

2020

PwC Malta

Transparency report

Working together to build trust in
society and solve important problems

www.pwc.com/mt



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Note to readers:

PwC refers to the Malta member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with over 284,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com/mt

www.pwc.com/mt/annualreviewmalta

Welcome to our 2020 Transparency report

We have prepared this Transparency Report, in respect of the financial year ended 30 June 2020, in accordance with the requirements of Article 13 of the EU Regulation No. 537/2014.

This report includes information about how the firm is governed and includes updates from Simon Flynn, who leads our audit practice. While PwC is a multidisciplinary firm, this report is primarily focused on our audit practice and related services. The audit profession continues to be under significant public scrutiny and challenge. We understand the concerns and we support and are committed to changes that will improve audit quality.

Of course this year, continuing to deliver audit quality during the COVID-19 pandemic was an unprecedented challenge and key focus area for us. We talk about this on page 21.

The pandemic has deeply affected the lives of many people around the world, including people within the Malta office, their relatives and friends. Our priorities have been to protect the livelihood of each and every staff member, both from a health and economic point of view, and helping our clients and the communities in which we work deal with impact of COVID-19. Given the huge uncertainty, we set out our position

on a number of key issues in the first weeks of the lockdown - providing reassurance to our people that our partners would shoulder the financial burden of the pandemic, and that we would do all we could to keep their jobs safe. We recognised early in the crisis the importance of providing a range of support at different stages of the pandemic to shore up our people's mental and physical well-being, leveraging the support of psychologists to help our people explore and cope with some of the challenges they have been facing.



At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with more than 284,000 people who are committed to delivering quality in assurance, advisory and tax services.

We are committed to drive a strong culture of quality and excellence that is core to our purpose.

I feel very fortunate to be part of a PwC Network that has provided ongoing communication throughout the pandemic, providing direction and assistance as and when required, and in having a partner group that has provided support to me, and worked so hard to achieve our priorities. However, the statistic that I am most proud of is that 74% of our people completed our last engagement survey in July and more than 90% are proud of the way that we as a firm have responded to and tackled the crisis and supported them.

Our investment in technology, and in our upskilling programme launched

last year, was borne out during the height of the pandemic when, from one day to the next, we were able to transition from an office based organisation to one where all of our 600 people were able to work entirely from home, and continue to deliver on our engagements. At the same time, we continued to provide thought leadership and technical support to all our clients through webcasts and electronic correspondence. Great credit is due to all our people, both client facing and those providing invaluable support to the business, in helping us achieve this.

We remain a strong business with turnover for the 12 months to 30 June 2020 increasing by 4% to €44 million. This gives us a great foundation, and also a responsibility, to adapt our business to the new realities, brought about not only by the pandemic but the continuing change in landscape that the regulatory environment that we are operating in is demanding. As the leading professional services organisation on the Island, it also brings with it a responsibility that we must contribute to the shaping and

delivery of the recovery from this pandemic, so that we return better and stronger, in the work that we do and our work with clients.

Our people are key to performing high quality audits and we draw upon a wide range of specialist skills across our multidisciplinary practice. That's why we maintain a constant emphasis on our purpose and values that address integrity and independence. We continue to invest in our people by providing ongoing professional and personal development, with in depth training.

The focus on quality has never been more necessary and required. This is not only in ensuring that the work we perform is always of the highest standard, but also in the clients that we service and ensuring that compliance with regulations remains a priority for us and our clients. We have invested heavily in tools and resources to help us achieve this objective.

Quality is also required in the people that we engage. We have a responsibility to continue to train our

people, and we are committed to continue with the upskilling project that we commenced last year, and where we are already seeing the fruits of this investment in the way we are providing services to our clients. I was especially pleased to announce the appointment of three new directors to the firm this June, Michelle Agius and Joanne Saliba in the Assurance Service Line and Angelique Spina in the Advisory Service Line – I know that these appointments will continue to strengthen the level and quality of service that we provide.

We have taken steps to align our business to support this focus on audit quality. We continuously invest in innovation and new technology to support our services across the firm, to meet the changing audit challenges in a digital age and to enhance the quality of our audit services.





Taken together, these measures represent a significant transformation of our audit business and support our focus on audit quality and our public interest responsibilities.

There is no doubt that the 12 months to 30 June 2021 and beyond will be challenging. Global economies are predicted to contract by 5.5% by the end of 2021 while Malta, according to the Central Bank of Malta, is predicted to contract by 6.6% by the end of 2020 and subsequently grow by 6.1% during 2021. There is no doubt that the economic downturn will impact us and our clients. It is during these times that we, as the leading professional services provider on the Island, must lead by example by re-thinking our business model, and continuing to invest in our people, and in helping

and encouraging our clients to do the same.

I would like to pay tribute to all the hard work of our partners and staff in ensuring that we continue to deliver for our clients without losing focus. I would also like to place on record my appreciation for the years of service, support and insight that Joseph Muscat made to the firm. Joseph retired from the partnership at the end of 2019 after 24 years with the firm, the last 8 being Head of Advisory. It's been a difficult time for everyone, and I have been so impressed by the way our people and business have adapted to new ways of working while retaining an unrelenting focus on supporting our clients.

Have a question for David?



david.valenzia@pwc.com



[@David_Valenzia](https://twitter.com/David_Valenzia)

David Valenzia
Territory Senior Partner

A message from our Assurance Leader

Trust lies at the heart of everything we do at PwC Malta. It is fundamental to fulfilling our firm's purpose. One way in which we build trust is by being transparent.

As auditors we are also acutely aware of another trust driver – the quality of our external audits. We are pleased to present our Transparency Report for 2020 which shows how we maintain quality in our audit work. The report describes our policies, systems and processes for ensuring quality, the results of key quality monitoring programmes and reviews, and the way we foster a culture of quality at every level of the firm. It details certain of the companies that we performed audits for and the total revenue from our audit and non-audit work.

Despite the challenges that we faced, not least those posed by the COVID-19 pandemic in the latter part of the year, our Assurance practice continued to experience growth during the year ended 30 June 2020. Income from the statutory audit of annual and

consolidated financial statements grew by 3% and represented 42% of the firm's total income for the year. We did this whilst continuing to work on strengthening our relationships with existing clients and also taking on new clients that share our philosophy and values. All this was done whilst keeping at the forefront our commitment to quality, driven by the talent, energy and dedication of our people.

We welcome the public conversations that arise as a result of transparency about audit quality. At PwC Malta, for example, we take our audit inspection results very seriously and we have very high expectations in this regard. We constantly seek opportunities for further improvement of our service offerings and are keen to keep the conversation going in this respect, as we are doing, for example, through this transparency report.

