Accountancy Board

Annual Report 2023

The Accountancy Board presents its Annual Report for the year ended 31 December 2023 pursuant to Article 7(19) of the Accountancy Profession Act, Cap. 281 of the Laws of Malta.

25 March 2024

Enquiries relating to this report should be addressed to:

The Secretary
The Accountancy Board
Ministry for Finance
'Maison Demandols'
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Valletta, VLT 2000,
Malta.

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Statement from the Chairman

STATEMENT FROM THE CHAIRMAN

I would like to begin by expressing my gratitude to the Minister for reappointing me as Chairman of the Accountancy Board.

Throughout the year, the Board has diligently pursued its objectives, with Board Members and various subcommittees working closely with the MIA and MFSA to draft amendments to subsidiary legislation under the Accountancy Profession Act and a new Code of Ethics. This comprehensive and time-consuming endeavour has made significant progress.

During the year, the Accountancy Board collaborated with the Malta Institute of Accountants (MIA) and the Malta Financial Services Authority (MFSA) with respect to the necessary amendments to the accounting framework applicable to certain entities in the insurance sector. This was necessary in view of the change in international accounting standards, particularly IFRS 4 being replaced by IFRS 17 with effect from 1 January 2023. On the 22 December 2023, a new regulation namely Accountancy Profession (General Accounting Principles in respect of certain Eligible Entities Related to the Business of Insurance) Regulations, 2023 (GAPEE), was published by virtue of legal notice 299 of 2023. GAPEE applies to certain insurance undertakings as defined in the Regulation and is applicable for financial periods commencing on or after 1 January 2023.

Additionally, the Board is in the process of finalising a Delegation Agreement with the Malta Institute of Accountants, enabling them to undertake certain tasks under the Board's purview. Notably, the Malta Institute's recognition as an 'Approved Accounting Body' by the Accountancy Board has been renewed. The Board also followed up intensely on its international obligations and participation in various international fora including the ‘Committee of European Auditing Oversight Bodies’ (CEAOB).

The Quality Assurance Unit (QAU) has continued its sterling work in actively promoting the standards of the local Accountancy Profession. During the year, the QAU conducted 23 Quality Assurance visits, each of which was thoroughly discussed by the Accountancy Board. The QAU's efforts extend beyond disciplinary actions and sanctions, encompassing active education and guidance for profession members, continuously striving to elevate professional standards. Furthermore, the Board renewed the appointments of existing external and new reviewers authorized to undertake hot and cold file reviews, highlighting the crucial role these reviewers play in enhancing professional standards.

This year, the profession stands to confront a significant challenge in the form of the 'Corporate Sustainability Reporting Directive' (CSRD). Recognizing this, the Board and its structures have undertaken extensive research and explored best practices to effectively address the Directive. The Directive's phased implementation is anticipated to mark a watershed moment for the profession. I am confident that, as has been the case in previous challenges, the profession will rise to the occasion and successfully navigate this new terrain.

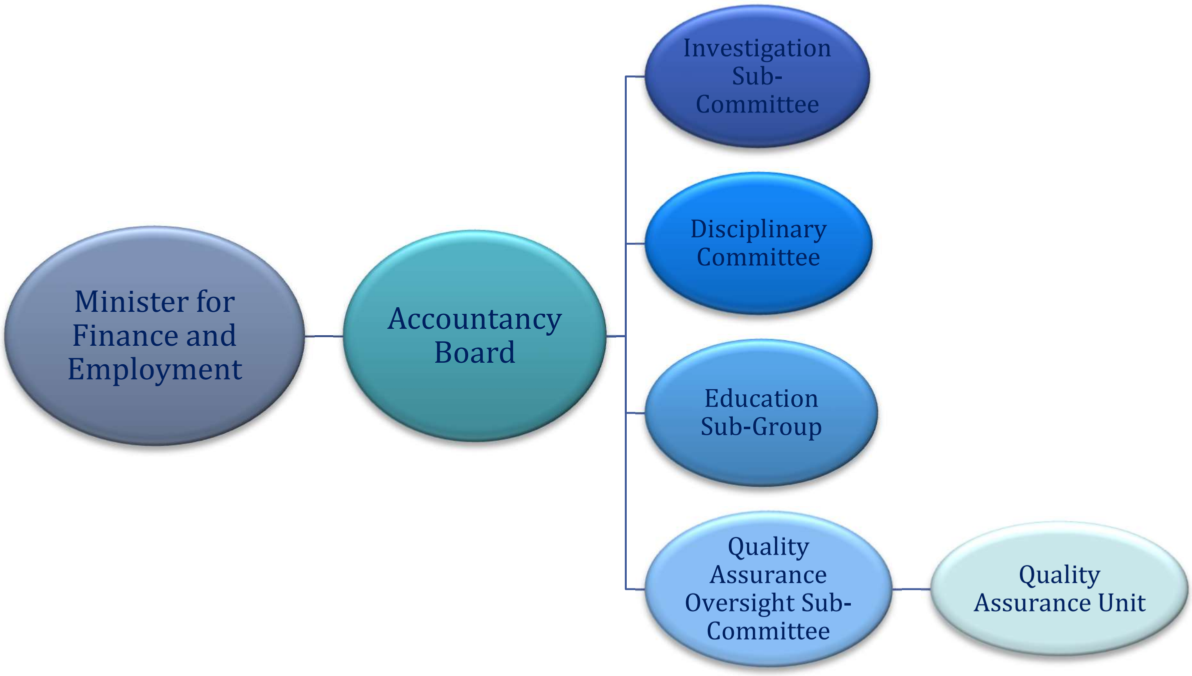
In pursuing its diverse activities, the Accountancy Board unwaveringly adheres to its core objectives of both promoting the Public Interest and maintaining and enhancing the standards of the local Accountancy profession.

I would like to end this address by thanking all Board Members, the Board Secretary, the members of the various committees and sub-committees, our Legal Advisor and our Quality Assurance Unit for their incessant work and effort in the interests of the profession.

Mr Edgar Borg, FCCA, FIA, CPA
Chairman - Accountancy Board
25 March 2024

Our Organizational Structure

OUR ORGANIZATIONAL STRUCTURE



The Accountancy Board forms part of the portfolio held by the Minister for Finance, Mr Clyde Caruana.

The Accountancy Board

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. (Lough.) M.Phil. (Lough.), 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 Marlene Mizzi, B.A.(Hons) Econ., M.Phil. (Maastricht)

The Board was re-constituted on the 25th July 2023 for a period of one year.

In 2023, Accountancy Board meetings were held in January, March, April, May, August and November.

Representatives and members of the board were also involved in a number of meetings with respect to the following areas:

- addressing the need for changes in legislation, particularly GAPEE legislation and the EU Corporate Sustainability Reporting Directive;
- the approval of the Malta Institute of Accountants as an Accounting Body and subsequent delegation agreement; and
- the appointment and re-appointment of external reviewers.

GAPEE Legislation

During the year, the Accountancy Board collaborated with the Malta Institute of Accountants (MIA) and the Malta Financial Services Authority (MFSA) with respect to the necessary amendments to the accounting framework applicable to certain entities in the insurance sector. This was necessary in view of the change in international accounting standards, particularly IFRS 4 being replaced by IFRS 17 with effect from 1 January 2023.

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GAPEE applies to certain insurance undertakings as defined in the Regulation and is applicable for financial periods commencing on or after 1 January 2023.

EU Corporate Sustainability Reporting Directive (CSRD)

The European Union's Corporate Sustainability Reporting Directive (CSRD) was adopted in December 2022 and is to be transposed into Maltese law by July 2024. CSRD enhances transparency requirements for businesses to report on their corporate sustainability, whilst also ensuring consistency in reporting.

During the year, a representative of the board participated in workshops aimed at transposing the EU directive into local legislation. The workshops took place in March, June, October and November.

Malta Institute of Accountants approved as an accountancy body in Malta

In November 2023, the Accountancy Board recognised the Malta Institute of Accountants as an approved accountancy body for accountants in Malta, in terms of Article 9 of the Accountancy Profession Act (Cap. 281). This recognition is effective as from 1 January 2024 and was granted for the purposes of the provisions of the Accountancy Profession Act (Cap. 281) and the regulations, directives and guidelines enacted under it.

In addition, the Accountancy Board is in the process of finalising a delegation agreement with the Malta Institute of Accountants through which, the Board will entrust duties such as the monitoring of continuance professional development requirements to the MIA.

External Quality Assurance Reviewers Course

During 2023, the Accountancy Board in collaboration with the Malta University Consulting Ltd again organised the training course for external audit reviewers. The training was aimed at individuals who would like to act as approved external quality assurance reviewers for the Accountancy Board.

The training course was held in July and included nine training sessions. Training covered international standards on auditing and international accounting standards. Also, the Head of the Quality Assurance Unit delivered sessions with regards to the quality assurance methodology and findings, whereas a representative of the board provided an overview of the regulatory framework. The previous training course for external reviewers was carried out in 2021.

