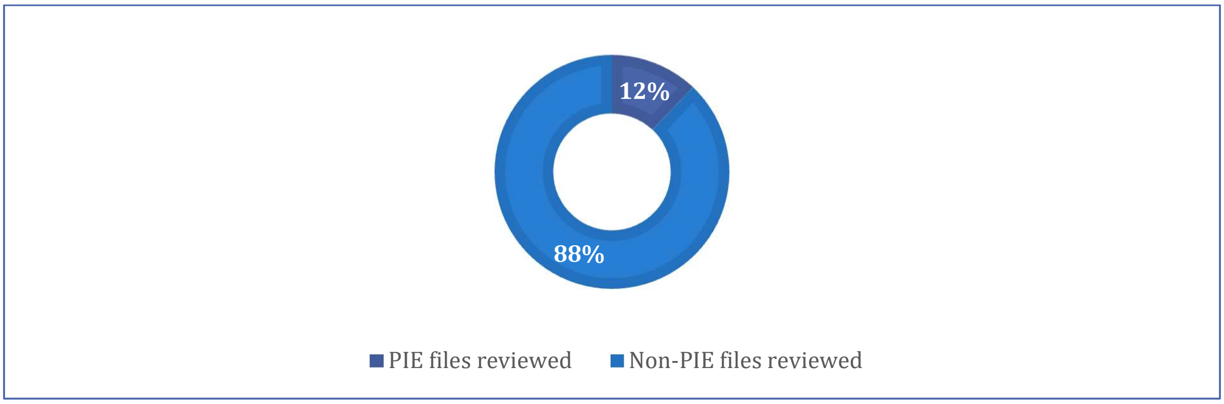


Overview - Files Reviewed

Reviewers, in line with QAU methodology analyse risks arising on each visit carried out and, on this basis, determine how many and which audit engagements are to be selected to address the risks identified. Thus, when analysing the 18 visit reports approved by the Quality Assurance Sub-Committee and Accountancy Board during 2022, a total of 33 audit files were reviewed by QAU reviewers during the inspection process. The files reviewed can be categorised as follows:



Furthermore, on PIE auditor visits, invariably one or more PIE audit engagements will be selected for review. On the basis, 12% of all audit engagement files selected for review were PIE engagements. These engagements covered banks, insurance as well as other listed entities.



Summary of Decisions

Based on the extent and gravity of findings identified during quality assurance visits and subsequent replies received from the practices/firms reviews, the Accountancy Board will determine the course of action to be taken. Such course of action may be limited to the request for confirmations that matters identified will be addressed. In other instances, the Accountancy Board may determine that apart from confirmations additional sanctions are needed. Statutory auditors and firms will be informed of such confirmations and sanctions in the closing down letter sent by the Accountancy Board at the conclusion of the visit.

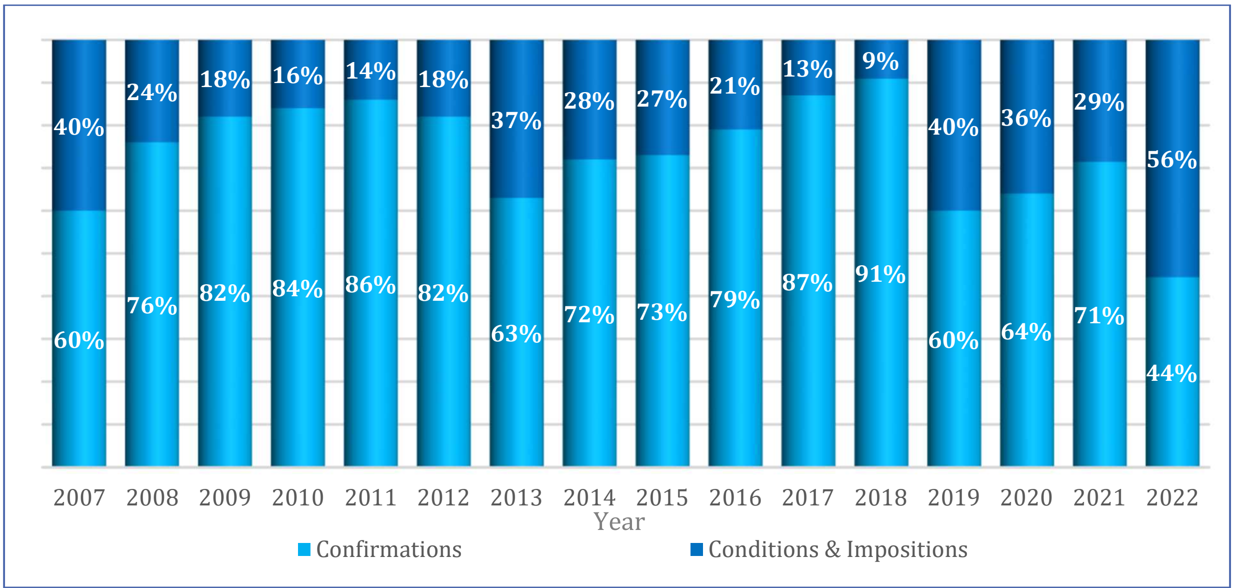
The Accountancy Board requests confirmations, in order to ensure the implementation of procedures to address matters raised during the QAU visit. Confirmations require statutory audit firms or statutory auditors to take action to address the findings identified. During subsequent visits, prior visit findings are reviewed to assess whether or not confirmations provided in the prior visit have been addressed. Should the statutory audit firm or statutory auditor fail to take timely action based on confirmations provided, more severe sanctions/conditions may be imposed.