We continue to operate in an environment of reform with the tightening of restrictions on the

services that we can offer. We respect and adhere to these rules through systems that we have in place in this respect. We pride ourselves at being reappointed as auditors of Public Interest Entities when the rules permit this but are prepared for the time when as market leaders we will lose some audit mandates because of firm rotation requirements. Our audit business remains fundamental to our strategy and brand. We continue to invest tirelessly in continuous improvement in audit quality through new systems and technology, risk processes and learning and development of our people. Upskilling our people and automation of our processes are two workstreams that go hand in hand in positioning ourselves as the auditors of the future.

The COVID-19 challenges are far from being over and will be with us for some more time. We need to act responsibly in such an environment and take decisions which ensure the sustainability of the firm. This does not mean holding back on investing

in the future of the firm. For example, we continue to believe that investment in the recruitment, retention, talent development and training of our people remains fundamental to the success of our practice. Our people performed admirably when faced with COVID-related restrictions and rose to the occasion when working remotely with no physical contact with clients and between themselves.

We look forward to a future of challenges but also of opportunity and are sure that as long as we have an unyielding commitment to quality, independence and objectivity in the way we act and in the services that we provide we will continue to secure our position as market leaders in the provision of audit services in Malta.



Simon Flynn
Assurance Leader



Have a question for Simon?



simon.flynn@pwc.com

Year in Review **2020**

How we're doing

Revenue

As at 30 June 2020

€44m



Our People **616**

Female staff complement

58%

Total number of employees



Employee survey

94%

of respondents

"The people I work for trust me to work remotely without compromising the quality of my work"

86%

of respondents

"My immediate supervisor/manager is clearly communicating his/her expectations of me at this time"



76,950

Firmwide training hours during the year

99%

Assurance mandatory training attendance



Audit quality reviews

Total number of audit quality internal reviews including cold and real-time assurance reviews

43



9

Quality & Risk Management

Total quality and risk management full-time employees

Average years of experience of our partners

12
Years



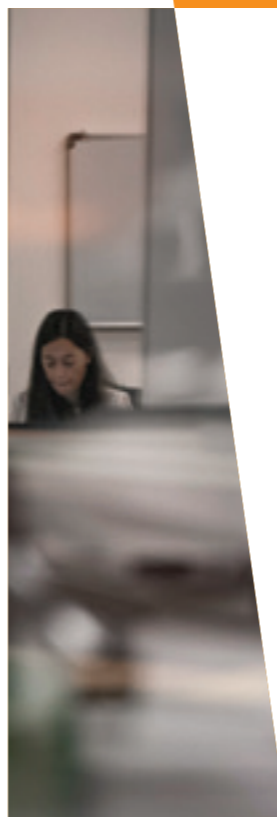
Our quality improvement programmes

At PwC, we are invested in continuously improving our audit quality through the design and operation of an effective system of quality management. This includes a focus on the following key areas:

- Continuing to strengthen our quality culture to support our partners and teams display behaviours consistent with driving audit quality
- Integration of the use of Assurance Quality Indicators to aim to predict quality, Real Time Assurance to aim to prevent quality issues, Root Cause analysis to learn from quality issues and a Recognition and Accountability Framework to reinforce quality behaviours, cultures, and actions

In addition, we continue to engage with our stakeholders to have:

- Public discussions on the future of audit, exploring how it needs to change to meet society's evolving expectations
- Real time engagement around the impact of COVID-19 on audit compliance



“We are committed to drive a strong culture of quality and excellence that is core to our purpose.”

David Valenzia, Territory Senior Partner

01

Our approach to quality



Our approach to delivering quality services across all our operations and network

Focus on Quality

The quality of our work is at the heart of our organisation and we invest significant and increasing resources in its continuous enhancement across all of our businesses. This investment is targeted into many different areas, including training (technical, ethical and behavioural), methodologies, adding resources in key areas and exploring new ways of delivering our work. Each investment reflects a common determination to understand the factors that drive quality and identify opportunities for enhancement.

We continue to invest to drive continuous improvement in the capabilities and effectiveness of all of our services.

We are proud to have been the first of the global professional services networks to have published its internal audit quality inspection results. It is very important that we are transparent about both the efforts that we are making to enhance quality, and also the results and the impact that these efforts are having. The publication of this data by our Network over the last few years, along with public discourse on the subject of the audit, has quite rightly put an increasing focus on the issue of audit quality, which we discuss in detail in this report.



Definition and culture

At PwC, we define quality service as one that consistently meets the expectations of our stakeholders and which complies with all applicable standards and policies. An important part of delivering against this quality definition is building a culture across a network of 284,000 people that emphasises that quality is the responsibility of everyone including our people. Continuing to enhance this culture of quality is a significant area of focus for our global and local leadership teams and one which plays a key part in the measurement of their performance.

Measurement and transparency

For all our businesses, each PwC firm – as part of the agreement by which they are members of the PwC network – is required to have in place a rigorous system of quality management (SoQM); to annually complete a SoQM performance assessment; and to communicate the results of these assessments to global leadership. These results are then discussed in detail with the leadership of each local firm and if they are not at the level expected, a remediation plan is agreed with local leadership taking personal responsibility for its successful implementation.

As our services change and develop, and the needs and expectations of our stakeholders also change, we are continually reviewing and updating the scale, scope and operations of our system of quality management and investing in programmes to enhance the quality of the services that we provide.

We continue to focus on ‘tone at the top’ of our organisation and of creating the right culture for high performance and high quality.

Specific focus on audit quality

Specific focus on audit quality

Delivering quality audits is core to our purpose. To that end, we are committed to providing a quality audit. However, where our work falls below the standards that we set for ourselves and are set by the regulators, we are disappointed and also criticised. We take each of these instances very seriously and work hard to learn lessons and to enhance the quality of audits that we undertake in the future.

The right objectives and capabilities

To help us put this strategy into effect, the PwC network has established clear objectives around audit quality and provides support to help us meet these objectives. Our engagement teams can only deliver quality audit services if they have access to the necessary capabilities – both in terms of people and technology.

That’s why our quality objectives focus on having the right capabilities – both at a member firm level and across our network – and on using these capabilities to meet our own standards and the professional requirements. These capabilities can only be developed under the right leadership and quality culture, promoting the right values and behaviours.