Following the successful completion of the training session and an interview process, the Accountancy Board has appointed four external reviewers, whereas eight external reviewers were re-appointed. The appointment is for a period of two years. Details of the appointed external reviewers can be found on the Accountancy Board's website.

Audit practices who, following a QAU monitoring visit, are requested by the Accountancy Board to carry out external hot file reviews and/or an external whole practice review and/or external cold file reviews, will be required to appoint any one of the approved external quality assurance reviewers.

Board Structure

Article 6(2) of the Accountancy Profession Act lays out the composition of the Accountancy Board, specifying that it should be made up 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

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

Chairperson:
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 Marlene Mizzi, B.A. (Hons.) Econ., M.Phil. (Maastricht)

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

Secretary:
Mr Charles Buhagiar, FCCA, MIA, CPA

The scope of the Investigations Sub-Committee is to investigate cases brought to the attention of the Board, consisting mainly of complaints. The sub-committee assesses the cases presented and provides the Board with advice on whether to refer such cases to the Disciplinary Committee and/or recommend any other course of action.

In 2023, the Investigations Sub-Committee investigated thirteen cases, two of which were brought forward from the previous year. During the year, the sub-committee concluded six cases, and carried forward seven cases to the year 2024.

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

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

During 2023, the Accountancy Board members' term of office elapsed on 2 June 2023 and was re-constituted on 25 July 2023. The Accountancy Board appointed all Investigations Committee Members again, except for Ms Denise Vella who did not seek re-appointment. Instead, the Board appointed Ms Marlene Mizzi as a Member of the Investigations Committee.

The Disciplinary Committee

Chairperson:
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 L. 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 FCCA, 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.

Mr John Sammut chaired the Disciplinary Committee dealing with cases relating to non-submission of annual returns and fees by warrant holders.

During 2023, the Disciplinary Committee worked on an approach to have letters of warning sent to defaulters focusing on the worst cases first. The said approach resulted in decreasing the cumulative number of defaulters that have accumulated from the years 2011 to 2022, by 80%. The defaulting firms rectified their positions completely.

However, the approach for the year 2024 will consist of both disciplinary sittings and sending reminders and letters of warning to the defaulting warrant holders concerned.

Education Sub-Group

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 Education Sub-Group 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 Education Sub-Group 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 all quality assurance visit reports to the QAOSC for its consideration. The QAOSC then carries out a detailed review of the visit reports and provides recommendations to the Board, prior to their final approval.

Quality Assurance Oversight Sub-Committee meetings were held in March, May and September 2023.

The Quality Assurance Unit

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.

The Team

The Quality Assurance Unit is headed by Ms Karen Sultana.

In 2023, the QAU team was composed as follows:

- The Head of Unit;
- Six reviewers*;
- One staff – regulatory matters; and
- One administrative staff.

* one reviewer works on reduced time-table and another reviewer was availing herself of unpaid leave. Also, another reviewer is mainly involved in the administration of the unit on a day-to-day basis and is also assigned other duties by the Board.

Furthermore, a sixth form student was offered a work placement during the summer period.

Training

Professional staff are required, as a minimum, to adhere to CPE requirements set out in Directive 1 of the Accountancy Profession Act and to keep themselves 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 are remitted to the Ministry for Finance and subsequently, any operational expenses incurred by the Board and the Quality Assurance Unit are financed by the Ministry for Finance. This system of funding ensures that the Unit is free from undue influence by statutory auditors and audit firms. Currently, the Ministry for Finance 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 multiplied by 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

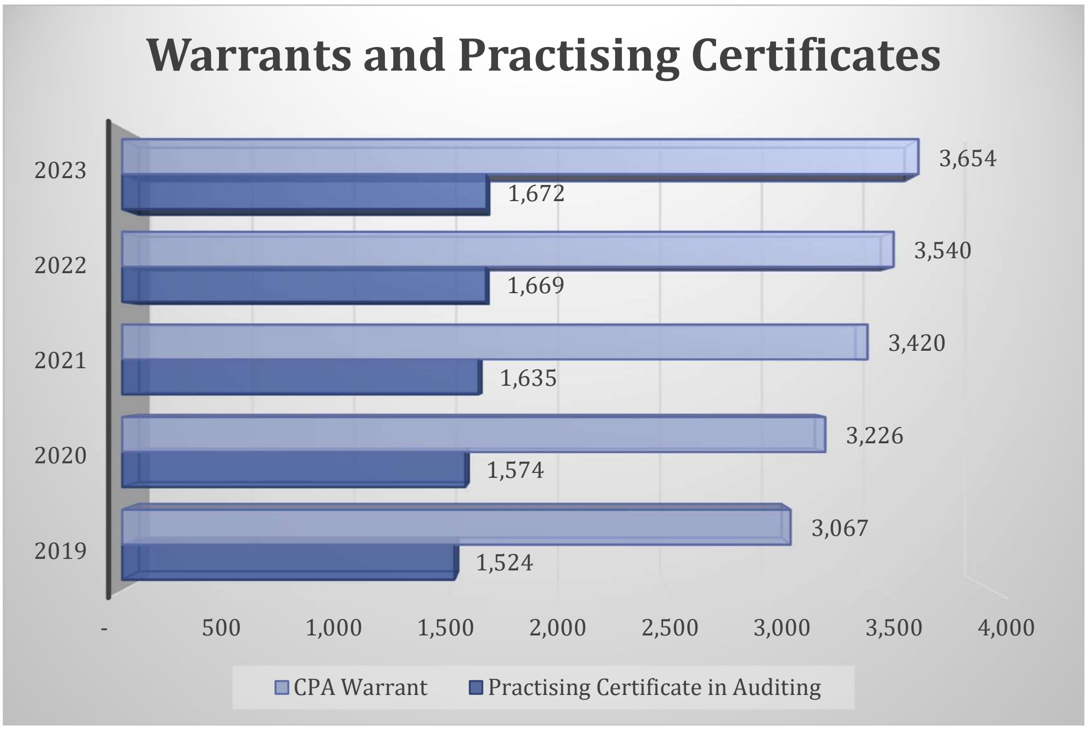
THE ACCOUNTANCY AND AUDIT PROFESSION

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 3,654 (2022: 3,540) whereas the total number of holders of a practising certificate in auditing as on 31 December 2023 amounted to 1,672 (2022: 1,669).

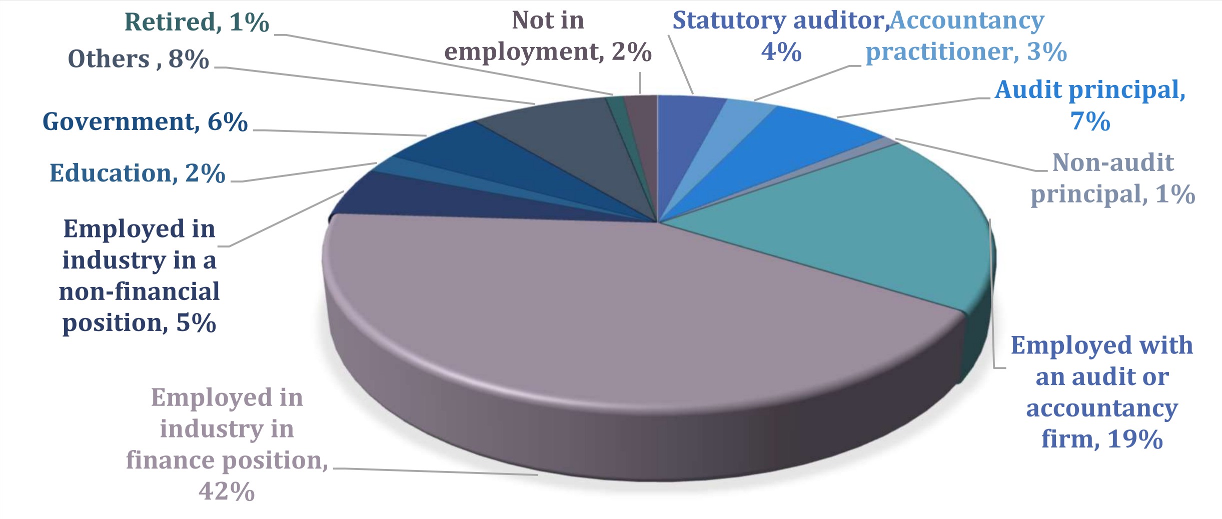
The number of CPA warrant holders and holders of a practising certificate in auditing registered with the Accountancy Board is steadily increasing from one year to the next.