In addition, there are various types of sanctions/conditions which may be imposed at the end of a visit. Conditions include the imposition of follow-up visits, hot file restrictions, external audit compliance reviews and external cold file reviews. Furthermore, reprimands and declarations on the Accountancy Board website may also be issued. In some cases, depending on the gravity of the findings, audit firms or statutory auditors may be referred to the Accountancy Board for possible referral to the Board's disciplinary committee.

One can note that based on visits approved by the Accountancy Board during 2022, a total of 56% (2021: 29%) of firms/statutory auditors reviewed had sanctions/conditions imposed in addition to confirmations. Thus, during the year there was a significant increase in those visits on which one or more sanction or condition has been imposed. In fact, 2022 identified the largest percentage of visits with one or more sanctions/conditions since the inception of the QAU. In a number of these cases, the audit files reviewed contained significant omissions in documentation and evidence. Furthermore, it was noted that for a number of audit firms the audit opinion was not issued in line with the requirements of ISAs based on the documentation and evidence obtained during the course of the audit.

On the other hand, on 44% of visits (2021: 71%) carried out on statutory auditors/firms and approved by the Accountancy Board, only confirmations were required.

An analysis of the courses of action taken by the Board since 2007 is illustrated in the diagram below:



During 2022, the Accountancy Board imposed the following sanctions/conditions on practices and firms reviewed:

- *Follow-up visits* – on two visits, one to an audit firm and another to a sole practitioner a follow-up visit was sanctioned on the auditor by the Accountancy Board;
- *Hot file reviews* – on one audit firm, 5 hot file reviews were requested by the Accountancy Board.
- *External audit compliance reviews* – 2 audit firms were requested to have an external audit compliance review carried out by an approved Accountancy Board external reviewer;
- *External cold file reviews* – a total of 10 external cold file reviews were requested on 1 sole practitioner and 5 audit firms reviewed, 2 of which are PIE auditors. The Board determined that 2 of these cold file reviews should be carried out on PIE engagements;
- *Declarations* – a total of 6 declarations were also approved by the Accountancy Board during the year in relation to the audit report not meeting the requirements of Article 179A of the Companies Act. Such declarations are published on the Accountancy Board website; and
- *Other restrictions* – this included a firm being issued with a warning and a sole practitioner being sanctioned in relation to Code of Ethics violations.

The total number of audit firms and sole practitioners whose quality assurance visit resulted in sanctions/conditions being imposed from 2007 to the end of 2022 amounted to 102. These are split as per the below table:

	Follow-up visits	External ACRs and/or cold file reviews	Hot file restrictions	Reprimands	Declarations	Other restrictions
PIE Statutory Audit Firms	3	4	1	1	1	1
Non-PIE Statutory Audit Firms	6	21	0	0	4	1
Full-Time Statutory Auditors	9	22	7	0	1	2
Part-Time Statutory Auditors	4	9	4	0	0	1
Total	**22**	**56**	**12**	**1**	**6**	**5**

2022 Visit Findings – Key Observations

As done in past years, this section looks back to the more prevalent issues that were encountered on visits approved by the Accountancy Board during the year. It is of importance that audit practitioners and firms review their own methodologies and practices to determine whether improvements can be made to existing templates and methodologies to address these matters and take a more proactive rather than reactive approach.