Integrated and aligned in the right way

The quality objectives focus on having the right people supported by effective methodologies, processes, and technology appropriately directed and supervised. These represent the capabilities that we believe are relevant to achieving and sustaining audit quality. To help us achieve these objectives, there are a number of dedicated functions at a network level that develop practical tools, guidance and systems to support and monitor audit quality across our network. These elements have been integrated

and aligned by our network to create a comprehensive, holistic and interconnected quality management framework that we tailor to reflect our individual circumstances.

Delivering a quality end-product consistently

Central to the framework is the recognition that quality management is not a separate concept; it needs to be embedded in everything we do as individuals, teams, firms and the network. The quality objectives are supported by designated key activities which are considered necessary to achieve the quality objectives, focused mainly on building a quality infrastructure and organisation. We supplement and design those key activities as appropriate to respond to risks we have identified to achieving each quality objective.

Values and judgments

Performing quality audits requires more than just the right processes. At its core, an auditor's role is to assess with a "reasonable" degree of assurance whether the financial statements prepared by the company's management are free of "material misstatements" – reaching a professional judgment on whether the financial statements present a fair

picture of the company's financial performance and position. To carry out this assessment effectively, the auditor needs to use all the capabilities that have been built up in line with our quality objectives. These include applying ethical behaviour in accordance with PwC's values, professional scepticism, specialist skills and judgment – all supported by technology.



Delivering audit quality during the COVID-19 pandemic

Our response to COVID-19

This year, the global COVID-19 pandemic has had an unprecedented impact on our clients and our people, as well as global and local economies and broader society.

At PwC, in addition to safeguarding the health, safety and well-being of our people, we have remained focused on working together as a Network, with our clients and other stakeholders to continue to deliver audit quality.

Sharing developments and experience

From the early stages of the pandemic, the PwC network put a team in place to monitor developments globally and to highlight areas of critical importance to ensure we did not compromise on audit quality. We have leveraged the

guidance developed by our Network to provide consistent leadership and guidance on audit quality and equip our teams to consider their client's unique circumstances and respond accordingly.

Our Network response was comprehensive. It covered all aspects of audit quality, including regulatory and standard setting updates, auditor reporting, methodology, accounting and learning and education. Using the Network guidance, we considered changes needed to our existing policies and procedures as well as what needed to be reinforced through appropriate communications to our staff and partners.

Identifying and addressing risks related to COVID-19

The COVID-19 pandemic resulted in us facing a number of new challenges in our audits. This ranged from

how we operate as a team to plan and complete the audit, to how we interact with our clients to obtain the necessary audit evidence and execute specific audit procedures such as completing physical inventory counts.

Our system of quality management provided the framework to identify, assess and respond to the risks arising from the Coronavirus situation. We used the experience and examples shared with us from across the Network to support our assessment of the issues that had the potential to impact our system of quality management.

Locally we mobilised a task force who meet daily to discuss any people, quality and technology issues arising out of this pandemic and also providing staff with necessary guidance and regular communications and updates.

We issued a policy around mandatory consultation with the COVID-19 technical team for audit clients in relation to the COVID-19 implications on our audits including going concern assessments, financial statement disclosures and any impacts on the audit report. The COVID-19 technical team comprised members of Leadership, Risk Management, Methodology and the ACS functions.

Using technology to support our teams

Our teams transitioned quickly and seamlessly to working remotely. Our Network audit technology infrastructure and tools including our Connect Suite and collaboration through Google (see page 66) for how we use technology tools in our audits), which have been in place for a number of years, enabled our people to continue to carry out their work despite the significant change in our physical work environment.

The impact of the COVID-19 continues to evolve. We are continuing to monitor, assess and respond to the resulting risks in our audits.



02

Cultures & values



Leadership and tone at the top

Our purpose and values are the foundation of our success. Our purpose is to build trust in society and solve important problems, and our values help us deliver on that Purpose. Our purpose reflects ‘why’ we do what we do, and our strategy provides us with the ‘what’ we do. ‘How’ we deliver our purpose and strategy is driven by our culture, values and behaviours. This forms the foundation of our system of quality management and permeates how we operate, including guiding our leadership actions, and how we build trust in how we do business, with each other and in our communities.

When working with our clients and our colleagues to build trust in society and solve important problems, we:

- Act with integrity
- Make a difference
- Care
- Work together
- Reimagine the possible

Key messages are communicated to our firm by our Senior Partner and our leadership team and are reinforced by engagement partners. These communications focus on what we do well and actions we can take to make enhancements. We track whether our people believe that our leaders' messaging conveys the importance of quality to success of our firm.

Based on this tracking, we are confident our people understand our audit quality objectives.

Delivering service of the highest quality is core to our purpose and our assurance strategy, the focus of which is to strengthen trust and transparency in our clients, in the capital markets and wider society.

Audit Quality Measures



The employee survey result



People engagement index

To help PwC Malta put this strategy into effect, the PwC network has established a framework for quality management which integrates quality management into business processes and the firm-wide risk management process. The framework introduces an overall quality objective for the Assurance practice focused on having the people and processes to deliver services in an effective and efficient manner that meets the expectations of our clients and other stakeholders.

This overall quality objective is supported by a series of underlying quality management objectives and our system of quality management (SoQM) must be designed and operated so that these objectives are achieved with reasonable assurance. The achievement of these objectives is supported by a quality management process established by our firm and Assurance leadership, business process owners, and partners and staff.

This involves the integrated use of Assurance Quality Indicators to aim to predict quality issues, Real Time Assurance to aim to **prevent** quality issues, Root Cause Analysis to **learn** from quality issues and a Recognition and Accountability Framework to **reinforce** quality behaviours, culture and actions.

These programs, by design, require ongoing monitoring and continuous improvement, in particular Assurance Quality Indicators, which we expect will evolve significantly over time and as we continue to use and learn from these measures.



The quality management process

This quality management process includes:

- identifying risks to achieving the quality objectives
- designing and implementing responses to the assessed quality risks
- monitoring the design and operating effectiveness of the policies and procedures through the use of process-integrated monitoring activities such as real-time assurance as well as appropriate Assurance quality indicators
- continuously improving the system of quality management when areas for improvement are identified by performing root cause analyses and implementing remedial actions and

- establishing a quality-related recognition and accountability framework to be used in appraisals, remuneration, and career progression decisions

Although this Transparency Report is focused on our assurance practice, many of our systems, policies and procedures operate firmwide across all parts of our business.

Aim to Predict: Assurance Quality Indicators

We have identified a set of Assurance Quality Indicators (AQIs) that support our Assurance leadership team in the early identification of potential risks to quality, using metrics to aim to predict quality issues. This quality risk analysis is an essential part of our QMSE, and the AQIs, in addition to other performance measures, also provide a key tool in the ongoing monitoring and continuous improvement of our SoQM.