In 2023, the Board approved 148 new CPA warrant holders and 30 practising certificate holders. However, there was a decrease of 34 CPA holders and 27 practising certificate holders who retired or passed away. The increase of CPA and practising certificate holders year on year can be seen below:

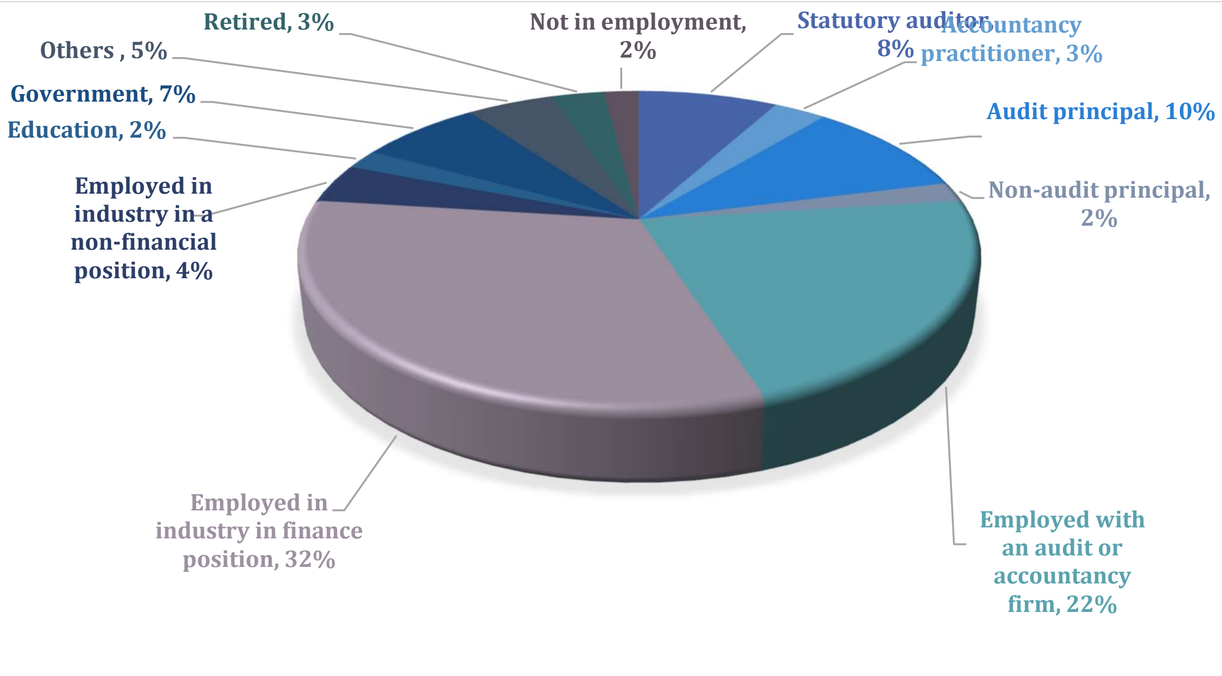


CPA warrant holders and practising certificate holders continue to be involved in a diverse range of sectors and roles and are availing of different positions and opportunities both within the profession and outside the profession. This is represented in the following analysis which is based on submissions 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 291 (2022: 288). Of these, 155 (2022: 163) provided statutory audit services (95 operating on a full-time basis and 60 operating on a part-time basis) and the remaining 136 (57 operating on a full-time basis and 79 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 33% of total audits engagements.

Accountancy and Audit Firms

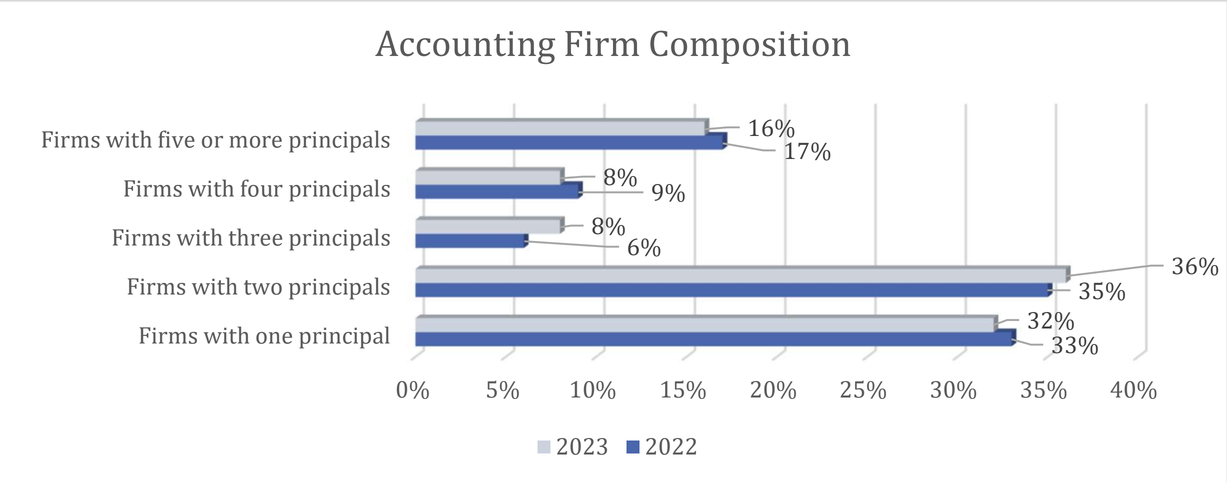
The Accountancy Board, apart from granting warrants and practising certificates in auditing to individuals, the Board also is responsible for registering accounting and audit firms. Accounting and audit firms may either be structured as a partnership, or else incorporated as a limited liability company. As on 31st December 2023, the number of accounting and audit firms registered with the Accountancy Board stood as follows:

- 87 Accounting Firms (2022: 81); and
- 141 Audit Firms (2022: 122).

Accounting Firms

During the year, there was an increase of circa 7% in the number of accounting firms registered with the Board.

Furthermore, it was noted that during the year, 32% of accounting firms were composed of one principal (in 2022 - 33%), and 36% of accounting firms were composed of two principals (in 2022 - 35%). The following bar graph shows the composition of accounting firms during 2023 and 2022:



[1] This information is based on data extracted from 2023 Annual Returns submitted by 29 February 2024.

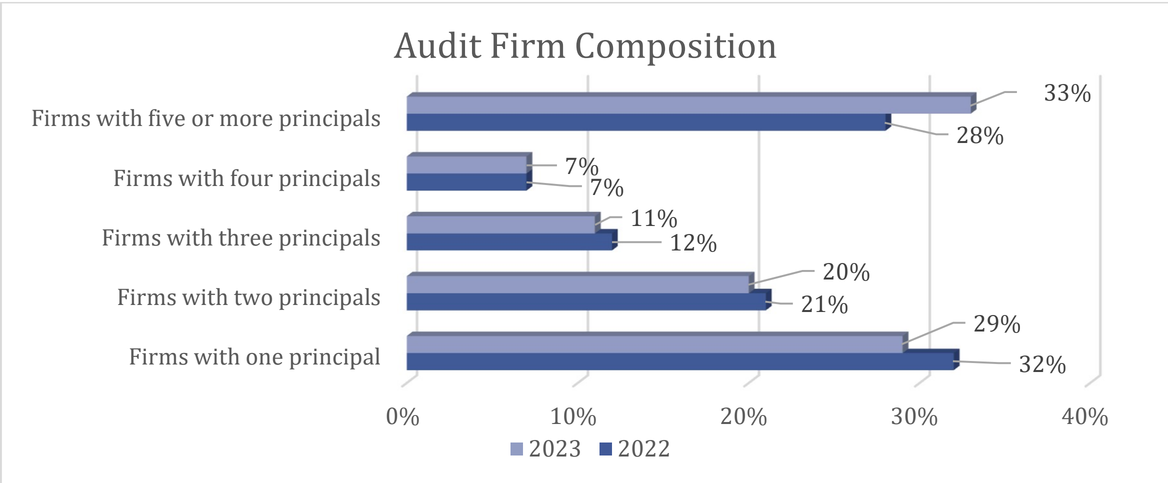
During 2023, 96% (in 2022 96%) of accounting firms were incorporated as limited liability companies, whilst the remaining 4% (in 2022 4%) were registered as partnerships.

Audit Firms

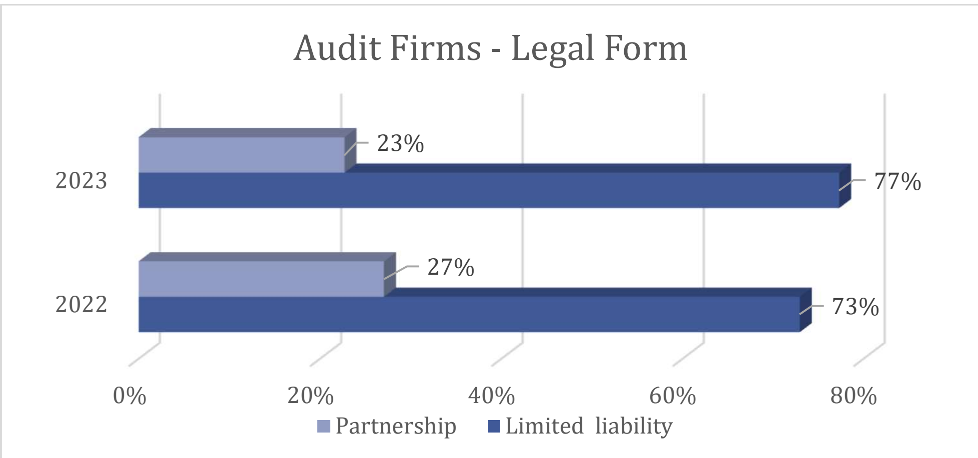
At year end, there was an overall increase in the number of audit firms registered with the Accountancy Board of 16%.