As already indicated earlier in this report, a total of 18 visit reports were approved during 2022 by the Accountancy Board, including both PIE statutory auditors/audit firms and non-PIE statutory auditors/audit firms. In order to analyse the findings, based on these reports, findings are grouped according to the different stages of the audit process and an analysis of whole firm policies and procedures in line with ISQC 1/ISQM 1 requirements and other legislative requirements.

For the purposes of this report, findings were predominately found in the following areas:

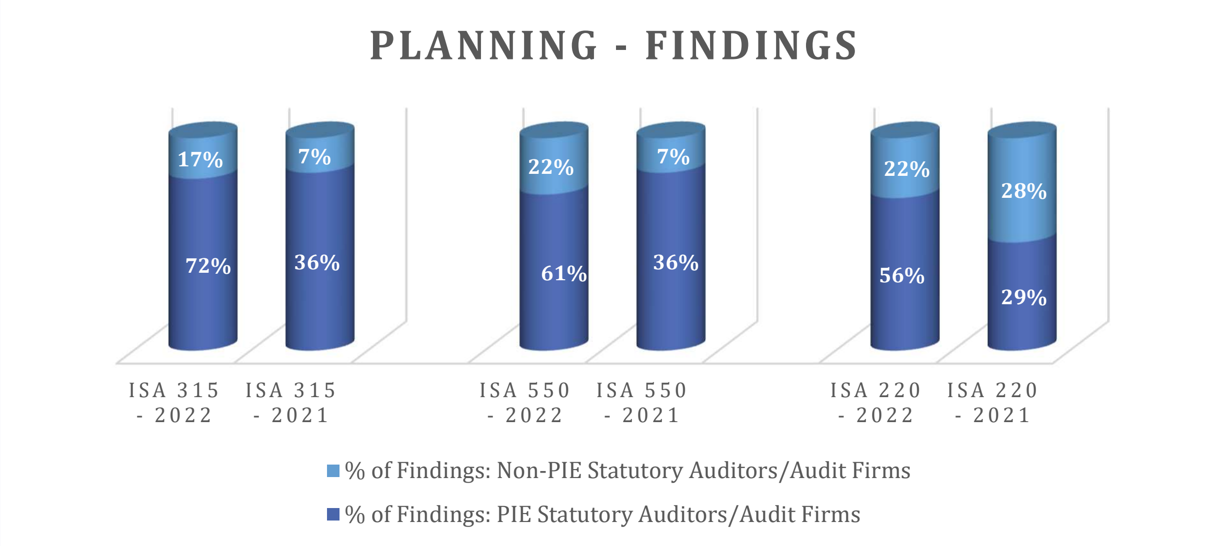
- Audit file findings at planning stage;
- Audit file findings at fieldwork stage;
- Audit file findings at completion stage and audit report review; and
- Whole firm/practice findings.

File findings - planning stage

During 2022, the most recurring breaches of standards identified by QAU reviewers during visits were found in the following:

- ISA 315 – Identifying and assessing the risks of material misstatement;
- ISA 550 – Related parties; and
- ISA 220 – Quality control for an audit of financial statements.

This frequency of the issues raised and the comparison with the prior year is represented by the following table:



ISA 315 – Identifying and assessing the risks of material misstatement

This standard was revised by IAASB in 2019 and is effective for audits of financial statements for periods beginning on or after 15th December 2021.

Like the other standard before it, ISA 315 revised covers the auditor's procedures to:

(a) Understand the entity and its environment, the applicable financial reporting framework and the entity's system of internal control, to be able to identify and assess risks of material misstatement;
(b) Identify risks of material misstatement; and
(c) Assess risks of material misstatement.