The results of the AQIs are presented formally to the Assurance Leader annually however certain results are monitored on an ongoing basis (eg people related stats are monitored during monthly Human Capital board meetings).

Aim to Prevent: Real Time Assurance

We have developed a Real Time Quality Assurance (“RTA”) program designed to provide preventative monitoring that helps coach and support engagement teams get the ‘right work’ completed in real-time, during the audit.

The RTA program is designed to be a preventative monitoring program that further supports engagement teams

get the ‘right work’ completed during the audit. It enables us to cover both a wide range of engagements and Assurance quality indicators through our internal monitoring processes with standardisation and automation saving time and resources.

Learn: Root cause analysis

We perform analyses to identify potential factors contributing to our firm’s audit quality so that we can take actions to continuously improve. Our primary objectives when conducting such analyses is to understand what our findings tell us about our SoQM and to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at quality findings from all sources including our own ongoing monitoring of our

SoQM as well as Network inspection of our SoQM, audits both with and without deficiencies—whether identified through our own internal inspections process or through external inspections and other inputs such as our Global People Survey to help identify possible distinctions and learning opportunities.

For individual audits, an objective team of reviewers identifies potential factors contributing to the overall quality of the audit. We consider factors relevant to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, amongst others. Potential engagement information, performing interviews, and reviewing selected audit working papers to understand the factors that may have contributed to audit quality.





In addition, the data compiled for audits both with and without deficiencies is compared and contrasted to identify whether certain factors appear to correlate to audit quality.

Our goal is to understand how quality audits may differ from those with deficiencies, and to use these learnings to continuously improve all of our audits. We evaluate the results of these analyses to identify enhancements that may be useful to implement across the practise. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.

RCA is also performed on both the positive results and deficiencies of our own ongoing monitoring of our SoQM as well as Network inspection of our SoQM.

Reinforce: Recognition and Accountability Framework

Our Recognition and Accountability Framework (“RAF”) reinforces quality in everything our people do in delivering on our strategy, with a focus on the provision of services to our clients, how we work with our people and driving a high quality culture. It holds Partners,accountable for quality outcomes. Our RAF considers and addresses the following key elements:

- Quality outcomes: We provide transparent quality outcomes to measure the achievement of the quality objectives. Our quality outcomes take into account meeting professional standards and the PwC Network and our firm’s standards and policies

- Behaviours: We have set expectations of the right behaviours that support the right attitude to quality, the right tone from the top and a strong engagement with the quality objective

- Interventions/recognition: We have put in place interventions and recognition that promotes and reinforces positive behaviours and drives a culture of quality

- Consequences/reward: We have implemented financial and non-financial consequences and rewards that are commensurate to outcome and behaviour and sufficient to incentivise the right behaviours to achieve the quality objectives.

We also have an RAF for non-Partners that reinforces quality in everything our people do in delivering on our strategy.

Ethics, independence and objectivity

Ethics

At PwC, we adhere to the fundamental principles of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, which are:

i) Integrity

to be straightforward and honest in all professional and business relationships.

ii) Objectivity

to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.

iii) Professional Competence and Due Care

to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practise,

legislation and techniques and act diligently and in accordance with applicable technical and professional standards.

iv) Confidentiality

to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.

v) Professional Behaviour

to comply with relevant laws and regulations and avoid any action that discredits the profession.

In addition, our Network Standards applicable to all Network firms cover a variety of areas including ethics and

business conduct, independence, anti-money laundering, anti-trust/fair-competition, anti-corruption, information protection, firm's and partner's taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements. All partners and staff undertake annual mandatory training, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which we operate. Partners and staff uphold and comply with the standards developed by the PwC Network and leadership in PwC Malta monitors compliance with these obligations.



In addition to the PwC Values (Act with Integrity, Make a difference, Care, Work together, Reimagine the possible) and PwC Purpose, PwC Malta has adopted the PwC Network Standards which include a Code of Conduct, and related policies that clearly describe the behaviours expected of our partners and other professionals-behaviours that will enable us to build public trust. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal-to do the right thing.

Upon hiring or admittance, all staff and partners of PwC Malta are provided with the PwC Global Code of Conduct. They are expected to live by the values expressed in the Code in the course of their professional careers and have a responsibility to report and express concerns, and to do so fairly, honestly, and professionally when dealing with a difficult situation or when observing behaviours inconsistent with the Code Each firm in the PwC Network provides a mechanism to report issues. There

is also a confidential global reporting option on pwc.com/codeofconduct.

PwC Malta has adopted an accountability framework to facilitate remediation of behaviours that are inconsistent with the Code of Conduct.

The PwC Code of Conduct is available on-line for all internal and external stakeholders at pwc.com/ethics.

The Firm has an Ethics and Business Conduct Leader who is supported by staff. He is dedicated in:

- setting an appropriate tone at the top through communications and behaviours
- ensuring that all partners and staff are trained on the Code of Conduct and our local supplemental policies and us responsible for assisting the firm in meeting its professional conduct obligations.
- making available reporting lines for concerns without the fear of retaliation and facilitating proper investigations.

Complaints and allegations policy

The PwC Code of Conduct encourages partners and staff to speak up when dealing with behaviour or facing a situation that doesn't seem right. Our firm has a policy pursuant to which any partner or staff can report inappropriate business conduct or unethical behaviour. Matters are reported to the Ethics and Business Conduct Leader; who will investigate and resolve the issue that has been raised. We are committed to deal responsibly and professionally with any genuine concerns raised about possible malpractice, partners and staff have a responsibility to report and express concerns in good faith, honestly and respectfully.

Anti-corruption


The PwC Code of Conduct and local legislation makes it clear that it is unacceptable for our people to solicit, accept, offer, promise, or pay bribes. Policies, procedures and training with respect to anti-corruption are in place.



Objectivity and Independence

As auditors of financial statements and providers of other types of professional services, PwC member firms and their partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. In relation to assurance clients, independence underpins these requirements. Compliance with these principles is fundamental to serving the capital markets and our clients.

The PwC Global Independence Policy, which is based on the IESBA International Code of Ethics for Professional Accountants, including International Independence Standards,



contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary.

PwC Malta has a designated partner (known as the 'Partner Responsible for Independence' or 'PRI') with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by a team of independence specialists. The PRI reports directly to the Territory Senior Partner.