It was further noted that during the year, 29% of audit firms were composed of one principal (in 2022 32%), and 33% of audit firms were composed of five or more principals (in 2022 28%).

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 2023, audit firms with a limited liability legal structure increased by 4% to 77% from 73% in 2022. 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 67% (in 2022 62%) of total audit engagements.

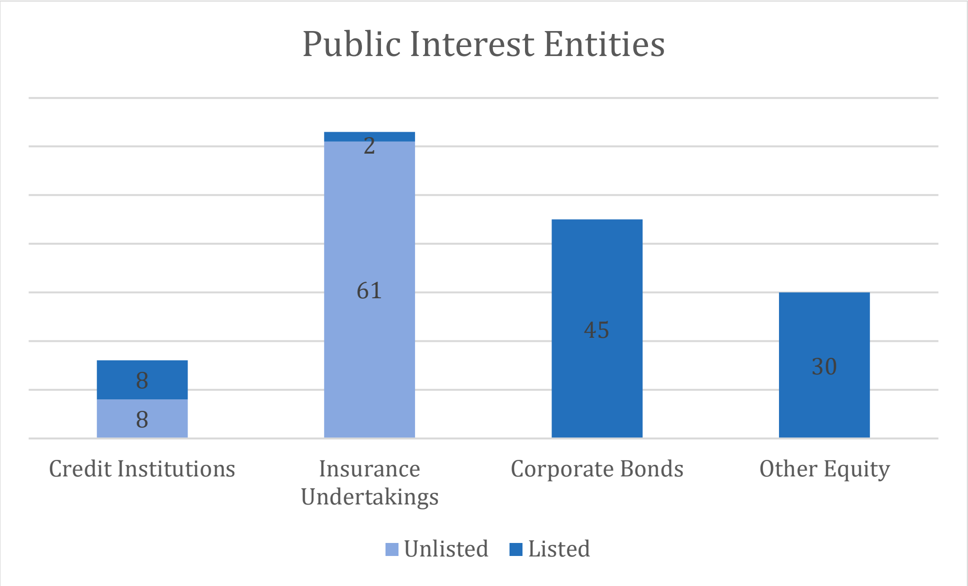
PIE Auditor Firms

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.

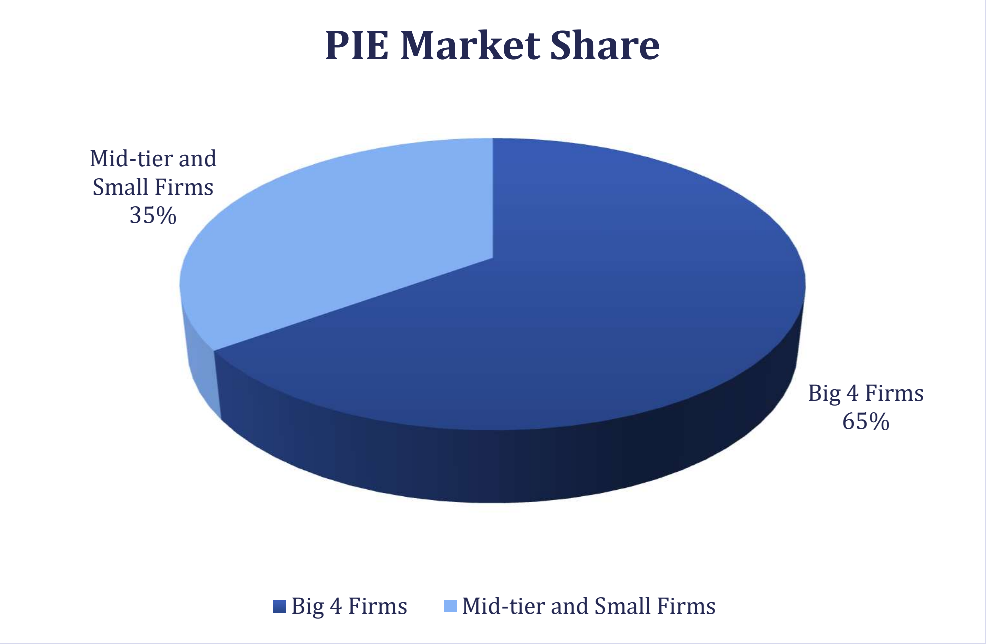
Through the information submitted by audit firms and sole practitioners in their yearly return, the Accountancy Board obtains information regarding their statutory audit clients that are Public Interest Entities.

The number of audit clients declared by audit firms, and which fall within the definition of a public interest entity, amounted to 154 in 2023.

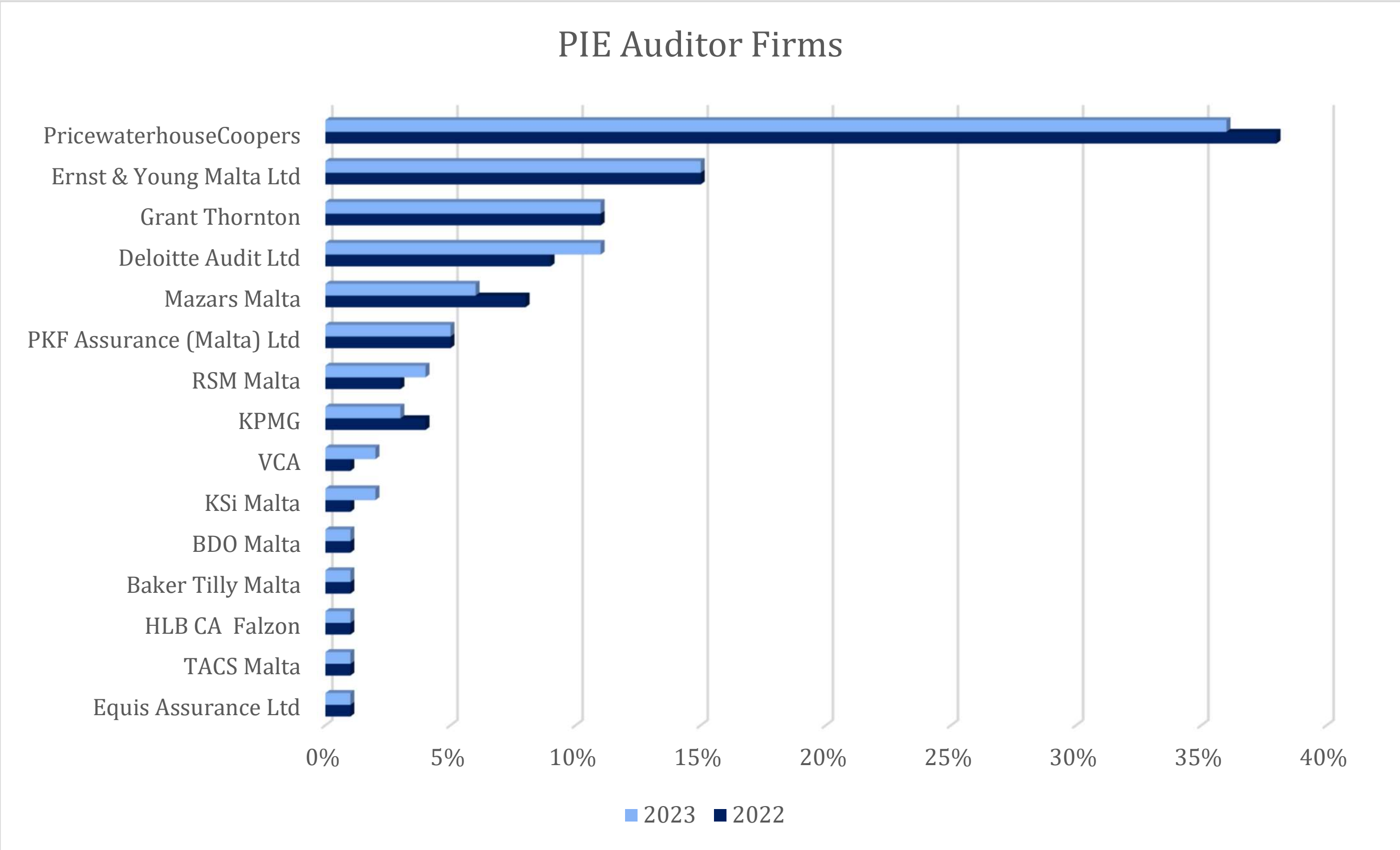
The following is a breakdown of the PIEs by type:



In 2023, the number of audit firms offering statutory audit services to PIE audit clients remained that same as the prior year, that is fifteen. The Big 4 firms serviced 65% of the PIE audits clients, whereas small and mid-tier statutory audit firms handled the remaining 35% of the PIE audit client market.