However, the revised standard:

- enhances requirements relating to the auditor's exercise of professional scepticism;
- clarifies that the risk assessment process provides the basis for the identification and assessment of the risks of material misstatement, and the design of further audit procedures;

- there is now separate focus on understanding the applicable financial report framework;
- in regard to the entity's system of internal control, it distinguishes the nature of and clarifies the extent of work needed for indirect and direct controls in the system of internal control. It also clarifies which controls need to be identified for the purpose of evaluating the design of a control and determining whether the control has been implemented;
- it also introduces scalability and proportionality based on the complexity of the audit being carried out; and
- furthermore it includes provisions for the use of technology in the audit.

During QAU inspections the findings identified in this regard have significantly increased from 43% of visits to 89%. The main findings are summarized as follows:

- although significant and material accounts were identified at planning stage, the audit plan did not include documentation of assertions which require audit procedures to be carried out;
- lack of documentation of the entity and its environment; and
- no assessment and insufficient or no documentation of controls and walkthrough tests.

ISA 550 – Related parties

According to ISA 550 on *Related parties*, the auditor should perform audit procedures designed to obtain sufficient appropriate audit evidence regarding the identification and disclosure by management of related parties and the effect of related party transactions that are material to the financial statements.

In addition, when obtaining an understanding of the entity's internal control, the auditor should consider the adequacy of control activities over the authorization and recording of related party transactions.

In examining the identified related party transactions, the auditor should obtain sufficient appropriate audit evidence as to whether these transactions have been properly recorded and disclosed.

In comparison with the prior year, the level of findings identified have significantly increased by 40%. In the most part there was a lack of related party identification, nature of the relationships and type and purpose of related party transactions.

ISA 220 – Quality control for an audit of financial statements

A revised ISA 220 on *Quality management for an audit of financial statements* became effective for audits of financial statements for periods beginning on or after 15th December 2022 as a result of ISQM 1's introduction. Firms will now need to take into account the new revised requirements which clarify and strengthen the key elements of quality management at the engagement level.

Despite this for the visits carried out, due to timing, the majority of the visits carried out were still considered under the prior ISA 220 on *Quality control for an audit of financial statements*.

In comparison with the prior year, the level of findings has seen a marked increase of 21% and mainly relate to acceptance and continuance procedures as well as ethical considerations. A summary of the findings identified in this regard from QAU inspections is as follows:

- no safeguards were applied by the firm/sole practice to mitigate the self-review threats when providing non-assurance services or when there has been long association;
- no documentation of independence considerations was found on file;
- no client acceptance and continuance procedures were documented on file;
- although acceptance and continuance procedures were documented these did not reflect risks pertaining to owners/directors identified by the QAU from internet searches carried out; and
- client acceptance procedures were signed after the letter of engagement was issued to the client.

File findings - fieldwork stage

ISA 230 – Audit documentation

As per ISA 230, the objective of the auditor is to prepare documentation that provides: (a) a sufficient and appropriate record of the basis for the auditor's report; and (b) evidence that the audit was planned and performed in accordance with ISAs and applicable legal and regulatory requirements.

The standard requires that documentation is made in a timely manner. Documentation included on file should contain:

(a) the identifying characteristics of the specific items or matters tested;
(b) who performed the audit work and the date such work was completed; and
(c) who reviewed the audit work performed and the date and extent of such review.

In addition, the standard requires that the audit documentation found on file is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:

(a) the nature, timing and extent of the audit procedures performed to comply with the ISAs and applicable legal and regulatory requirements;
(b) the results of the audit procedures performed, and the audit evidence obtained; and

(c) significant matters arising during the audit, the conclusions reached thereon, and significant professional judgements made in reaching those conclusions.

A number of documentation issues were noted particularly in relation to identifying the characteristics of the specific items tested during the audit.

ISA 500 – Audit evidence

The standard requires that the auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

The auditor is also required to consider the relevance and reliability of the information to be used as audit evidence, including information obtained from an external information source.

