

BACKGROUND NOTE ON ACTION PLANS

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption¹ and implementation² of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where improvements are needed. Based on the results of the assessment, Members and Associates develop an SMO Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs and (b) where some requirements are not yet addressed, to present plans towards their fulfillment.

SMO Action Plans are designed to be ever-green documents that provide a comprehensive description of the accountancy profession and its legislative and regulatory environment in the jurisdiction as well as the actions undertaken by IFAC Members or Associates to support adoption and implementation of international standards and best practices.

Regular updates of the SMO Action Plans are required as part of the IFAC Member Compliance Program.

Use of Information

Please refer to the [Disclaimer](#) published on the Compliance Program website.

ACTION PLAN

IFAC Member:	The Malta Institute of Accountants
Approved by Governing Body:	MIA Executive Committee, November 2017
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¹ *Adoption* is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

² *Implementation* may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.

GLOSSARY

ACCA	Association of Chartered Certified Accountants
A.I.A.	Associate of the Malta Institute of Accountants
CPE	Continuous Professional Education
F.I.A.	Fellow of the Malta Institute of Accountants
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IASB	International Accounting Standards Board
ICAI	Institute of Chartered Accountants in Ireland
IES	International Education Standards
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRSs	International Financial Reporting Standards
IPSASs	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISAs	International Standards on Auditing
ISQC	International Standard on Quality Control
ISREs	International Standards on Review Engagements
ISRSs	International Standards on Related Services
M.I.A.	Member of the Malta Institute of Accountants
MIA	The Malta Institute of Accountants
PAO	Professional Accountancy Organization
QA	Quality Assurance
QAOC	Quality Assurance Oversight Committee
QAU	Quality Assurance Unit
SMEs	Small and Medium-Sized Entities
SMOs	Statements of Membership Obligation
SMP	Small and Medium Practices

Action Plan Subject: SMO 1 – Quality Assurance

Action Plan Objective: Continue to use best endeavors to ensure that Quality Assurance Reviews are conducted in accordance with SMO 1, and that adequate training and practice support tools are made available by the MIA to its Members to assist them in implementing and maintaining appropriate systems of quality control.

Background:

In Malta, the Quality Assurance Review system for firms performing audits of listed, other public interest entities and all other entities, is operated by the Accountancy Board. The MIA has no responsibility although, as detailed below, it encourages and assists in the implementation of SMO1 where appropriate.

The Quality Assurance legislation was published in February 2006. However, the QA system became fully functional in April 2007 when the first reviews started to be carried out. Although the Institute had recommended that the Quality Assurance function should be completely independent of the Profession (hence not administered by the Institute), the MIA was instrumental in its setting up by, amongst others, establishing contacts with the Institute of Chartered Accountants in Ireland (ICAI) for the latter to assist in the necessary preparations and provide training to QAU staff.

The Quality Assurance system in Malta is in compliance with the requirements of the extant SMO 1 and is presently administered by the Accountancy Board as follows:

In prior years, the Quality Assurance Oversight Committee was responsible for the quality assurance function. However, as from 2016, and as a result of the changes to the Audit Directive, the quality assurance function is being dealt with directly by the Accountancy Board, which is now solely composed of non-practitioners. The Board has set up a Quality Assurance Oversight Sub-Committee to assist in this role, reporting directly to the Board. The Quality Assurance Unit (QAU) is the Unit which 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 QAU adopts a risk-based approach when carrying out monitoring visits to statutory auditors and firms, including the selection stage of statutory auditors and firms for review as well as throughout the visit itself from planning to completion. Visits to PIE auditors and firms are carried at least once every three years whilst visits to non-PIE statutory auditors and firms performing audits of entities under the European Union Law are carried out at least once every six years. Where audit quality issues are noted, follow-up visits (outside the normal visit cycles) are also carried out. These normally occur within nine months from the completion of the prior visit. The QAU visit cycle is detailed in the Accountancy Board 2016 Report (see link at > <https://secure3.gov.mt/accountancyboard/Library/Reports.aspx>) is:

The Quality Assurance Process detailed above is intended to be a means through which the Board provides assurance as to the quality of the professional work of statutory auditors in public practice and statutory audit firms and on the maintenance of appropriate levels of professional standards.

“Public practice” refers to the following activities carried out by holders of a practicing certificate in auditing: (a) acting as a statutory auditor or a statutory audit firm, excluding, for the avoidance of doubt, a practicing certificate holder who is in the employ of another statutory auditor or a statutory audit firm; (b) signing any report or certificate on financial statements in circumstances where reliance is likely to be placed on such report or certificate by any other person, or when a statutory audit firm or a statutory auditor does any other thing which may lead the third party to believe

<p>that accounts have been prepared, approved or reviewed by such statutory auditor or statutory audit firm; or (c) holding oneself out, or allowing oneself to be held out, as being available to undertake any of these activities in (a) and or (b).</p> <p>The Institute has no direct responsibility in this area, but focuses on related education and practice support initiatives to assist firms in aligning their methodologies with best practice and legal obligations. Relevant and focused training specifically targeted to Quality Assurance requirements constantly feature on the Institute's CPE Program.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Continue to use best endeavors to encourage the Accountancy Board to follow SMO 1</i></p>					
1.	Ongoing	<p>The Institute nominated two of its members to assist the Accountancy Board. In view of the fact that the Board is now composed solely of non-practitioners, the role of nominated MIA members is to assist the Board's in the proper discharge of its duties, however they are not involved in the decision-making of the Board. The Board meets as a minimum once a month.</p> <p>The Institute is also requested to propose MIA members, who are non-practitioners, to sit on the Board. The Institute submits four nominations to the Minister for Finance, who then selects two candidates. The Board consists of a Chairman and six other members, all of whom are non-practitioners.</p>	Ongoing	MIA Officers	
<p><i>Maintaining Ongoing Processes</i></p>					
2.	Ongoing	<p>Ensure an adequate level of relevant and focused CPE training specifically targeted to Quality Assurance is made available to MIA members.</p> <p>Recently delivered the following course: Focus on ISQC1 & ISA220</p> <p>Please also refer to other training activities organized as included in SMO3 below.</p>	<p>Ongoing</p> <p>Completed October 2016</p>	Technical team	Experienced lecturers and tutors