Independence policies and practices

The PwC Global Independence Policy covers, among others, the following areas:

- personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements, e.g. bank accounts and loans by partners, staff, the firm and its pension schemes;
- non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services ("SOPS"), which provide practical guidance on the application of the policy in respect of non-audit services to audit clients and related entities;
- business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business; and
- acceptance of new audit and assurance clients, and the subsequent acceptance of non-assurance services for those clients.

Engagement Leader, Quality Review Partner and Key Audit Partner rotation policy

In addition, there is a Network Risk Management Policy governing the independence requirements related to the rotation of key audit partners.

These policies and processes are designed to help PwC comply with relevant professional and regulatory standards of independence that apply to the provision of assurance services. Policies and supporting guidance are reviewed and revised when changes arise such as updates to laws and regulations or in response to operational matters.

PwC Malta supplements the PwC Network Independence Policy and guidance as required by local regulations where they are more restrictive than the Network's policy.

We adhere to the rotation requirements of the independence

rules published by IESBA, and the EU Audit Regulation as it applies to particular audited entities.

Key audit principals, as defined by the Malta Code of Ethics (which includes the transposition of the EU Audit Regulation), include the statutory auditor designated by the firm as being primarily responsible for carrying out the statutory audit of EU public interest entities, including at the level of the group, the statutory auditor who signs the audit report and, in the case of a group audit, the statutory auditor designated at the level of material subsidiaries as well as the individual responsible for the engagement quality control review.

In respect of an audit of public interest entities, or clients designated as being high profile clients the key audit partner tenure is set as maximum to

seven years, with a two-year cooling-off period. For EU public interest entities the key audit partner tenure is the same as for public interest entities however the cooling off period is three years.

For all clients that are neither public interest entities nor high profile clients, the length of service for an audit engagement leader and quality review partner is reviewed by leadership for familiarity and self-interest threats that are created when using the same senior personnel on an audit engagement over a long period of time.



Independence-related systems and tools

As a member of the PwC Network, PwC Malta has access to a number of systems and tools which support PwC member firms and their personnel in executing and complying with our independence policies and procedures. These include:

- The Central Entity Service ('CES'), which contains information about corporate entities including public interest audit clients and SEC restricted clients and their related securities. CES assists in determining the independence restriction status of clients of the member firm and those of other PwC member firms before entering into a new non-audit engagement or business relationship. This system also feeds Independence Checkpoint and Authorisation for Services;
- 'Independence Checkpoint' which facilitates the pre-clearance of publicly traded securities by all partners and practice managers before acquisition and records

their subsequent purchases and disposals. Where a PwC member firm wins a new audit client, this system automatically informs those holding securities in that client of the requirement to sell the security where required;

- Authorisation for Services ('AFS') which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, regarding a proposed non-audit service, documenting the analysis of any potential independence threats created by the service and proposed safeguards, where deemed necessary, and acts as a record of the audit partner's conclusion on the permissibility of the service; and
- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set

by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory).

PwC Malta also maintain a rotation tracking system which monitors compliance with PwC Malta's audit rotation policies for engagement leaders and other key audit partners involved in an audit and a database that records all approved business relationships entered into by PwC Malta. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.



Independence training and confirmations

PwC Malta provides all partners and practise staff with annual or on-going training in independence matters, policies and related topics.

Additionally, face-to-face training is delivered by the firm's independence specialists as required.

Completion/attendance is monitored and non-completion or non-attendance may lead to disciplinary action being taken.

All partners and practise staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the member firm's independence policy, including their own personal independence. In addition, all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that the required processes have been followed in accepting these engagements and relationships. These annual confirmations are

supplemented by periodic and ad-hoc engagement level confirmations.

Independence monitoring and disciplinary policy

PwC Malta is responsible for monitoring the effectiveness of its quality control system in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, we perform:

- Compliance testing of independence controls and processes;
- Personal independence compliance testing of a random selection of, at a minimum, partners as a means of monitoring compliance with independence policies; and
- An annual assessment of the member firm's adherence with the PwC Network's Standard relating to independence.

The results of PwC Malta's monitoring and testing are reported to the firm's management on a regular basis.

PwC Malta has disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed.

This would include discussion with the client's audit committee regarding the nature of the breach, an evaluation of the impact of the breach on the independence of the member firm and the need for safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in PwC Malta's systems and processes and for additional guidance and training.



Considerations in undertaking the audit

Our principles for determining whether to accept a new client or continue serving an existing client are fundamental to delivering quality, which we believe goes hand-in-hand with our purpose to build trust in society. We have established policies and procedures for the acceptance of client relationships and audit engagements that consider whether we are competent to perform the engagement and have the necessary capabilities including time and resources, can comply with relevant ethical requirements, including independence, and have appropriately considered the integrity of the client. We reassess these considerations in determining whether we should continue with the client engagement and have in place policies and procedures related to withdrawing from an engagement or a client relationship when necessary.



Client and Engagement Acceptance and Continuance

PwC Malta implemented a process to identify acceptable clients based on the PwC Network's proprietary decision support systems for audit client acceptance and retention (called Acceptance and Continuance ('A&C')). A&C facilitates a determination by the engagement team, business management and risk management specialists of whether the risks related to an existing client or a potential client are manageable, and whether or not PwC should be associated with the particular client and its management.

PwC Malta has set up an Acceptance Panel that assess all proposed new clients.

More specifically, the A&C system enables:

Engagement teams:

- To document their consideration of matters required by professional standards related to acceptance and continuance;

- To identify and document issues or risk factors and their resolution, for example through consultation by adjusting the resource plan or audit approach or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement; and
- To facilitate the evaluation of the risks associated with accepting or continuing with a client and engagement.

Member firms (including member firm leadership and risk management):

- To facilitate the evaluation of the risks associated with accepting or continuing with clients and engagements;
- To provide an overview of the risks associated with accepting or continuing with clients and engagements across the client portfolio; and
- To understand the methodology, basis and minimum considerations all other member firms in the Network have applied in assessing audit acceptance and continuance.

Managing potential conflicts of interest

The firm attaches great importance to confidentiality and to the management of potential conflicts of interest.

While very active in the corporate finance arena, the firm does not act as the originator of potential transactions, as this would entail having to choose between clients as to where to direct a business opportunity.

Conflicts of interest may arise on non-audit services, in particular when clients request assistance on purchase or sale transactions that may involve other clients in a counter party or competitor capacity.

When approached by more than one company to assist on a particular transaction, we ensure that we are able to assist on the transaction concerned within the constraints of audit independence rules.