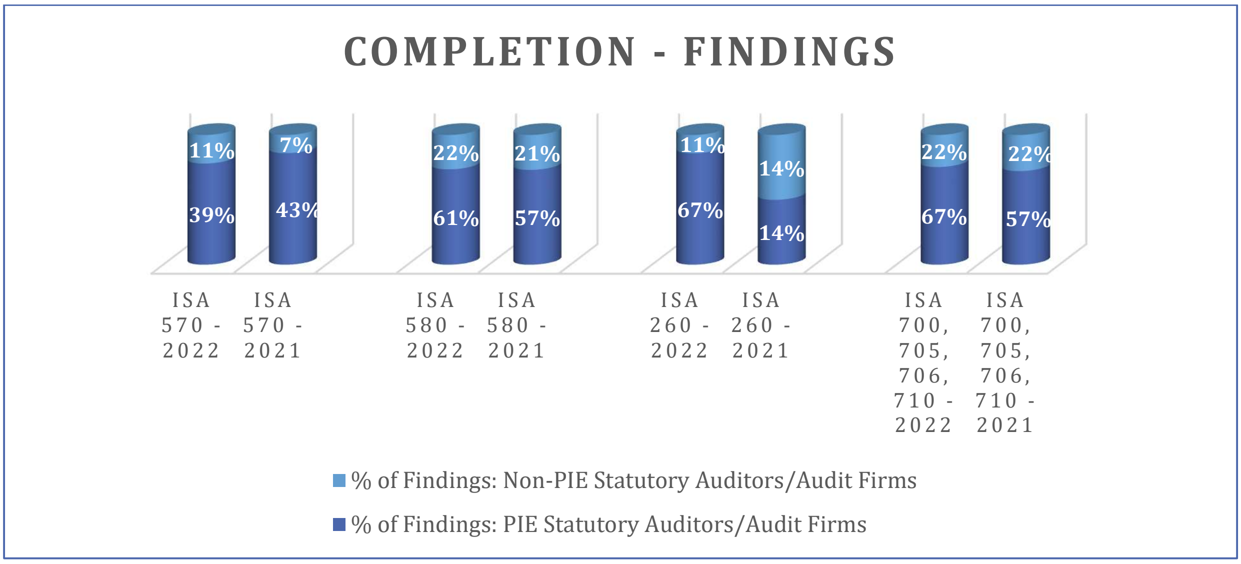
During the course of QAU visits performed, there have been a number of evidence issues which were raised. It was noted in a number of cases, external confirmations were the only source of evidence obtained by the engagement team without any other audit procedures being carried out.

File findings - completion stage including audit report review

In addition to a number of common findings being identified at the planning and fieldwork stage, a number of recurrent findings were noted at the audit completion stage of the files reviewed. The main ISA breaches related to the following areas:

- ISA 570 – Going concern;
- ISA 580 – Written representations;
- ISA 260 – Communication with those charged with governance;
- ISA 700 – Forming an opinion and reporting on financial statements;
- ISA 705 – Modifications to the opinion in the independent auditor's report;
- ISA 706 – Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report; and
- ISA 710 – Comparative information – corresponding figures and comparative financial statements.

This frequency of the issues raised and the comparison with the prior year is represented by the following table:



ISA 570 – Going concern

As outlined in ISA 570 – *Going concern*, the auditor is responsible for obtaining sufficient appropriate audit evidence regarding, and to conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern.

Thus, based on the extent of findings identified by the QAU, going concern is an area where the practice or firm must revisit its current policies and procedures to align these with the requirements of ISA 570 – *Going concern*, especially when there are events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern.

Furthermore, the engagement leader must assess the risk factors arising and any mitigating factors. This should be adequately documented on file and support the audit opinion found in the audit report.

On the visits approved during 2022, the following matters were identified in relation to going concern:

- sufficient appropriate audit evidence regarding the company's use of the going concern basis was not obtained;
- additional audit procedures were required by ISA 570 since events and conditions were identified however these were not conducted by the engagement team;
- the going concern work paper included incorrect information;

* no documentation was found on file with respect to management's assessment covering a 12 month period after year end and whether the auditor concurs with this assessment; and
* going concern documentation was not found on file.

ISA 580 – Written representations

Findings identified in respect to the content of the letter of representation continue to be prevalent on a number of QAU visits with such findings being noted on 83% of visits approved in 2022 (2021:79%). The most common finding identified in respect to ISA 580 – *Written representations* is that a number of representations as identified in the standard itself are not included in the letter of representation. Statutory auditors and audit firms are urged to assess whether their pro-forma letter of representation is fully in line with the requirements of ISA 580. The standard itself provides an illustrative letter of representation which may facilitate disclosure requirements, and practitioners and firms are advised to refer to the standard if they have not done so already.