#	Start Date	Actions	Completion Date	Responsibility	Resource
3.	Ongoing	<p>Review the yearly report issued by Accountancy Board to identify knowledge gaps resulting from recent Quality Assurance visits. The latest Accountancy Board review highlighted the deficiencies in audit reporting, quality control issues, adequate documentation and continued professional education amongst others. These were acted upon by delivering seminars on the quality control, as detailed above and audit reporting as detailed in SMO3 below.</p> <p>Technical guidance as detailed in SMO3 was issued to help members in the transition to the new auditor reporting standards and formats. An article addressing audit documentation and other issues was also published in the Institute's Autumn 2017 Issue titled '<i>International Standards on Auditing and their Applicability to SMEs</i>'.</p>	Ongoing	Technical team	Technical team MIA sub-committees
4.	Ongoing	<p>Better use of IFAC's SMP Committee Guides on using ISAs in the Audits of Small- and Medium-Sized Entities and on Quality Control for Small- and Medium-Sized Practices.</p> <p>Initiatives taken by MIA include publishing the following guides on the MIA website:</p> <p>(a) Guide to using ISAs in the Audit of SMEs (b) Applying ISQC1 proportionately</p> <p>Other ongoing initiatives include:</p> <p>(a) Using the Guides as reference material in courses on ISAs and ISQC 1; (b) Using the guides as reference for the publication of future guidance notes or technical material. (c) The technical team also issues a quarterly journal titled 'The Accountant'. The Autumn 2017 issue focused specifically on SMPs and quality control.</p>	Ongoing Ongoing	Technical team	Technical team MIA Auditing Committee MIA SMP Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Review of MIA's Compliance Information</i>					
5.	Ongoing	Review responses to the IFAC compliance self-assessment questionnaires and update sections relevant to SMO 1. Once updated, inform IFAC compliance staff in order for them to republish updated information.	Ongoing	Technical team	Technical team

Main Requirements of SMO 1

Requirements	Y	N	Partially	Comments
Scope of the System 1. At a minimum, mandatory QA reviews are required for all audits of financial statements.	√			
Quality Control Standards and Other Quality Control Guidance 2. Firms are required to implement a system of quality control in accordance with the quality control standards.	√			
3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.	√			
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	√			

Requirements	Y	N	Partially	Comments
Review Cycle				
5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	√			
6. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities).	√			
QA Review Team				Please refer to Directive 4 – VII – The QAU as follows: https://secure3.gov.mt/accountancyboard/Library/Regulations.aspx
7. Independence of the QA Team is assessed and documented.	√			
8. QA Team possesses appropriate levels of expertise.	√			As above
Reporting				
9. Documentation of evidence supporting the quality control review report is required.	√			
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	√			
Corrective and Disciplinary Actions				
11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	√			
12. QA review system is linked to the Investigation and Discipline system.	√			

Requirements	Y	N	Partially	Comments
<p>Consideration of Public Oversight</p> <p>13. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed.</p>	√			Please refer to background information above
<p>Regular Review of Implementation and Effectiveness</p> <p>14. Regular reviews of implementation and effectiveness of the system are performed.</p>	√			

Action Plan Subject: SMO 2 – International Education Standards for Professional Accountants and Other Pronouncements issued by the IAESB
Action Plan Objective: Continue to use best endeavors to ensure compliance with International Education Standards

Background – Program of Professional Accounting Education and Admission to MIA Membership

Professional development requirements for all warrant holders in Malta are specified in the Accountancy Profession Act CAP 281 Article 3 (<http://justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=8769>)

The Accountancy Profession Act of 1979 lays out that a warrant to practice in the profession shall only be granted to a person if (amongst others) he/she has completed a University final level qualification or equivalent examination level, recognized by the Accountancy Board. At present a student has three recognized routes for qualification: the University of Malta Master's in Accountancy, the MIA-ACCA Joint Scheme and the ICAEW ACA qualification. The ACCA and ACA qualification are also recognized as an equivalent qualification to the Masters in Accountancy.

MIA operates a Joint Scheme with the Association of Chartered Certified Accountants (ACCA), based on the ACCA Qualification. This joint scheme differs from the ACCA Professional Scheme only to the extent that it includes variant papers on Maltese Corporate and Taxation law. The joint scheme is administered by ACCA.

The Master's in Accountancy, the MIA-ACCA Joint Scheme & ACA routes lead to an accountancy qualification which entitles the holder to be admitted as an Associate Member of the Institute (see below) and to be awarded a Certified Public Accountant warrant by the Ministry for Finance after the relevant experience requirements* have been met.

(*The Accountancy Profession Act Art 3 (2)(e) states that to obtain a warrant he/ she requires adequate experience in the practice of accountancy for an aggregate period of three years, of which an equivalent of at least one year's experience shall be gained after he has obtained the academic qualification)

The MIA has three tiers of membership, namely:

- **Associate:** synonymous to 'entry level' membership. An individual can apply to become an Associate of the Institute only if he or she is fully qualified, and is thus in possession of a relevant Professional Accountancy Qualification, but has not yet obtained the necessary practical experience. An Associate may use after his name the initials A.I.A. or AIA (representing the words "Associate of the Malta Institute of Accountants").
- **Member:** an individual can apply to become a Member of the Institute only if he or she is fully qualified (hence in possession of a relevant Professional Accountancy Qualification), and has obtained the necessary practical experience*. A Member may use after his name the initials M.I.A. or MIA (representing the words "Member of the Malta Institute of Accountants").
- **Fellow:** an individual who has been a Member of the Institute for five years is automatically upgraded to Fellow. A Fellow may use after his name the initials F.I.A. or FIA (representing the words "Fellow of the Malta Institute of Accountants").