Depicted below is an analysis of the percentage of PIE clients audited by each PIE audit firm in 2023 as per annual return submissions:



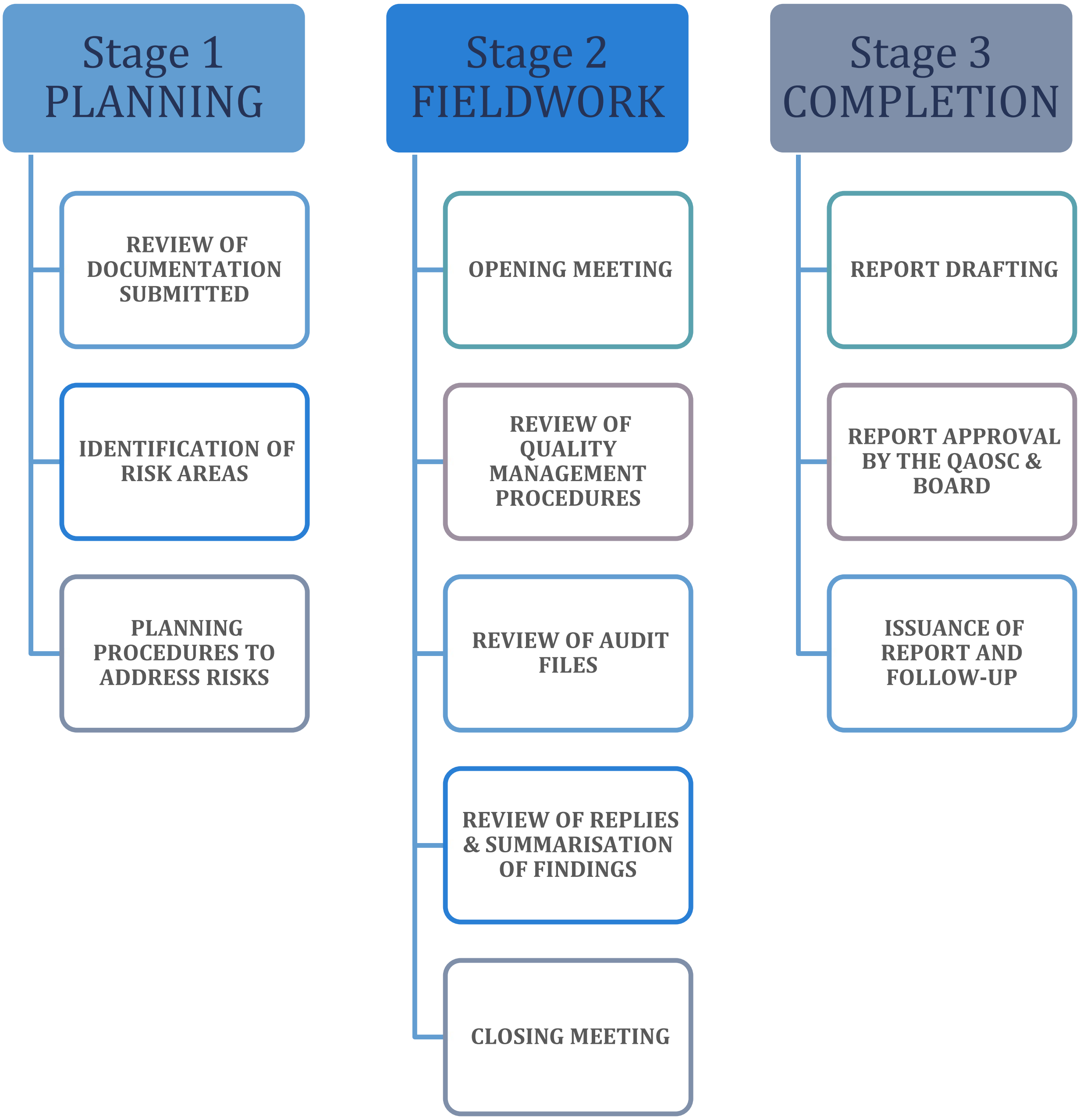
The QAU Inspection Methodology

THE QAU INSPECTION METHODOLOGY

The QAU adopts a risk-based approach in order to select statutory auditors and audit firms for a monitoring visit.

The same approach is also applied throughout the visit itself, from the planning stage to the completion stage.

The following is a summary of the monitoring visit process, which can be divided into three stages:



Stage 1 - Planning

In preparation for the monitoring visit, a review is carried out of the 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 including the audit clients list, 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 management 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, the selected audit files(s) as well as other documentation will be provided, by the compliance principal, to the reviewer(s).

Review of Quality Management Procedures

The general practice/firm review entails a review of the 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;
- Assessment of the practice's/firm's System of Quality Management;
- 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
- Review of the system of quality management; and
- Cold file reviews including any EQCRs carried out.

In view of the new quality management standards ISQM 1 and 2 as well as the revised ISA 220, which became effective for periods on or after 15 December 2022, the QAU has reviewed its methodology on quality management 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 Committee of European Auditing Oversight Bodies (CEAOB) – Inspections Sub-Group to ensure an effective and consistent inspection approach across regulators within the EU.

The CAIM inspection programme was revised to address ISQM 1 & 2 requirements and consists of the following modules:

1. The firm's risk assessment process work programme
2. Governance and leadership work programme
3. Relevant ethical requirements work programme
4. Acceptance and continuance work programme
5. Engagement performance work programme
6. Resources work programme
7. Information and communication work programme
8. Engagement quality review work programme
9. The monitoring and remediation process 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, a review of the system of quality management, disciplinary action and other actions such as warnings, reprimands and declarations.

Follow-up visits

The QAU would carry out a follow-up visit to ensure that the practice/firm 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 review of the system of quality management

The practice/firm would be required to appoint one of the external reviewers approved by the Board to carry out a review of the practice's/firm's whole firm policies and procedures in line with ISQM 1 and 2 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/firm could be asked to provide an upcoming CPE plan and/or to implement an ISA compliant audit programme. Furthermore, warnings may be issued mandating that the finding identified is not repeated in future. 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 2023