ISA 260 – Communication with those charged with governance

Under ISA 260, the auditor is required to communicate with those charged with governance in regard to: significant difficulties encountered during the audit; circumstances that effect the form and content of the auditor's report; and any other significant matters arising during the audit that, in the auditor's professional judgement, are relevant to the oversight of the financial reporting process, amongst others.

On the visits reviewed during the year, although in the most part management letters were issued it was noted that a number of significant matters were not being included in the management letter. In addition, modifications to the audit report were also noted as not being included in the management letter. There were also a few instances in which there was no communication with those charged with governance.

ISA 700 – Forming an opinion and reporting on financial statements; ISA 705 – Modifications to the opinion in the independent auditor's report; ISA 706 – Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report; and ISA 710 – Comparative information – corresponding figures and comparative financial statements

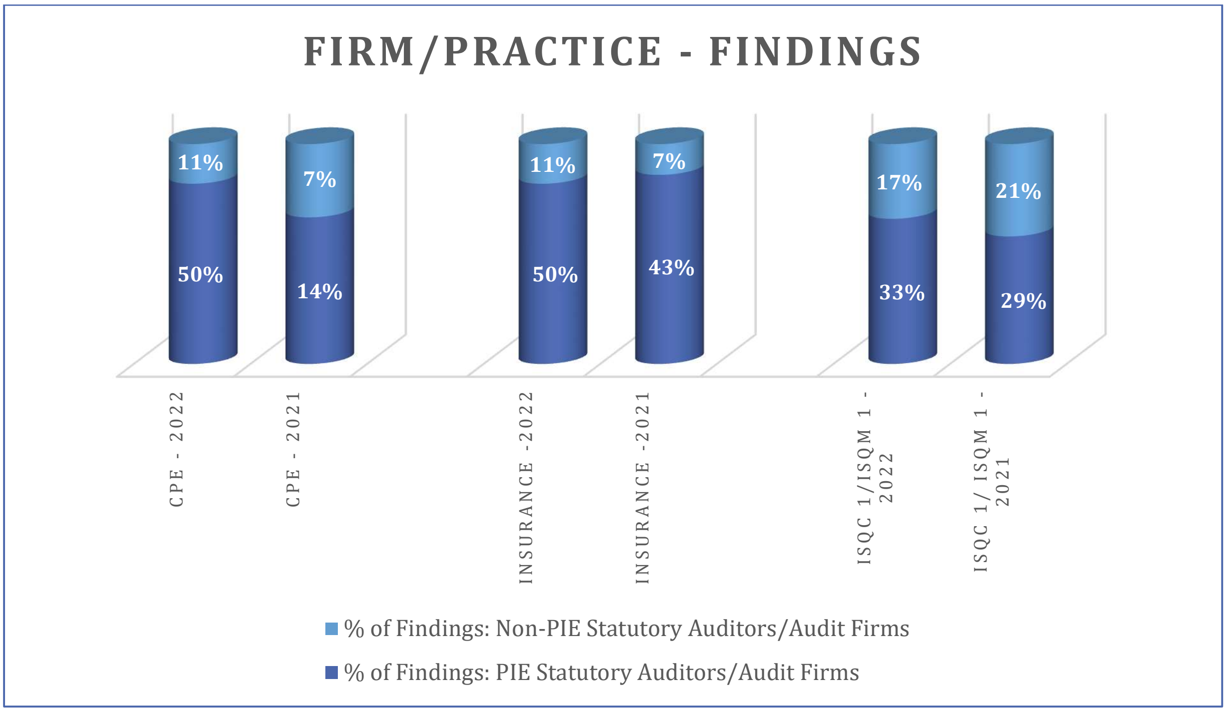
There was a marked increase in the number of audit report matters identified by the QAU during their visits. Audit report matters comprise both issues with the audit report not being in line with the standards – primarily with the requirements of ISA 700, as well as situations where the audit evidence obtained and documented as well as conclusions found in the audit file did not sufficiently support the audit report found in the financial statements. In such situations, reviewers questioned the opinions given in the audit report. This has led to a number of declarations being issued by the Accountancy Board.