In relation to practical experience above, for an applicant to be eligible for “**Member**” status, both of the following conditions must be satisfied:

1. An applicant must demonstrate that he or she has obtained acceptable, supervised, practical experience for a period of at least three years, of which at least one year’s experience must have been gained after the applicant has obtained the Professional Accountancy Qualification (hereinafter referred to as ‘the relevant experience’).
2. An applicant must demonstrate that he or she has obtained the relevant experience in at least 16 Elements of Competence made up as follows:
 - (a) All 4 Mandatory Management Elements of Competence (marked with the letter ‘M’) in Key Area 9 Manage People; and
 - (b) At least 12 Technical Elements of Competence in Key Areas 1 – 8 including a minimum of 6 Key Technical Elements of competence (marked with the letter ‘K’) taken from at least two Key Areas.

For more details visit: <http://www.miamalta.org/Page.aspx?pageid=69>

Background – Program of Continuing Professional Education

All Members of the Malta Institute of Accountants (MIA) and warrant holders are obliged to undertake CPE.

MIA Members have to meet the requirements set in the MIA CPE Regulations available on the MIA website [http://www.miamalta.org/MediaCenter/PDFs/1_MIA%20CPE%20Regulations%20\(effective%20from%201%20January%202017\).pdf](http://www.miamalta.org/MediaCenter/PDFs/1_MIA%20CPE%20Regulations%20(effective%20from%201%20January%202017).pdf) . Warrant holders have to meet the requirements of the Accountancy Board CPE Scheme available on the Accountancy Board website <https://secure3.gov.mt/accountancyboard/Library/Regulations.aspx> .

A Member who is a warrant holder needs to satisfy the reporting obligations of both schemes. As for the CPE hours he/she needs to satisfy the minimum requirements set by any of the Schemes (which are identical in this matter).

The Institute’s CPE Regulations were revised and the new and currently applicable regulations are effective as from 1 January 2017. The Regulations can be downloaded from the following link: http://www.miamalta.org/mediacenter/PDFs/1_2017.04.01%20%20CPE%20FAQs%20-%20cIn.pdf

The annual minimum requirements are as follows: 25 hours of Structured CPE (10 of which must be Core) and 15 hours Unstructured. In other words, 40% of the hours must fall under Core competencies. The remaining 60% can fall under Core competency, Professional Development competency or both. Any hours in excess of the minimum requirements cannot be carried forward to the following year.

Courses, conferences, seminars, organized technical discussion meetings, web-based learning activities, service on technical committees, lecture preparation and lecturing, and reading for a relevant post tertiary course are types of activities that typically count as structured CPE.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption of IAESB Pronouncements</i>					
6.	Ongoing	Continue to use best endeavors to encourage the Ministry for Education and the Accountancy Board to put in place rules to align education and CPE requirements with IES. The Institute will be setting up a committee specifically focused on the accounting profession in Malta. The main objective of the Education Advisory Group is to promote the accounting profession in Malta amongst the younger generation, to ensure that the curriculum is in line with international standards and to guide accountants in their career.	Ongoing	CEO, Technical team	Technical team Education Advisory Group
<i>Maintaining Ongoing Processes</i>					
7.	Ongoing	Provide courses on new and revised IAESB, IAASB, IESBA pronouncements to raise awareness and enhance understanding of and compliance with ethical requirements and the requirements of the quality control, auditing and financial reporting standards. Publish links on monthly Technical E news and quarterly journal. Refer to SMO 3 Action plan below	Ongoing	Technical team	Technical team
<i>Review of MIA's Compliance Information</i>					
8.	Ongoing	Perform periodic review of responses to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 2 as necessary.	Ongoing	Technical team	Technical team

Action Plan Subject: SMO 3 – International Standards and other Pronouncements Issued by the IAASB
Action Plan Objective: Continue to use best endeavors to assist with the implementation of IAASB pronouncements.

Background:

To date in Malta all companies, regardless of size are subject to an audit of their financial statements. International Standards on Auditing (ISAs) have been entrenched in the Maltese Companies Act since its enactment in 1995. The Institute's members had been required to comply with ISAs even before their entrenchment in the Companies Act. It was in fact on the Institute's initiative and insistence that these international standards were given the status of national legislation.

The specific requirement to follow ISAs is detailed in S.L. 281.02 Accountancy Profession (Accounting and Auditing Standards) Regulations ([file:///C:/Users/mspiteribailey/Downloads/Accountancy%20Profession%20\(Accounting%20and%20Auditing%20Standards\)%20SL281.02%20\(4\).pdf](file:///C:/Users/mspiteribailey/Downloads/Accountancy%20Profession%20(Accounting%20and%20Auditing%20Standards)%20SL281.02%20(4).pdf)), which defines "Generally Accepted Auditing Standards". This definition was slightly amended in 2008 to cater for the eventual adoption of ISAs by the EU as contemplated by Article 26 of the Statutory Audit Directive and was updated again to adopt amendments introduced by the EU Audit Directive 2014/56/EC.

The legislation states that compliance with "generally accepted auditing standards" shall mean adherence to international auditing standards: Provided that international auditing standards as adopted by the EU on a particular subject-matter shall apply instead and to the exclusion of international auditing standards covering the same subject-matter: Provided further that in conducting the statutory audit of small undertakings, the application of the auditing standards is to be proportionate to the scale and the complexity of the activities of such undertakings. Furthermore it also allows for the Board to take measures in order to ensure the proportionate application of the auditing standards of the statutory audits of small undertakings (although to date the Board has not yet taken such measures).