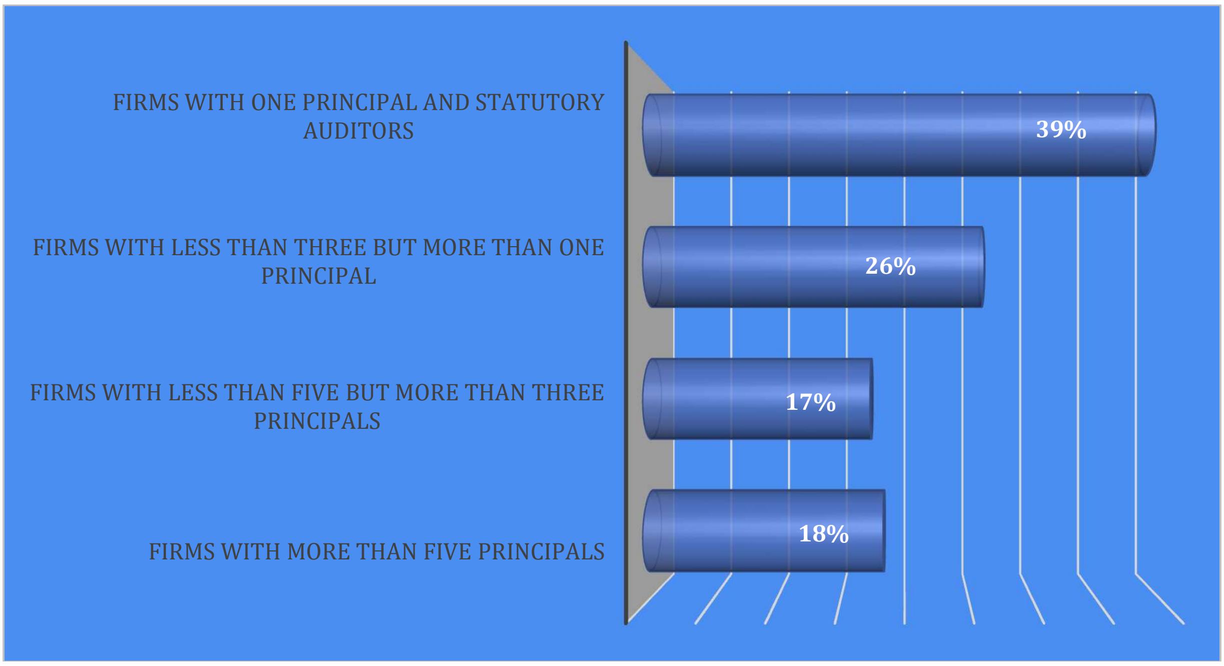
QUALITY INSPECTION VISITS IN 2023

Overview - Visits

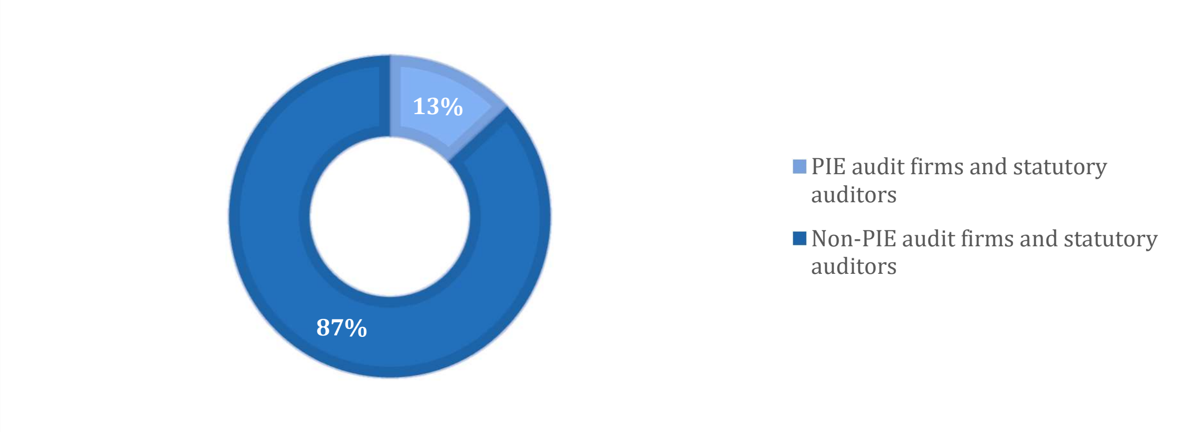
By the end of 2023, the Quality Assurance Unit had carried out a total of 27 visits during the year. Of these visits, 5 were to firms auditing public interest entities.

Thus, since the commencement of the QAU function, i.e. from 2007 to the end of 2023 an aggregate amount of 505 quality assurance visits have been carried out by the Unit. Of these 505 quality assurance visits, as at year end a total of 489 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 2022, during 2023 the Quality Assurance Sub-Committee and Accountancy Board reviewed a total of 23 quality assurance visit reports which can be shown graphically according to the size of the practice/firm inspected as follows:

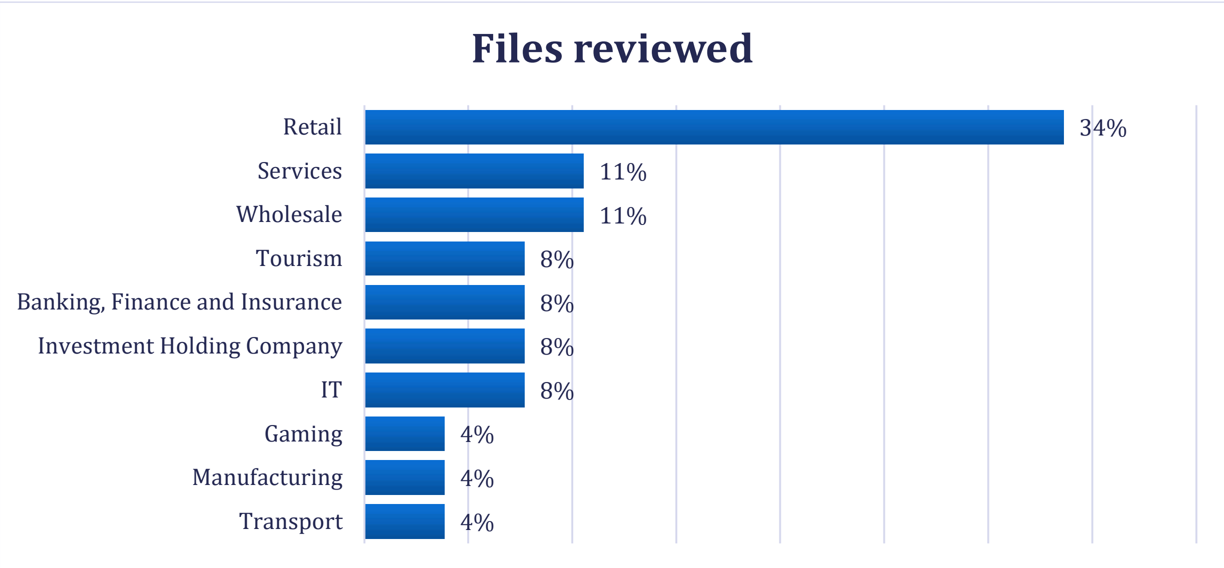


The Accountancy Board, during the year, approved a number of reports pertaining both to PIE auditors and non-PIE auditors. In fact, a total of 3 visits pertaining to PIE audit firms were approved, with the remainder being visits undertaken on sole practitioners and audit firms not auditing PIE engagements. This is shown as follows:



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 23 visit reports approved by the Quality Assurance Sub-Committee and Accountancy Board during 2023, a total of 26 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.

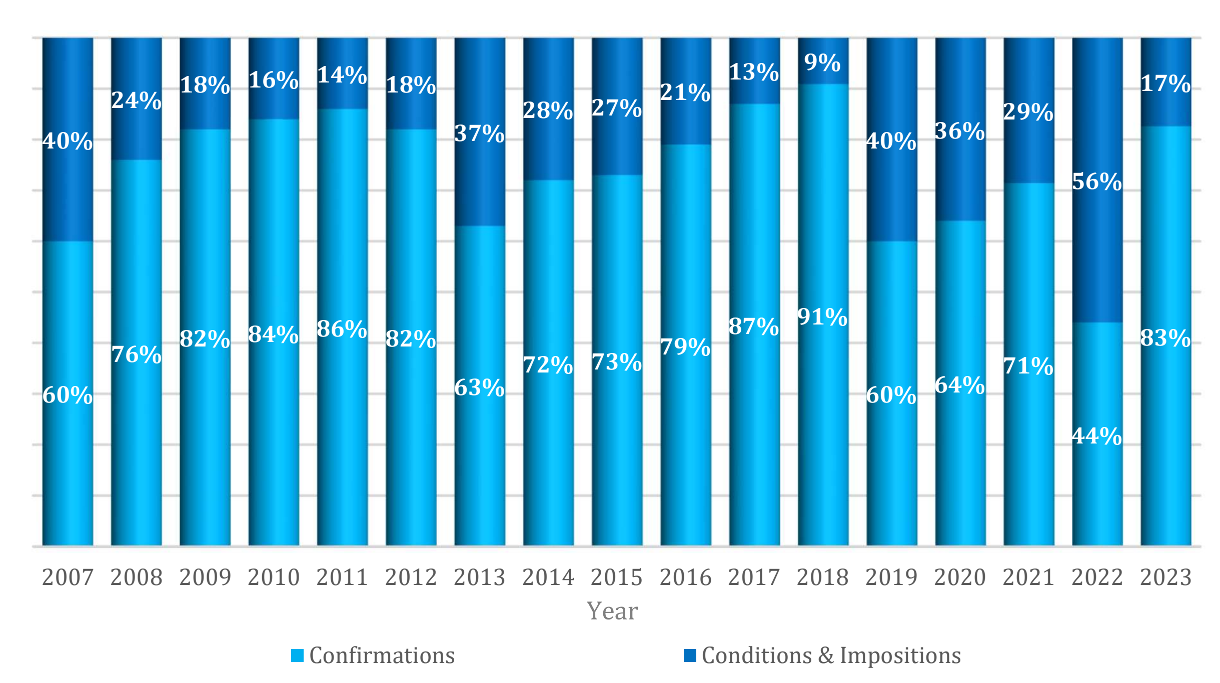
The Accountancy Board requests confirmations, in order to ensure the implementation of procedures to address matters raised during the QAU visit. Confirmations require statutory audit firms or statutory auditors to take action to address the findings identified. During subsequent visits, prior visit 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 reviews of the system of quality management and external cold file reviews. Furthermore, warnings, 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 2023, a total of 17% (2022: 56%) of firms/statutory auditors reviewed had sanctions/conditions imposed in addition to confirmations. Thus, during the year there was a significant decrease in those visits on which one or more sanction or condition has been imposed.

On the other hand, on 83% of visits (2022: 44%) 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 2023, the Accountancy Board imposed the following sanctions/conditions on practices and firms reviewed:

- *External audit compliance reviews* – 1 PIE audit firm was requested to have an external audit compliance review carried out by an approved Accountancy Board external reviewer;
- *External cold file review* –1 external cold file review of a public interest entity was requested on 1 PIE audit firm; and
- *Other restrictions* – this included two firms being issued with a warning in relation to Code of Ethics violations and another sole practitioner being issued with a warning in relation to the audit report.

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 2023 amounted to 107. 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	6	1	1	1	1
Non-PIE Statutory Audit Firms	6	21	0	0	4	3
Full-Time Statutory Auditors	9	22	7	0	1	3
Part-Time Statutory Auditors	4	9	4	0	0	1
Total	**22**	**58**	**12**	**1**	**6**	**8**

2023 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 23 visit reports were approved during 2023 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 ISQM 1 requirements and other legislative requirements.