In relation to departures from the requirements of ISA 570, 700, 701, 705, 706 and 710 the QAU is of the view that these could have been avoided by cross-checking the audit report to templates found in the standards themselves and also by proof-reading the audit report itself before its issuance. It is recommended that firms and practitioners re-check their existing audit report templates to bring these in line with current requirements and ensure that when the audit report as set out in ISA 700 is modified that the additional requirements arising from other relevant standards are adequately addressed in line with those standards.

Whole firm/practice findings

During 2022, the most frequent findings raised at whole practice/firm level include findings identified in relation to:

- Continued professional education;
- Professional indemnity insurance; and
- ISQC 1/ISQM 1 related matters.



Continued professional education

Continued professional education is assessed during visits, by taking into consideration the requirements of Directive 1 of the Accountancy Profession Act as well as the practice's/firm's own policies and procedures.

During the year the following types of weaknesses were noted in this regard:

- unstructured CPE activities were not included in the practitioner's/principal's annual return or in monitoring activities carried out by the firm for staff;
- unstructured hours declared were insufficient;
- CPE was not being monitored by the firm for staff members; and
- CPE declared in the annual return did not tally to CPE records held by the firm.

Professional indemnity insurance

The Accountancy Profession Act and the Accountancy Profession Regulations set out the obligations for audit firms or statutory auditors to have a professional indemnity insurance cover which satisfies a number of considerations.

As per the visit reports approved in 2022, the following were the matters raised in this respect on audit firms/practices reviewed:

- the professional indemnity insurance amount covered was not in line with the requirements of Article 5(2) of the Accountancy Profession Regulations;
- the policy did not cover damage brought about or contributed by any dishonest, fraudulent, criminal or malicious act or omission of all staff as required by Section 11(1) of the Accountancy Profession Act;
- the policy did not duly cover claims arising in respect to loss or damage made in the five years immediately following the cessation of the policy as a result of the retirement of or the surrender of the warrant or practising certificate by any principal and provided that the negligent act, error or omission giving rise to the claim had occurred during the period of insurance of the policy as required by Section 11 (2)(a) of the Accountancy Profession Act; and
- the insurance policy did not cover the firm's/sole practitioner's connected undertakings.

ISQC 1/ISQM 1 related matters

The number of ISQC 1 related matters have remained consistent when compared with the prior year and on most reviews, ISQC 1 policies and procedures have been in the most part, adequately documented. However, on a number of visits, further refinements were required in various areas. One one particular visit it was noted that the firm did not document its policies and procedures in line with ISQC 1.

With effect from 15 December 2022, ISQM 1 and 2 as well as the revised ISA 220 became effective for all audit firms and practices. In November 2022, guidance was issued by the Accountancy Board in this regard. During the course of 2022, a number of firms and practices were preparing and transitioning from ISQC 1 to the new requirements. From 2023 apart from the firm now requiring to have its policies and procedures drawn up in line with ISQM 1, the QAU will now also review monitoring processes under the new requirements.

As at year end, there were no visits approved by the Accountancy Board for which firms/practices were using the new quality management standards.

Participation in International Fora

The Accountancy Board has been actively involved in a number of meetings and committees held throughout the year. The following are some of the meetings attended during 2022:

- *CEAOB Plenary meetings*
  In 2022, CEAOB Plenary meetings were held virtually between the 8 and 9 March. CEAOB Plenary meetings were also held in Brussels – Belgium, between 4 and 5 July and 3 and 4 November. The meetings were attended by representatives and members of the Board.

- *CEAOB Inspections Sub-Group meetings and participation in the Deloitte College*
  The Committee of European Auditing Oversight Bodies (CEAOB) Inspections Sub-Group held its bi-annual meetings in June and November/December.

  The first meeting was held between the 28 and 30 June and was chaired by the Dutch Authority for the Financial Markets (AFM). Meetings were held virtually and were attended by the Head of Unit and two reviewers.