Having been influential in the adoption of ISAs in Malta in the early nineties, the Institute's responsibilities today mainly revolve around assisting members with the implementation of the ISAs. This includes any updates such as the new auditor reporting standards effective for financial periods ending on or after 15 December 2016, as well as any other pronouncements issued by the IAASB. In that regard the Institute is primarily involved in the initiatives as detailed below:

- (a) The MIA regularly provides training on ISAs as part of its own CPE programme;
- (b) The MIA issues Technical Pronouncements to help members and firms in carrying out specific engagements, very often of an assurance nature;
- (c) The MIA has a Technical Helpdesk to provide amongst others technical assistance on the implementation of ISAs to MIA members;
- (d) The MIA creates awareness on international standards proposed by the IAASB from time to time, and on International Standards on Auditing in general, primarily through the Institute's quarterly journal *The Accountant* but also through its *Technical E news* newsletter, sent to all members on a monthly basis

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Continue to use best endeavors to assist with the implementation of IAASB pronouncements</i>					
9.	May 2016	Recently delivered the following courses: The New and Revised Auditor Reporting Standards	Completed May 2016	Technical team	Technical team
		The New and Revised Auditor Reporting Standards	Various short sessions given between January and April 2017		MIA Auditing Committee
	September 2017	Risk Assessment and Audit Strategy	September 2017		
10.	n/a	Plan to organize the following course: To organize more specific events focused on auditing standards, quality and ethics	Planned 2018	Technical team	Technical team MIA Auditing Committee
11.	February 2016	Issued the following technical guidance available to all members: Audit 01.16 – Verification of financial and non-financial information. Audit 02.16 – The New and Revised Auditor Reporting Standards Audit 01.17 – The New and Revised Auditor Reporting Standards – Appendix 1 The guidance also includes links and references to the IFAC website	Completed 2016 and 2017	Technical team	Technical team MIA Auditing Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
12.	Ongoing	Create awareness about the IAASB International Framework for Assurance Engagements through a) the Institute's quarterly journal ' <i>The Accountant</i> ' and monthly newsletter ' <i>Technical E news</i> '; b) and through inclusion in the Institute's CPD Program.	Ongoing	Technical team	Technical team
<i>Maintaining Ongoing Processes</i>					
13.	Ongoing	Develop a program for responding to IAASB Exposure Drafts that have a direct impact on the local profession, through participation in the Accountancy Europe Auditing Working Party and on the IFAC SMP Committee, as well as through direct submission of comment letters.	Ongoing	Technical team	MIA representatives on Accountancy Europe and the IFAC SMP Committee
14.	Ongoing	Create awareness on IAASB standard setting initiatives.	Ongoing	Journal editor Newsletter editor	<i>the Accountant</i> journal <i>the Technical E news</i> newsletter
15.	Ongoing	Ensure the continued availability of a Technical Helpdesk Service to MIA members which addresses technical queries on ISAs, and the Code of Ethics.	Ongoing	Technical team	Technical team
<i>Review of MIA's Compliance Information</i>					
16.	Ongoing	Review responses to the sections relevant to SMO 3. Once updated, inform IFAC compliance staff in order for them to republish updated information.	Ongoing	Technical team	Technical team

Action Plan Subject: SMO 4 – IESBA Code of Ethics for Professional Accountants
Action Plan Objective: Continue to use best endeavors to incorporate the IFAC Code and to promulgate same with the Institute’s members and on a national level

Background:

The Accountancy Board is responsible for issuing ethical standards for warrant holders. The MIA requires that its members follow ‘Directive 2 - Code of Ethics for Warrant Holders’ issued by the Accountancy Board, with the approval of the Minister for Finance (<https://secure3.gov.mt/accountancyboard/Library/Regulations.aspx>).

The role of the MIA over the years and its involvement in the adoption of the Code of Ethics was key in ensuring that Directive 2 - Code of Ethics for Warrant Holders is based on the IESBA Code amended in certain areas to reflect additional requirements contained in the EU recommendation:

The first MIA Code to be based on the recommendations and guidelines made by the International Federation of Accountants (IFAC) dates back to 1992. That Code stipulated that the rules contained therein were mandatory on members, who were therefore liable to disciplinary action if found in breach of the rules contained in the Code. Upon the Institute’s insistence, the Accountancy Board adopted the MIA Code of Ethics in 1996.

The Accountancy Board updated the Code of Ethics applicable to warrant holders in Malta to reflect a number of developments, these include the following IESBA changes:

- The 2001 IFAC revisions to Section 8 of the IFAC Code of Ethics, addressing independence requirements for assurance engagements.
- The 2002 IESBA extension of the principles based (or ‘Framework’) approach to the entire IFAC Code, addressing accountants in public practice and in business.
- The 2008 IESBA amendments revisiting the independence requirements for warrant holders in public practice that perform assurance engagements.
- The July 2009 revision to the IESBA Code clarifying the requirements for all warrant holders and strengthening the independence requirements of all warrant holders in public practice.

This process was accompanied by the development of similar guidance, with particular emphasis on auditor independence, which has been issued by various regulatory and other authorities, including the European Commission. In May 2002 the European Commission issued as a recommendation, a set of fundamental principles on Statutory Auditors’ Independence in the European Union. The EU recommendation was also based on a set of fundamental principles that seek to provide investors and other stakeholders in EU companies with a uniformly high level of assurance that statutory auditors perform their audit work independently throughout the EU. This recommendation provided a framework within which all of the general issues of statutory auditors’ independence are considered. This Code takes into account the European Commission’s recommendation.

Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts which requires Member States to ensure auditor independence, also requires all warrant holders to be subject to principles of professional ethics, integrity, objectivity, professional competence and due care. Directive 2014/56/EU of the European Parliament and of the

Council of 16 April 2014 amending Directive 2006/43/EC further reinforced the concept of independence. These provisions have been transposed in the Code of Ethics.

The latest version of the Code is effective as from 17 June 2016, subject to a few transitional provisions.

Over the years, the Institute was always consulted by the Accountancy Board prior to introducing any of the above mentioned IESBA changes or EU regulatory requirements, and in most cases it initiated the procedure for the change. With reference to the recent 2016 NOCLAR changes, the Institute is again an active participant in the change. Its involvement included: informing the Accountancy Board of the change, setting up a joint working group between the Ethics Committee of the MIA and members from the QAU of the Accountancy Board and preparing a draft update of the Code of Ethics for Warrant Holders Directive including the NOCLAR amendments. The Accountancy Board is presently reviewing the changes and once confirmed the revised Code of Ethics will be issued as mandatory to all warrant holders and members of the Institute.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Continue to use best endeavors to incorporate the changes to the IESBA Code of Ethics in the Code of Ethics applicable to warrant holders and MIA members</i>					
17.	Jun 2016	Participation in the Audit Reform Transposition Working Group, transposing the provisions of the Audit Directive 2014/56/EU	Completed August 2016	Technical team	Technical team
18.	February 2017	Participation in a joint working group for the transposition of the 2016 NOCLAR changes into Directive 2 – Code of Ethics for Warrant holders	Completed May 2017	Technical team	Technical team MIA Ethics Committee
<i>Maintaining Ongoing Processes</i>					
19.	Ongoing	Raise awareness amongst members on Ethical matters with reference to the IESBA Code of Ethics and the Local Code of Ethics: <ul style="list-style-type: none"> ▪ Articles and news updates in the Institute’s quarterly journal <i>The Accountant</i> and in the MIA’s newsletter <i>Technical E news</i>; ▪ Organizing information sessions as part of the MIA CPE training program. 	Ongoing	Technical team	Technical team MIA Ethics Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
20.	2018	As soon as the NOCLAR changes are approved by the Board, the Institute intends to organize CPE sessions addressing the NOCLAR changes.	Planned 2018	Technical team	Technical team MIA Ethics Committee
21.	Ongoing	Ensure the continued availability of a Technical Helpdesk Service to MIA members which addresses technical queries on ISAs and the Code of Ethics.	Ongoing	Technical team	Technical team MIA Ethics Committee
<i>Review of MIA Compliance Information</i>					
22.	Ongoing	Review responses to the sections relevant to SMO 4. Once updated, inform IFAC compliance staff in order for them to republish updated information.	Ongoing	Technical team	Technical team

Action Plan Subject: SMO 5 – International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
Action Plan Objective: Use best endeavors to promote compliance with IPSASs

Background:

The IPSAS standards reviewed and presented so far (IPSASs as adopted by the Maltese Government) are still in draft format. Government accounting is still on a cash basis and financial reports produced from the current system, the Departmental Accounting System (DAS), are cash based reports*.

The contract with the contractors implementing the change-over from DAS to the new system was signed in July 2017, and now the implementation process will take its course according to the agreed implementation plan. The transition to accrual accounting and IPSAS will depend on the implementation progress of the new system, Unit 4 Business World.

(*Accrual accounting information on excel spreadsheets currently supplements information available from DAS, as this is required by the NSO for reporting purposes to Eurostat).

With reference to awareness and training of IPSASs, the Public Sector Accounting elective offered in the Masters in Accountancy has proved very popular with university students. The result of this is that more graduates are aware about the particularities of the public sector and about IPSAS. Research in this area has substantially increased, including the number of dissertations on public sector budgeting, auditing and financial reporting. Some dissertations deal with particular IPSAS and the IPSASB Conceptual Framework.

The Higher Diploma Public Accounting and Finance was run twice by the University - in 2010 and 2013. There were 56 graduates in all, who are now employed on finance-related posts across the public service.

On the request of the Institute for Public Services, this higher diploma is now being upgraded to a first degree. It is planned that the BA (Hons) Public Sector Accounting shall be offered by the University as from October 2018. The first degree shall be sponsored by the Government, and shall be offered to public service employees. The new course shall include a higher element of financial reporting (focusing on IPSAS) and public sector auditing, budgeting, and financial management. Successful graduates shall be known as "Public Sector Accounting Managers".

Moreover, the BA (Hons) Public Administration degree, now includes three units on Governmental Accounting. This course is targeted for public administrators. While not finance-related, it was deemed opportune that public administrators have some financial knowledge. The three units on Governmental Accounting refer to IPSAS and the IPSASB Conceptual Framework, albeit not in so much detail given that the students are not engaged on finance-related posts.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Use best endeavors to promote compliance with IPSASs</i>					
23.	Ongoing	Encourage the Department of Accountancy to incorporate IPSASs within the <i>Higher Diploma in Public Accounting and Finance</i> syllabus.	Ongoing	Technical team	Head, Department of Accountancy
24.	July 2016	The Malta Institute of Accountants set up an IPSAS Working Group in July 2016 to offer support in the adoption of IPSASs by the Maltese Government. Since then, the IPSAS working group reviewed and discussed IPSAS 31 (Intangible asset) and IPSAS 17 (PPE), IPSAS 16 (Investment property), IPSAS 21 and 26 (Impairment) Guidelines and Standards. The IPSAS working group is now looking at IPSAS 13 (Leases) Standard and Guidelines.	Ongoing	Technical team	Ministry for Finance
<i>Maintaining Ongoing Processes</i>					
25.	Ongoing	Publish news on IPSASs in the MIA journal <i>The Accountant</i> and in the MIA's Technical E news when relevant to the local circumstances.	Ongoing	Journal editor Newsletter editor	IFAC website – news section
<i>Review of MIA's Compliance Information</i>					
26.	Ongoing	Review responses to the sections relevant to SMO 5.	Ongoing	Technical team	Technical team

Action Plan Subject: SMO 6 – Investigation and Discipline
Action Plan Objective: Align the investigative and disciplinary system requirements with SMO 6

Background:

The MIA has responsibility for investigating and disciplining its members for misconduct and failure to meet its rules, whereas the Accountancy Board has general responsibility for investigating and disciplining CPA warrant holders.