In certain cases, we may be approached by more than one bidder. In such instances, all the clients

concerned are advised that we would not be acting on an exclusive arrangement. The work concerned would in these cases be handled by teams working in a strictly segregated fashion.

Withdrawal from an engagement

Policies and procedures, in accordance with legal and professional obligations, are in place for circumstances in which we determine that we should, or are required to withdraw from an engagement.

These policies include the need for appropriate consultations both within the firm and with those charged with governance at the entity.



03

Our people



Our people

People strategy

Our people strategy is focused on being the world's leading developer of talent. We hire candidates who have diverse backgrounds and appropriate skills; have a questioning mindset and intellectual curiosity; and demonstrate courage and integrity.

Our hiring standards include a structured interview process with behaviour-based questions built from The PwC Professional framework, assessment of academic records, and background checks.

We aim to retain the best and brightest in order to create a strong pipeline of motivated people who are key to the firm's long-term success.

The current pandemic has necessitated us to rethink our strategy, bringing well-being and remote working to the forefront of our people priorities.

“Your Tomorrow”

Our One Firm “Your Tomorrow” strategy is how we are investing to create the PwC of the future; we are responding to the expectations of the market to deliver a different, more digital experience to our clients. There are three elements to this strategy:

- Digital upskilling: We provide our people with individualised learning tools to expand the use of digital solutions on their audits and empower them with a mindset of continual improvement and innovation. Our Digital Academies leverage market-leading software and focus primarily on building three core skills: data wrangling, automation, and data visualisation. These tools enhance the firm’s collective digital fluency while providing each individual with a personalised curriculum to build their digital IQ.

- Skills for society: This is a powerful program to develop our people while making a meaningful difference in our communities.
- Be well, work well: Given the pace and complexity of change, the firm is putting the power of its resources toward supporting our people’s journey to greater well-being.

Audit quality measures:

- Average staff retention rate.
- Partner hours in relation to total engagement hours.
- Measure of project management/phasing of the audit, for example, actual utilisation in relation to planned and actual to budgeted hours at period end.



Diversity and inclusion

At PwC, we’re committed to creating a culture of belonging. We are focused on diversity and fostering an inclusive environment in which our people are comfortable bringing their whole selves to work and feel that they belong and are valued. We know that when people from different backgrounds and with different points of view work together, we create the most value-for our clients, our people, and society. Our core values of caring and working together guide us to recognise the contributions of each individual and develop a workplace with a range of people, perspectives and ideas.

As at 30 June 2020, our staff population included 28 different nationalities with 59% of our people being female and the average age of our people being 29. We are delighted to report that we are making excellent progress in our continued efforts to drive enhanced awareness and translate it into concrete and comprehensive actions.

Recruitment

PwC Malta aims to recruit, train, develop and retain the best and the brightest staff who share in the firm's strong sense of responsibility for delivering high-quality services. Our hiring standards include a structured interview process with behaviour-based questions built from The PwC Professional framework, assessment of academic records, and background checks. Across the firm in the FY20, we recruited 191 new people, including 51 university graduates.

Team selection, experience and supervision

On engagements, the lead partner must staff their engagements with suitably qualified, competent and experienced partners and staff. They must also determine the extent of direction, supervision and review of junior staff.



Real-time feedback

We collect real-time feedback on people performance, values and progression via our Snapshot tool, a simple, mobile-enabled technology. Snapshot captures data on five Assurance quality dimensions: accounting and technical knowledge, auditing skills, professional scepticism, issues management, review and supervision. We also use Workday to allow staff to provide real-time feedback on an upwards and peer basis and complements Snapshot.

Career progression

PwC Malta uses PwC Professional, a global career progression framework. PwC Professional helps our people develop into well-rounded professionals and leaders with the capabilities and confidence to produce high-quality work, deliver an efficient and effective experience for our clients, execute our strategy, and support our brand. As part of the framework, individuals meet with their Team Leader regularly to discuss their development, progression and performance.

Retention

Turnover in the public accounting profession is often high because as accounting standards and regulations change, accountants are in demand and the development experience we provide make our staff highly sought after in the external market. Our voluntary turnover rate fluctuates based on many factors, including the overall market demand for talent.

The PwC Professional

The PwC Professional is our global leadership development framework. It supports the development and career progression of our staff by providing a single set of expectations across all lines of service, geographies, and roles; outlining the capabilities needed to thrive as purpose-led and values-driven leaders at every level.

Professional Development

We are committed to putting the right people in the right place at the right time. Throughout our people's careers, they are presented with career development opportunities, classroom and on-demand learning, and on-the-job real time coaching/development. Our on-demand learning portfolio facilitates personalised learning with access to CPE and non-CPE educational materials, including webcasts, podcasts, articles, videos, and courses.

Achieving a professional credential supports our Firm's commitment to quality through consistent examination and certification standards. Our goal is to provide our staff with a more individualised path to promotion and support them in prioritising and managing their time more effectively when preparing professional exams. Providing our people with the ability to meet their professional and personal commitments is a critical component of our people experience and retention strategy.

Audit Quality Measures

99%

Assurance mandatory training attendance

76,950

Firmwide training hours during the year





Continuing education

We, and other PwC member firms, are committed to delivering quality assurance services around the world. To maximise consistency in the Network the formal curriculum, developed at the Network level, provides access to training materials covering the PwC audit approach and tools-this includes updates on auditing standards and their implications, as well as areas of audit risk and areas of focus for quality improvement.

This formal learning is delivered using a blend of delivery approaches, which include remote access, classroom learning, and on-the-job support. The curriculum supports our primary training objective of audit quality, while providing practitioners with the opportunity to strengthen their technical and professional skills, including professional judgement while applying a sceptical mindset.

The design of the curriculum allows us to select, based on local needs, when we will deliver the training. Our L&E leader then considers what additional training is appropriate – formal and/or informal – to address specific local needs.

The modular content along with innovative learning approaches have led to formal recognition from the broader learning community. In both 2017 and 2018, PwC's Learning and Education won a Brandon Hall Group silver award for excellence in the "Best Strategy for a Corporate Learning University" © 2017, 2018 Brandon Hall Group, Inc.

Our practices to maintain capabilities and technical competence also include monitoring the completion of mandatory training and implementation of remedial actions when needed, equipping our tutors with effective instructor skills and continuous assessment of the effectiveness of our programmes through a number of evaluation techniques.

Partners and staff working on a full-time basis with the firm attended a total of more than 76,950 hours of training between July 2019 and June 2020.

This training ensures that our people are alert to regulatory changes, reinforces their awareness of key compliance matters, and supports the wide range of industry expertise and specialist skills available across the firm.