  The second meeting also included a joint meeting between the CEAOB International Auditing Standards and the Inspection Sub-Groups. The joint meeting was co-chaired by the France Haut Conseil du Commissariat aux Comptes (H3C) and the Cyprus Public Audit Oversight Board (CYPAOB). The inspections sub-groups meeting was chaired by the CYPAOB from Cyprus. Meetings were held between the 30 November and the 1 December in Amsterdam and were attended by the Head of Unit.

  In addition, the CEAOB Inspections Sub-Group organised a session with each of the big four firms targeting the Russian/Ukrainian war. The sessions were held virtually in May/June and were attended by the Head of Unit.

  CEAOB Member States also carry out ongoing dialogue with the four largest international audit networks (Deloitte, EY, KPMG and PwC) with the objective of improving audit quality throughout Europe. The colleges fall under the remit of the CEAOB Inspections Sub-Group. The QAU is involved in one of the colleges, the Deloitte College.

  During the year, the QAU participated in a number of conference calls held between college members to share their experience on inspections. Matters discussed included the new focus areas and approach to be followed on inspection visits, in relation to the implementation of ISQM1, engagement quality control reviews and ISQM2, data analytics and their deployment at local firm level.

In this regard, the QAU also exchanged information with other members of the college and analysed information shared by other college members. In addition, through participation in the Deloitte College, QAU reviewers also met with high-ranking international officers of the Deloitte network, during separate virtual meetings held during the year.

- *CEAOB Market Monitoring Sub-Group*
  Every three years, Member States are required to carry out a market monitoring exercise which is submitted to the EU Commission.

  The market monitoring exercise is aimed to provide the Commission with information on the market structure of the audit profession, market share held by the key players in the audit profession, information on audit committees as well as information in respect to quality assurance visits.

  The Market Monitoring Sub-Group develops a consistent approach to be taken by competent authorities in Member States. The sub-group, also provides the necessary assistance to the Member States during the process.

  The 3rd market monitoring exercise was submitted to the EU Commission in July. The data was consolidated at EU level and will be published by the EU Commission in the near future.

  The previous monitoring exercise had been submitted to the EU Commission in 2019 and was published by the EU Commission in 2020. The next market monitoring exercise will be carried out in 2025.

  During the year, the QAU attended eight meetings organised by the Market Monitoring Sub-Group during the year. Meetings were held in January, February, March, April, May, June, October and November. In addition, the QAU also attended three meetings organised by the Market Monitoring Indicators Task Force. The meetings were held in February, April and May and were aimed at updating the indicators for the next market monitoring exercise. The meetings were held virtually and were attended by the Head of Unit and one reviewer.

- *CEAOB Enforcement Sub-Group*
  The purpose of the Enforcement Sub-Group is to facilitate the exchange of information, expertise and best practices in the area of investigations and sanctions and to collect for annual publication by the CEAOB aggregated information on all administrative measures and sanctions imposed by competent authorities (Article 30f (1) of the Audit Directive).

A Board representative attended six meetings held by the CEAOB Enforcement Sub-Group. Meetings were attended in January, February, May, September and October 2022. The meetings were held virtually.

- *Accounting Regulatory Committee (ARC)*
  A representative of the Board attended the Audit Regulatory Committee meeting held in January 2022. The meeting was held virtually.

The Board will continue to be represented in various meetings held at an international level.

Collaboration with Other Institutions

The Accountancy Board has worked closely with a number of institutions over the years at a national level and also at EU level.

During the year, the Accountancy Board continued to collaborate with other institutions particularly the Malta Institute of Accountants (MIA), the Malta Financial Services Authority (MFSA) and the Financial Intelligence Analysis Unit (FIAU).

Consultations were also carried out with the MIA and the Chamber of Advocates, in regard to reviewing the specific roles reserved for Certified Public Accountant (CPA) warrant and Practising Certificate in Auditing holders.

The Accountancy Board also collaborated with the Committee of European Auditing Oversight Bodies (CEAOB), including its various sub-committees and working groups with respect to the enhancement of the institutional Regulatory European Framework and regulating the Environmental, Social and Governance reporting matters.

The Accountancy Board aims to continue its collaboration with these institutions as well as other competent authorities and professional bodies in the near future.

Accountancy Board

https://accountancyboard.gov.mt