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

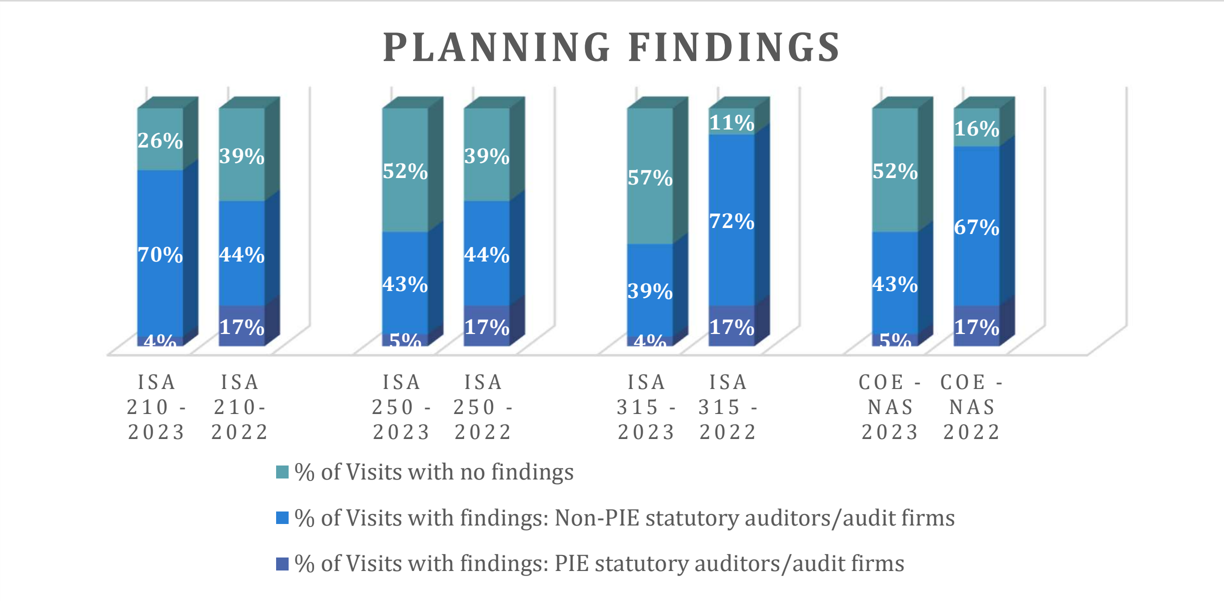
- Audit file findings at planning stage;
- Audit file findings at fieldwork stage;
- Audit file findings at completion stage and audit report review; and
- Whole firm/practice findings.

File findings - planning stage

During 2023, the most recurring breaches of standards identified by QAU reviewers during visits were found in the following:

- ISA 210 – Agreeing the terms of audit engagements;
- ISA 250 – Consideration of laws and regulations in an audit of financial statements;
- ISA 315 – Identifying and assessing the risks of material misstatement; and
- Directive 2 – Code of Ethics – Non-assurance services.

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



ISA 210 - Agreeing the terms of audit engagements

Letter of engagement omissions have been noted on 74% of the Quality Assurance Inspections, with 70% of such findings being noted on non-PIE statutory auditors/audit firms and 4% of PIE statutory auditors/audit firms. Such findings have increased by 13% over the prior year.

Thus ISA 210 – *Agreeing the terms of audit engagements* is a standard which should be revisited by statutory audit firms and audit practices to address any deficiencies. In accordance with ISA 210, the auditor is required to agree the terms of the audit engagement with management or those charged with governance, as appropriate. ISA 210 also identifies the relevant sections to be included in the letter of engagement. In addition, ISA 210 on recurring audits requires that the auditor assesses whether circumstances require the terms of engagement to be revised, and whether there is a need to remind the entity of the existing terms of engagement.

During QAU inspections the findings identified in this regard are summarized as follows:

- the engagement letter was not fully in line with the requirements of ISA 210 and in some instances did not include the responsibility of the auditor to conclude on the appropriateness of management's use of the going concern basis of accounting;
- the engagement letter was issued prior to the carrying out of due diligence and client acceptance processes, including receiving clearance from the prior auditor;
- the applicable financial reporting framework was not being referred to in the engagement letter and in some cases the engagement letter was not being updated to reflect a change in the accounting framework, i.e. from IFRS to GAPSME or vice-versa; and
- non-assurance services provided in addition to the audit were not covered by a letter of engagement.

ISA 250 - Consideration of laws and regulations in an audit of financial statements

In accordance with ISA 250- *Consideration of laws and regulations in an audit of financial statements*, statutory auditors and audit firms are required to obtain a general understanding of both the legal and regulatory framework applicable to the audit client and the industry/sector in which the entity operates and understand how the audit client is complying with that framework. Furthermore, the auditor is required to obtain sufficient appropriate audit evidence regarding compliance with those laws and regulations that can have a direct effect on material amounts and disclosures in the financial statements being audited. The auditor is required to inquire with management and, where appropriate, those charged with governance if the company is in compliance with laws and regulations. The auditor is also required to inspect correspondence, if any is available, with licensing or regulatory authorities. All such considerations should be adequately and appropriately documented on file.

The adequacy of documentation in respect to the engagement team's consideration of laws and regulations continues to be an area for improvement for a number of firms and practices, with findings being identified on 48% of the visits approved in 2023 (61% in 2022). In relation to this standard, weaknesses were noted in regard to the following matters:

- laws that are expected to have a fundamental effect on the entity's operations and to determine material amounts and disclosure in the financial statements were not documented or not documented fully; and

- in some cases no documentation of the statutory auditors/audit firm's consideration of laws and regulations was found on file.

ISA 315 – Identifying and assessing the risks of material misstatement

This standard was revised by IAASB in 2019 and became effective for audits of financial statements for periods beginning on or after 15th December 2021. There were a number of changes to the prior standard to enhance and clarify a number of areas in the standard. However, like the 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.

During QAU inspections the findings identified in this regard despite still being commonly identified during reviews, have significantly decreased from 89% in 2022 inspection visits to 43% in 2023. The main findings identified in 2023 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.

Directive 2 – Code of Ethics – Non-assurance services

In many instances clients, in addition to the audit are provided with other services by the statutory auditor/audit firm or its connected undertakings. Some of the most common types of non-assurance services include preparation of accounting records and the financial statements as well as the provision of tax services (primarily in relation to the tax computation preparation).

In a number of cases, such statutory auditors/audit firms would have policies and procedures to be followed in these situations which would be aligned with the requirements of the Code of Ethics as well as the Accountancy Profession Act (for PIE engagements).

Despite this, it was noted that on 48% of 2023 visits (84% in 2022) issues were noted in relation to the following:

- lack of adherence to the statutory auditor/audit firm's policies and procedures in situations when non-assurance services are provided to audit clients;
- lack of documentation of safeguards adopted to address independence threats arising;
- no documentation of independence considerations on file; and
- on PIE engagements, despite some non-assurance services being permitted in line with the derogation, the requirements found in Article 18A(3) of the Accountancy Profession Act were not fully addressed and documented.

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.

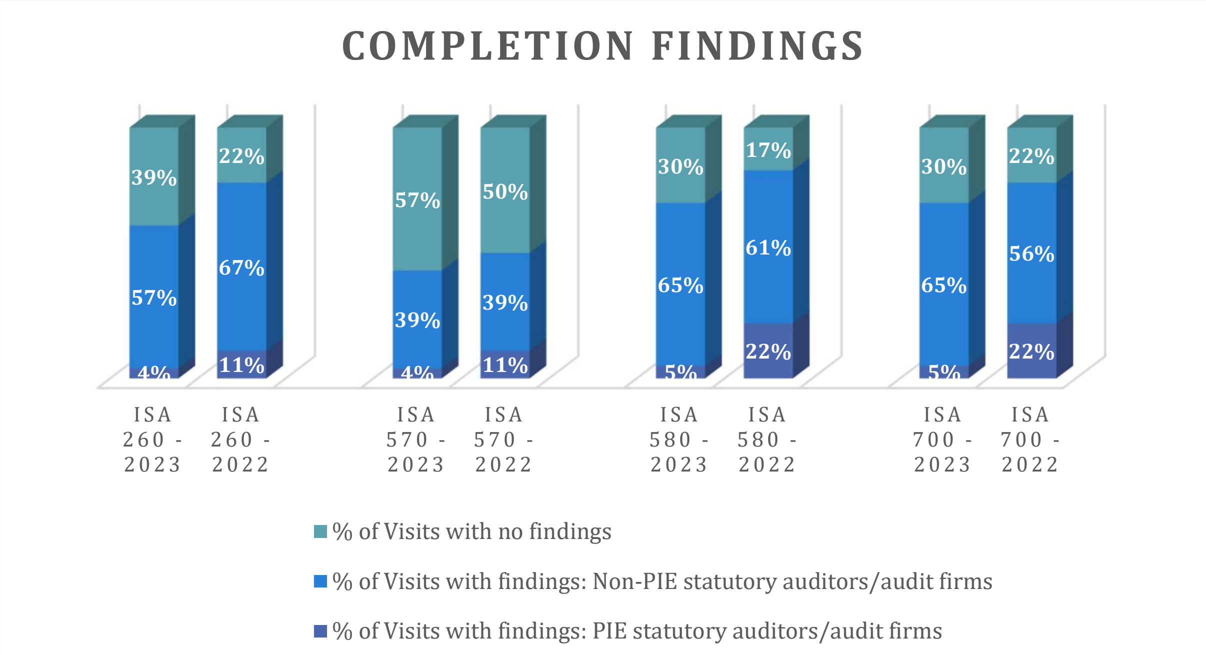
During the course of QAU visits performed, there have been a number of evidence issues which were raised. It was noted in a number of cases, external confirmations were the only source of evidence obtained by the engagement team without any other audit procedures being carried out.