Training programmes and courses are progressive in their design, with each year's sessions building on the earlier training given to an individual.

Training is generally conducted in our state-of-the art training centre in Qormi. The Hub, is a separate building adjacent to our offices, which besides other purposes consolidates all the firm's training courses and programmes. The 2,000 square metre building has a capacity of twelve separate spaces that enable a variety of training sessions to be held concurrently. Attendance at overseas courses and gatherings are still a regular occurrence, particularly on specialist topics.



Besides the formal technical curriculum, our people follow a business skills curriculum, which includes grade specific programmes such as 'Altitude', a leadership development programme designed specifically for our newly promoted senior associates (who have been with the firm for approximately 2-3 years) and Leading Teams (a leadership development programme designed specifically for our newly promoted managers who have been with the firm for approximately 4-5 years). The programmes focus on providing a leadership skills, opportunities to build lasting relationships with peers from across the firm, and to encourage participants to proactively plan their careers. More than 80 participants benefited from these programme, with 100% of them agreeing that it was relevant to their job responsibilities and stating that they would recommend it to others.

In today's dynamic world, the speed of technological change requires that our people agenda focuses, amongst other things, on creating initiatives to help our own people learn new skills for a digital age. We have this year invested in an upskilling programme through which we are able to give our people opportunities to gain the knowledge and ability they need to use advanced and ever-changing technologies in the workplace and in their daily lives.



04

Our audit approach



Building around people & quality

PwC Malta uses a range of cutting-edge methods, processes, technologies, and approaches to ensure continuous improvement in the performance and quality of our audit engagements.

The PwC Audit

The quality and effectiveness of audit is critical to all of our stakeholders. We therefore invest heavily in the effectiveness of our audits, in the skills of our people, in our underlying audit methodology, the technology we use, and in making the right amount of time and resources available. We pay close attention to what our various stakeholders require from us, what they tell us we need to improve and to the findings of regulatory inspections on the quality of our work. Details of the most recent regulatory findings can be found in the Leadership and Quality Management Process section. Just as important are the internal indicators and processes that routinely monitor the effectiveness of our risk and quality processes, and provide timely information about the quality of our audit work and any areas for improvement.

The PwC Audit

People

Data and technology can help reveal insights, but it takes an inquisitive person with well-rounded business knowledge to understand what those insights mean. We recruit professionals with these capabilities—people who can deliver the highest quality outcomes in terms of client service and compliance.

Technology

As technological change accelerates, our clients want to trust their information with organisations that don't merely keep up but lead the way. We've made a global commitment to offer leading audit technology, and we've invested heavily in tools to match our approach. The result is greater quality and insight to our clients.

Approach

We've built our audit around our people and our technology. We've designed it to give us more time with our clients, understanding the things that matter to their business. That's more time understanding client concerns, and more time focusing on the inherent risks we see, including how they change over time and how they compare with peer companies.

The PwC Audit



Tools and technologies to support our audit

As a member of the PwC Network, PwC Malta has access to and uses PwC Audit, a common audit methodology and process. This methodology is based on the International Standards on Auditing (ISAs), with additional PwC policy and guidance provided where appropriate. PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements that are relevant to each individual audit engagement. Our common audit methodology provides the framework to enable PwC member firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements.

Aura Platinum

PwC Audit is underpinned by Aura Platinum, our global audit documentation system which is used across the entire PwC Network. Aura Platinum is the heart of how we build and execute our audit plans by supporting teams in applying our methodology effectively, by creating transparent linkage between risks, required procedures, controls and the work performed to address those risks, as well as providing comprehensive guidance and project management capabilities. Targeted audit plans specify risk levels, controls reliance and substantive testing. Smart dashboards show teams audit progress and the impact of scoping decisions more quickly.



Audit technology

Aura Platinum is supported by a series of technology-based audit support tools and templates which are accessible via a range of electronic devices ranging from PCs to smartphones. These tools increasingly integrate with Aura, populating audit evidence directly into Aura. The main tools include:

The Connect Suite is our collaborative platform where we share data, document requests and audit status. It provides fast, efficient and secure information sharing with our clients and multi-location audit teams at every stage of the audit:

- **Connect** monitors the status of requests and information between our clients and the engagement team in real time. Audit and client teams know where things stand at all times through a consolidated dashboard showing all sites, digitisation of engagement matters, and automated key performance indicators.
- **Connect Audit Manager** streamlines, standardises and

automates group and component teams coordination for multi-location and statutory/regulatory audits. It provides a single digital platform to see all outbound and inbound work and digitises the entire coordination process so there's greater transparency, compliance and quality for complex multi-location audits.

Halo is our market-leading audit technology that allows us to identify and assess risks and determine where to focus audit efforts. Halo interrogates, tests and analyses huge volumes of business-critical data, analysing whole populations, spotting and visualising anomalies and trends in financial information. It enables us to analyse patterns and trends, identify unusual and high-risk transactions, and provide valuable insight to our teams and our clients.

PwC's Confirmation System makes it easy for clients to return requested information securely. Automated, flexible technology means it works for virtually all confirmation types-from accounts receivable to derivatives to loans to inventory.

Confidentiality and information security

Confidentiality and information security are key elements of our professional responsibilities. Misuse or loss of confidential client information or personal data may expose the firm to legal proceedings, and it may also adversely impact our reputation. We take the protection of confidential and personal data very seriously.

Our focus on our clients requires a holistic and collaborative approach to reducing security, privacy and confidentiality risks with significant investment in appropriate controls and monitoring to embed an effective three lines of defence model. This model has enabled us to strengthen our information security organisation, align to industry good practice and improve our internal control frameworks.

The firm's policies and procedures are supported by ongoing compliance monitoring. An incident response procedure is also in place.

Data privacy

The firm maintains a robust and consistent approach to the management of all personal data, with everyone in our organisation having a role to play in safeguarding personal data. We have continued to build on our extensive GDPR readiness programme, and are committed to embedding good data management practices across our business.

Information security

Information security is a high priority for the PwC Network. Member Firms are accountable to their people, clients, suppliers, and other stakeholders to protect information that is entrusted to them.

The PwC Information Security Policy (ISP) is aligned with ISO/IEC 27001, financial services industry standards,

and other reputable frameworks (COBIT, NIST, etc.) as benchmarks for security effectiveness across the network of Member Firms. The PwC ISP directly supports the Firm's strategic direction of cyber readiness to proactively safeguard its assets and client information. The PwC ISP is reviewed, at a minimum, on an annual basis.