The Institute's disciplinary proceedings are currently found in Chapter 6 of the MIA bye-laws (http://www.miamalta.org/MediaCenter/PDFs/4_MIA%20Statute%20and%20Bye-Laws.pdf).

A Member may be liable to disciplinary action under its Bye-Laws in any of the following cases:

- (i) if in the course of carrying out professional work or otherwise, such Member has committed any act or default likely to bring discredit on the Institute or the profession of accountancy;
- (ii) if such Member is charged with any criminal offence punishable by imprisonment by a competent Court;
- (iii) if such Member is suspected to have breached the Institute's Code of Ethics;
- (iv) if such Member is suspected of having breached the Institute's Statute and / or Bye-Laws;
- (v) If such Member has failed to pay any fees, penalties or administrative fines within the time requested by the Institute

Disciplinary proceedings may be instituted by the Institute against any Member upon receiving a complaint in writing from any person, or when it is aware of any matter which in its opinion makes a member liable to disciplinary measures. In summary the disciplinary procedure envisaged by Chapter 6 includes: appointing an investigating committee, referring the matter to the Investigations Committee, drafting a formal charge and informing the member, the investigating committee may ask for more information from the member, subsequently refer the matter to the Disciplinary Committee, the Disciplinary committee may also ask the member for more information. If the Disciplinary Committee or the Appeals Board finds that the Charge has been proven, it shall draw up a decision. The decision shall be in writing and shall contain the reasons supporting the decision and any sanction which the Disciplinary Committee or the Appeals Board deems appropriate. Likewise, the Disciplinary Committee or the Appeals Board shall draw up a decision in writing in the event it finds the Charge not to be proven. The sanctions which the Disciplinary Committee or the Appeals Board may impose on a Defaulting Member are the following:

- (i) reprimand and admonition;
- (ii) suspension for a period determined by the Disciplinary Committee or the Appeals Board, which period may be for an indefinite time pending the verification of a specified act;
- (iii) fine, penalty or administrative charge;
- (iv) expulsion from the Institute.

Should the Council or the Defaulting Member feel aggrieved by the decision delivered by the Disciplinary Committee, such aggrieved party may, within twenty days from the date of Service of the decision, deliver in writing to the CEO an Appeal, which will be presented to the Appeals Board.

On the other hand the Accountancy Board's disciplinary procedure is found under Article 7 sub-articles 16 and 17 of the Accountancy Profession Act. 1979 ([file:///C:/Users/mspiteribailey/Downloads/Accountancyprofessionact%20\(7\).pdf](file:///C:/Users/mspiteribailey/Downloads/Accountancyprofessionact%20(7).pdf)) as well as the Rules of Procedure contained in the Schedule to the Accountancy Profession Regulations ([file:///C:/Users/mspiteribailey/Downloads/2.%20Accountancy%20Profession%20Regulations%20\(4\).pdf](file:///C:/Users/mspiteribailey/Downloads/2.%20Accountancy%20Profession%20Regulations%20(4).pdf)).

The Investigative Sub-Committee of the Accountancy Board was set up to investigate cases brought to the attention of the Board. This sub-committee then provides advice to the Board on whether it should refer the case for disciplinary proceedings. Once the Board decides whether to start proceedings based on the recommendations of the Investigative Committee, the case would then be referred to the Disciplinary Committee by the Board. The Disciplinary Committee would then hold enquiries with the warrant holder or firm in respect of their case and make recommendations to the Board of disciplinary action to be taken (if any).

The disciplinary committee shall have the power to impose administrative fines against any person in case of professional misconduct and other disciplinary proceedings which shall in each case not exceed twelve thousand euro. If the person to whom such a warrant or practicing certificate was issued or the firm or any of the principals of the firm:

(a) has, following an enquiry held by the disciplinary committee appointed under article 7(16), been found guilty of any of the following acts or omissions:

(i) dishonesty, serious misconduct or gross negligence in the exercise of his profession;

(ii) a contravention of any regulation made or directive issued in terms of this Act where the regulation or directive provides for the suspension, cancellation, withdrawal or subjection to conditions of a warrant or practicing certificate as a consequence of such contravention;

(iii) material contravention of regulations or directives with respect to professional standards, practices or integrity;

(iv) grievous conduct discreditable to the profession;

(v) failure to comply with any condition attached to a warrant or practicing certificate under sub article (5) when such failure is of a material nature; or

(b) has been found guilty by a court of law -

(i) of an offence under this Act or any regulations made thereunder; or

(ii) of a crime affecting public trust or of theft or of fraud or of knowingly receiving property obtained by theft or fraud or of any crime punishable by a term of imprisonment exceeding one year:

The Board may, in any of the cases referred to in (a) or (b) above:

<p>(i) revoke or withdraw a practicing certificate; or</p> <p>(ii) advise the Minister to revoke or withdraw the warrant.</p> <p>Any injured party may file an appeal before the Appeals Tribunal in terms of article 15A of the Act, and article 15C of the Act shall apply accordingly. The investigations and disciplinary mechanisms of the Board are substantially in line with the requirements in SMO 6.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Use best endeavors to incorporate the requirements of SMO 6 into the Institute's I&D mechanism</i>					
27.	Ongoing	Review the Institute's Investigations and Disciplinary mechanisms and ensure these are substantially in line with the requirements in SMO 6.	Completed	CEO	Technical team
28.	Ongoing	<p>Continue to use best endeavors to make the Institute's members, as well as the general public, aware of the MIA I&D mechanism so that issues they wish to raise may be forwarded to the Institute's CEO in a seamless manner.</p> <p>The Institute's bye laws are available to all members on the MIA's website.</p>	Ongoing	CEO	Technical team
<i>Review of MIA's Compliance Information</i>					
29.	Ongoing	Review responses to the sections relevant to SMO 6.	Ongoing	Technical team	Technical team