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 260 – Communication with those charged with governance;
- ISA 570 – Going concern;
- ISA 580 – Written representations; and
- ISA 700 – Forming an opinion and reporting on financial statements.

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



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 documentation of the auditor's communication with those charged with governance.

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 2023 and 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 70% of visits approved in 2023 (2022:83%). The most common finding identified in respect to ISA 580 – *Written representations* are that in some instances the list of uncorrected misstatements was not attached to the letter of representation and that a number of representations as identified in the standard itself were 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.

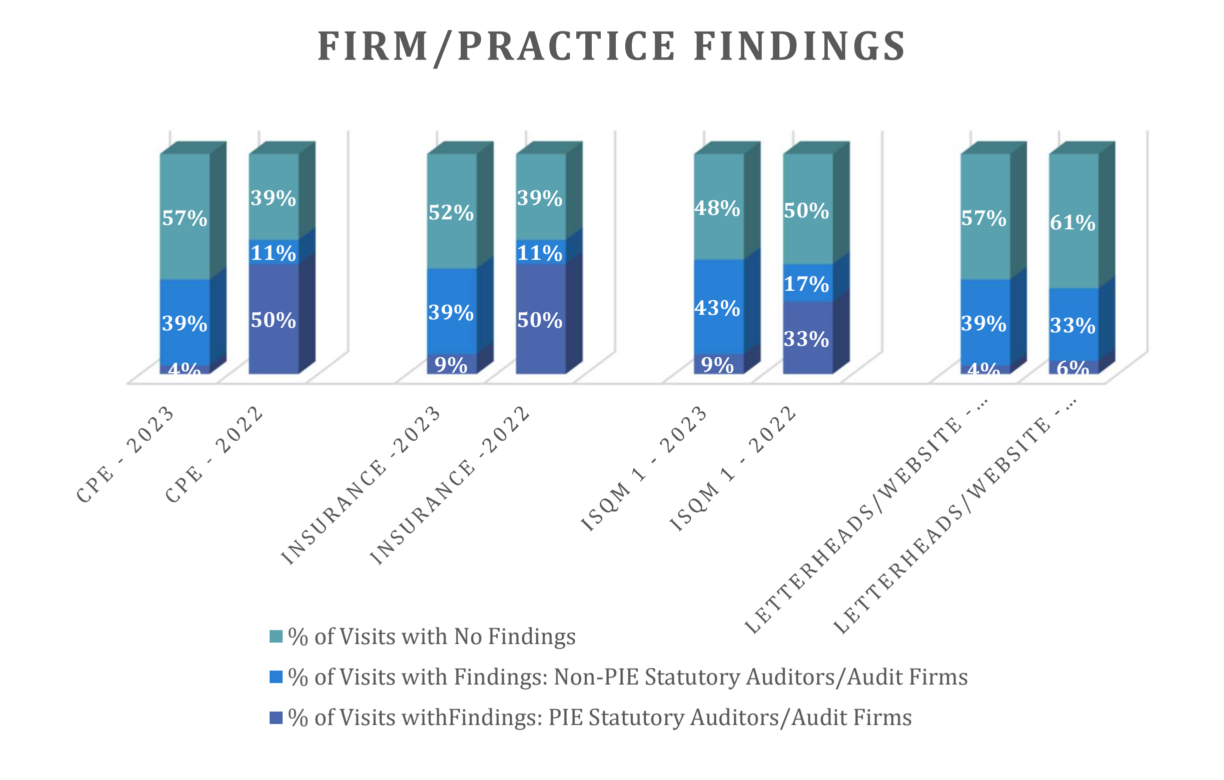
ISA 700 – Forming an opinion and reporting on financial statements

There have been a number of short-comings in respect to issuance of audit reports in line with the requirements of ISA 700. In most instances, the departures 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.

Whole firm/practice findings

During 2023, the most frequent findings raised at whole practice/firm level include findings identified in relation to:

- Continued professional education;
- Professional indemnity insurance;
- ISQM 1 related matters; and
- Contents of letterheads and websites.



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 2023, 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. In some instances, it would be noted that the policy would include a lower sub-limit for cover for dishonesty of employees which would be below the minimum insurance cover permitted by law;

- 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 nor any negligent act, error or omission committed by any of their employees;
- 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.

ISQM 1 related matters

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. From 2023 apart from the statutory auditor/ audit firm now requiring its policies and procedures being drawn up in line with ISQM 1, the QAU also began monitoring processes under the new requirements.

During the course of 2023, some of the visits approved by the Board were in relation to visits which commenced in 2022 and thus were still subject to ISQC 1 requirements. However, on those visits which were subject to ISQM 1 requirements the following matters were noted:

- the ISQM 1 manual did not identify and assess the quality risks. Also, the firm did not design and implement responses to address those quality risks;
- the firm's risk assessment was not documented;
- reference to Directive 1 and 2 of the Accountancy Profession Act was not found;
- independence compliance was only requested from audit staff and not all staff members; and
- the manual did not include the steps the firm will take to resolve matters where a consensus is not reached between those consulted.

Contents of letterheads and websites

Information contained on both letterheads and websites is an area which is also reviewed as part of the QAU visit carried out. From such review a number of matters were identified during the course of 2023:

- letterheads were missing information such as the company registration number and kind of commercial partnership;
- in one instance the website did not include correct information regarding partners and staff of a connected undertaking;
- the website referred to the audit practitioner and connected undertaking which was a registered accounting firm. However, the website did not indicate that audit services were provided solely by the practice; and
- a connected undertaking's website referred to it providing accountancy services, when it is not registered as an accounting firm with the Board. On another visit, the connected

undertaking's website indicated that it provides assurance services, when it was only registered as an accounting firm with the Board.

Participation in International Fora

PARTICIPATION IN INTERNATIONAL FORA

The Accountancy Board has been actively involved in a number of meetings and committees held throughout the year. Amongst others, the following meetings were attended during 2023:

- *CEAOB Plenary meetings*
  Representatives and members of the Board attended CEAOB Plenary meetings held in 2023. The first meeting was held virtually between the 20 and 21 March. Subsequently, physical meetings were held in Brussels – Belgium, between the 29 and 30 June and the 23 and 24 November.

- *CEAOB Inspections Sub-Group meetings and participation in the Deloitte College*
  The QAU attended the CEAOB Inspections Sub-Group meetings held in June 2023. The meetings were chaired by the German Auditor Oversight Body and were hosted by the Slovenian Agency for Public Oversight of Auditing.

  The QAU is involved in one of the colleges, the Deloitte College. During the year, the Deloitte College agreed on new focus areas namely ISQM1 Independence and Resources, Corporate Sustainability Reporting Directive/ Environmental, Social and Governance (ESG) and database findings analysis. The QAU is involved in the focus group related to ISQM1 – Resources. In this regard, the QAU has participated in a number of conference calls held during the year to share their views in this area.

  The QAU also contributed through exchanging information with other members of the college and also analysing information shared by other college members. In addition, through participation in the Deloitte College, QAU reviewers also had the opportunity to meet individually with prominent officers from the Deloitte network.

- *CEAOB Market Monitoring Sub-Group*
  Member States are required to carry out a market monitoring exercise every three years, 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 third market monitoring exercise was submitted to the EU Commission in July 2022. The data was consolidated at EU level and will be published by the EU Commission in the near future. The draft report was approved by the Plenary in November 2023.

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 six meetings organized by the Market Monitoring Sub-Group during the year. Meetings were held in January, March, May, June, October and November. 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).

  Representatives of the board attended six meetings held by the CEAOB Enforcement Sub-Group. Four meetings were held virtually in January, February and October. Face-to-face meetings were held from the 22-23 May, during which Malta was represented on the panel.

  In addition, a webinar was organized in December. Malta was represented on the panel together with Poland, Italy and Finland. A representative of the board, also delivered a presentation on the effective application of sanctions included in Article 30b of the EU Audit Directive. In this regard, two ad-hoc meetings were held in November and December. Meetings were held virtually.

- *Accounting Regulatory Committee (ARC), Audit Regulatory Committee (AuRC) and Member States Expert Group (MSEG)*
  During the year, two joint meetings were held by the Accounting Regulatory Committee, the Audit Regulatory Committee and the Member States Expert Group. The meetings were held virtually in June and December.

  Discussion primarily focused on European Sustainability Reporting Standard (ESRS) regulation and Environmental, Social, and Governance reporting (ESG). A representative of the board also attended an event on ESRS, which was held by the European Union in December.

  Representatives and members of the Board attended the meetings.

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

Collaboration with Other Institutions

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