Main Requirements of SMO 6 – (Except where reference is made to the accountancy profession as a whole or the jurisdiction {as requested by 1 and 15}, all replies make reference to disciplinary proceedings with respect to MIA’s members)

Requirements	Y	N	Partially	Comments
Scope of the System				
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.	√			Refer to the Accountancy Board’s disciplinary procedure as per Article 7 sub-articles 16 and 17 of the Accountancy Profession Act. 1979 (file:///C:/Users/mspiteribailey/Downloads/Accountancyprofessionact%20(7).pdf)
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	√			
Initiation of Proceedings				
3. Both a “complaints-based” and an “information-based” approach are adopted.	√			
4. Link with the results of QA reviews has been established.		n/a		The MIA does not have any responsibility for QA reviews
Investigative Process				
5. A committee or similar body exists for performing investigations.	√			
6. Members of a committee are independent of the subject of the investigation and other related parties.	√			
Disciplinary Process				
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	√			

Requirements	Y	N	Partially	Comments
8. Members of the committee/entity include professional accountants as well as non-accountants.			√	Chairman and a Deputy Chairman of the Disciplinary Committee and the Disciplinary pool are Members who have practiced the accountancy profession for a period of not less than fifteen years.
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	√			
Sanctions 10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.	√			The sanctions which the Disciplinary Committee or the Appeals Board may impose on a Defaulting Member are the following: (i) reprimand and admonition; (ii) suspension for a period determined by the Disciplinary Committee or the Appeals Board, which period may be for an indefinite time pending the verification of a specified act; (iii) fine, penalty or administrative charge; (iv) expulsion from the Institute.
Rights of Representation and Appeal 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	√			
Administrative Processes 12. Timeframe targets for disposal of all cases are set.	√			
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	√			
14. Records of investigations and disciplinary processes are established.	√			

Requirements	Y	N	Partially	Comments
<p>Public Interest Considerations</p> <p>15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.</p>			√	<p>The Accountancy Board's website includes links to all applicable legislation and its yearly Annual Report, which gives a summary of its activities for each year:</p> <p>https://secure3.gov.mt/accountancyboard/Library/Reports.aspx</p>
<p>16. A process for the independent review of complaints on which there was no follow-up is established.</p>	√			
<p>17. The results of the investigative and disciplinary proceedings are made available to the public.</p>		√		
<p>Liaison with Outside Bodies</p> <p>18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.</p>		√		
<p>Regular Review of Implementation and Effectiveness</p> <p>19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.</p>	√			

Action Plan Subject: SMO 7 – International Financial Reporting Standards and Other Pronouncements issued by the IASB
Action Plan Objective: Continue to use best endeavors to assist with the implementation of IFRSs.

Background:

International Financial Reporting Standards (IFRSs) have been entrenched in the Maltese Companies Act since its enactment in 1995. The Institute's members have been required to comply with IFRSs (then IASs) even before their entrenchment in the Companies Act. It was in fact on the Institute's initiative and insistence that these international standards were given the status of national legislation.

In fact since the coming into force of the Companies Act in 1995, all limited liability Companies in Malta were required to prepare annual financial statements in accordance with "generally accepted accounting principles and practice", which term was defined in article 2(4) of the Companies Act as adherence to "International Accounting Standards as may be issued from time to time by the International Accounting Standards Board". This definition was subsequently amended by virtue of Act No. IX of 2008, and "generally accepted accounting principles and practice" is now defined in Legal Notice 19 of 2009 and amended further by Legal Notice 233 of 2016 as follows:

Compliance with "generally accepted accounting principles and practice" shall mean adherence to international accounting standards as adopted by the EU. Provided that for accounting reference periods commencing on or before 31 December 2007, compliance with "generally accepted accounting principles and practice" shall mean adherence to international accounting standards. Provided further that if all the conditions for eligibility prescribed therein are met, compliance with "generally accepted accounting principles and practice" may be achieved by adherence to general accounting principles for qualifying private or small and medium sized entities as may be prescribed by regulations, directives or guidelines issued from time to time in terms of the Accountancy Profession Act.

Therefore for:

Accounting reference periods commencing on or before 31 December 2007

For accounting reference periods commencing on or before 31 December 2007, compliance with GAAP shall mean adherence to international financial reporting accounting standards.

Accounting reference periods commencing on or after 1 January 2008 but before 1 January 2016

For accounting reference periods commencing on or after 1 January 2008 but before 1 January 2016, compliance with GAAP shall mean adherence to international financial reporting standards as adopted by the EU.

Provided that for accounting reference periods ending on or after 1 January 2009, if all the conditions for eligibility prescribed therein are met and the undertaking's Board of Directors, or its governing body in the case of an entity other than a company, has so resolved, compliance with GAAP may be achieved by adherence to the Accountancy Profession (General Accounting Principles for Smaller Entities) Regulations, 2009 and the Schedule accompanying and forming an integral part of those Regulations (the "GAPSE").

For accounting reference periods commencing on or after 1 January 2016, compliance with “generally accepted accounting principles and practice” (“GAAP”) shall mean:

- (i) for a large undertaking or a public-interest entity, adherence to international financial reporting standards as adopted by the EU ;
- (ii) for a small company or a medium-sized undertaking other than any undertaking which is a public-interest entity, adherence to the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations (the “GAPSME”).

Provided that, for a small company or a medium-sized undertaking other than any undertaking which is a public-interest entity, compliance with GAAP shall mean adherence to international financial reporting standards as adopted by the EU if the undertaking's Board of Directors, or its governing body in the case of an entity other than a company, has so resolved.

Note about GAPSE - GAPSE was the result of a 2-year long process which started in February 2007 when the Accountancy Board under the Ministry of Finance asked MIA to draft a set of accounting principles to be applied by smaller entities in lieu of IFRSs. IASB's IFRS for SMEs was one of the alternatives that was considered. However the MIA was of the view that the IFRS for SMEs did not achieve the objective of simplified accounting for our local SMEs.. The General Accounting Principles for Smaller Entities (GAPSE) were subsequently approved by the Accountancy Board and the Ministry of Finance and came into effect as from 1 January 2009, with a view to reducing audit and financial statement reporting requirements for small and medium sized companies to more realistic requirements.

GAPSME then replaced GAPSE and is applicable for financial periods commencing on or after 1 January 2016.

Note about GAPSME - The EU Single Accounting Directive 2013/34/EU (the Directive), replacing the Fourth and Seventh Directives, brought about a new set of financial reporting requirements, for both separate and consolidated financial statements. The aim of the Directive was to simplify the preparation of statutory financial statements for qualifying micro-, small- and medium-sized entities (SMEs).

In view of the 90 or so MSOs in the Directive, the Institute started considering and discussing the impact of the EC's proposals on the Profession as early as 2012. MIA Council set up an ad hoc working group that was tasked with developing the Institute's position on the accounting proposals. The Institute also engaged extensively with SMPs, through its technical department and the SMP Committee.

The Accounting Directive Transposition working group, of which the MIA was part, was set up under the auspices of the Accountancy Board and met regularly to advise the Board on the options available in the Directive for different size categories of undertakings and groups as well as PIEs and by the end of 2014, the Group had concluded its discussions and adopted a common position on the Member State Options available to Malta. The position adopted on these MSO then became the basis for the new company law and financial reporting framework in Malta.

The technical accounting aspects of the Directive were thereafter transposed into Maltese law through the introduction of the General Accounting Principles for Small and Medium-Sized Entities (GAPSME), as well as through amendments to the Companies Act

The MIA website contains a section which is dedicated to GAPSE and GAPSME. This section contains guidance, legislation and other material that can be useful to MIA members however this library can only be accessed by MIA members. One of the documents that can be found in this library is a comparison of GAPSE with IFRS for SMEs.

Having been influential in the adoption of IFRSs in Malta in the early nineties, the Institute's responsibilities today mainly revolve around assisting members with the implementation of IFRSs as adopted by the EU and GAPSME. In that regard the Institute is primarily involved in the following initiatives:

- (a) The MIA regularly provides training on IFRSs as adopted by the EU as part of its own CPD program;
- (b) The MIA has set-up a Technical Helpdesk with the help of ACCA's Advisory Services Division to provide amongst others technical assistance on the implementation of IFRSs to MIA members;
- (c) The MIA Technical Helpdesk also assists its members with any GAPSME related queries
- (d) The MIA creates awareness on IFRSs and exposure drafts issued by the IASB from time to time primarily through the Institute's quarterly journal 'the Accountant'.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Continue to use best endeavors to assist with the implementation of IFRSs</i>					
30.	Ongoing	<p>Include relevant training on IFRSs as part of the Institute's CPE Program.</p> <p>Event organized earlier this year: 24 May 2017 – ACCA/ MIA Joint event - The sessions discussed IFRS 9 Financial Instruments for the non-financial sector, IFRS 15 Revenue from Contracts with Customers, IFRS 16 Leases and some other recent amendments effective for periods beginning on or after 1 January 2017 and beyond.</p> <p>7 November 2017 – IFRS 9 Impact on financials and reporting</p> <p>Planned forthcoming event:</p>	Ongoing	Technical team	Technical team

		7 December 2017 - IFRS 15 and IFRS 16 – A new challenge for the Construction Industry			
<i>Maintaining Ongoing Processes</i>					
31.	Ongoing	Notify MIA Members of all IFRSs and exposure drafts issued by the IASB from time to time.	Ongoing	Technical team	The Institute's journal & Technical E news
32.	Ongoing	Ensure the continued availability of a Technical Helpdesk Service to MIA members which addresses technical queries on IFRSs, ISAs, and the Code of Ethics.	Ongoing	Technical team	ACCA Advisory Services
<i>Review of MIA's Compliance Information</i>					
33.	Ongoing	Review responses to the section relevant to SMO 7.	Ongoing	Technical team	Technical team

For more information about the Institute please visit:
www.miamalta.org | <http://www.miamalta.org/Page.aspx?pageid=117>



THE MALTA
INSTITUTE OF
ACCOUNTANTS

23rd May 2018

The Malta Institute of Accountants
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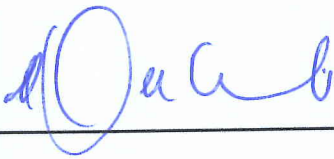
Dear Ms. Prinsloo,

Subject: Letter to Confirm Institutional Support for the SMO Action Plan

This letter is to confirm that the leadership of the Malta Institute of Accountants has reviewed the information contained in the SMO Action Plan prepared by Malta Institute of Accountants as part of the IFAC Member Compliance Program and will provide institutional support for its implementation.

On behalf of the leadership of the Malta Institute of Accountants, I endorse publication of the SMO Action Plan on the IFAC website in the interests of transparency and to demonstrate our commitment to enhancing the quality and credibility of the accountancy profession worldwide.

Sincerely,

 , 

(Signature of President or Chairman of the Board or equivalent)

(Title)

The Malta Institute of Accountants

23rd May 2018