PwC Malta is required to adhere to the ISP requirements and complete an annual, evidence based assessment to demonstrate compliance. The CISO approved assessment undergoes a detailed and standardised Quality Assessment (QA) process performed by a centralised, objective Network Information Security Compliance team.

Supporting engagement performance

Direction, coaching and supervision

Engagement leaders and senior engagement team members are responsible and accountable for providing quality coaching throughout the audit and supervising the work completed by junior member of the team., coach the team and maintain audit quality. Teams utilise Aura Platinum which has capabilities to effectively monitor the progress of the engagement to make sure that all work has been completed and reviewed by relevant individuals, including the engagement leader.

Consultation culture

Consultation is key to ensuring audit quality. While we have formal protocols about mandatory consultation, in the pursuit of quality, our consultative culture also means that our engagement teams regularly consult with each other on an informal basis, as well as with experts and others, often in situations where consultation is not formally required.

The risk and quality team led by the risk management partner, provides consultation on quality and risk management matters and assists engagement teams in complying with PwC Network risk management policies PwC's audit guide, policies, guidance, templates, professional accounting and auditing standards and technical alerts on new developments are located in electronic repositories and are available to all partners and members of staff.

Any updates to global or local policies are communicated to all partners and members of staff via email alerts and also during mandatory training courses.

Quality Review Partners (QRP)

We appoint a Quality Review Partner (QRP) to conduct engagement quality control reviews of the audits of listed clients, other public interest entities and clients identified as higher risk. QRPs are experienced individuals who are independent of the core engagement team; they receive training when appointed as a QRP and are appointed to an engagement based on their experience and expertise.

The QRP is responsible for reviewing key aspects of the audit including independence, significant risks and the responses to these risks, judgements, uncorrected misstatements, documentation of work done in the areas reviewed, the financial statements, communication with those charged with governance and the appropriateness of the audit report to be issued. QRPs are involved throughout the audit process so that their input is timely. The QRP will seek to challenge the audit team in the judgements they have made and work done. Their review is completed and any matters raised are resolved to the QRP's satisfaction in advance of the audit report date.

Differences of opinion

Protocols exist to resolve the situations where a difference of opinion arises between the engagement leader and either the QRP, or another Assurance partner. These include the use of panels and partners independent of the engagement.

Engagement documentation

At the end of an engagement, teams are required to archive the electronic file in accordance with our policies which are more stringent than those laid down by professional standards. In the case of the electronic audit file, automated processes exist to make sure that the file is archived on time and the act of archiving prevents any further amendments being made to the file. Unless required for legal, regulatory or internal review purposes files are only accessible by members of the engagement team until they are destroyed. We have a retention and destruction policy around engagement files.

05

Monitoring



Monitoring of Assurance quality

We recognise that quality in the Assurance services we deliver to clients is key to maintaining the confidence of investors and other stakeholders in the integrity of our work. It is a key element to our Assurance strategy.

Responsibility for appropriate quality management lies with the Leadership of PwC Malta - the “first line of defence”. This includes the design and operation of an effective System of Quality Management (SoQM) that is responsive to our specific risks to delivering quality audit engagements, using the Network’s QMSE framework.

Our firm’s monitoring procedures include an ongoing assessment aimed at evaluating whether the policies and procedures which constitute our SoQM are designed appropriately and operating effectively to provide reasonable assurance that our audit and non-audit assurance engagements are performed in compliance with laws, regulations and professional standards - the “second line of defence”.



Our monitoring also encompasses a review of completed engagements (Engagement Compliance Reviews - ECR) as well as periodic monitoring of our SoQM by an objective team. The results of these procedures, together with our ongoing monitoring form the basis for the continuous improvement of our SoQM.

Our firm's monitoring program is based on a consistent Network-wide inspections program based on professional standards relating to quality control including ISQC 1 as well as Network policies, procedures, tools and guidance.

Audit Quality Measures

- Total number of ECRs.
- Number of ECRs rated as compliant, compliant with improvements required, non-compliant.
- Total number or real time assurance reviews.

ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorised to sign audit or non-audit assurance reports. The review assesses whether an engagement was performed in compliance with PwC Audit guidance, applicable professional standards and other applicable engagement-related policies and procedures.

Reviews are led by experienced assurance partners, supported by independent teams of partners,

directors, and senior managers and other specialists. Review teams receive training to support them in fulfilling their responsibilities, and utilise a range of checklists and tools developed at the Network level when conducting their review procedures.

Finally, the PwC Network coordinates an inspection program to review the design and operating effectiveness of our SoQM - the "third line of defence". The use of a central team to monitor these inspections across the Network enables a consistent view and sharing

of relevant experience across the PwC Network.

The results of the inspections are reported to our firm's leadership who are responsible for analysing the findings and implementing remedial actions as necessary. In situations where adverse quality issues on engagements are identified, based on the nature and circumstances of the issues, the responsible partner or our firm's Assurance leadership personnel may be subject to additional mentoring, training or sanctions in accordance with our firm's Recognition and Accountability Framework.

Partners and employees of our firm are informed about the review results and the actions taken to enable them to draw the necessary conclusions for the performance of their engagements. In addition, the GAQ-I Leader informs engagement partners of our firm, who are responsible for group audits involving cross-border work, about relevant quality review findings in other PwC member firms which enables our partners to consider these findings in planning and performing their audit work.

Statement on the effectiveness of the firm's system of quality management

Regular reports, based on documented monitoring procedures for the system of quality management, are submitted to the partner group by the assurance leadership, business process and risk management, to ensure the proper operation of the procedures described.

The various reviews of our system of quality management carried out during 2020 has not identified any failings or weaknesses that have been determined to be significant.



External quality reviews

In accordance with applicable regulatory requirements, each member firm may also be reviewed periodically by national and international regulators and/or professional bodies. In this respect, PwC Malta is subject to periodic review by the Quality Assurance Unit (QAU) of the Accountancy Board, usually on a triannual basis. The most recent QAU review of the firm was carried out in 2019.

06

Legal & governance structure



Legal structure & ownership of PwC Malta

PricewaterhouseCoopers (PwC) is a civil partnership governed by Maltese law. The firm is owned by a group of 19 members, commonly referred to as partners, all of whom are professionals active within the practice.

The firm is registered as an audit firm with the Accountancy Board in terms of the Accountancy Profession Act (the Act). David Valenzia is the firm's Compliance Principal in terms of the Act. David Valenzia is the Territory Senior Partner and as senior partner subjects himself at the end of a 4 year term to the full partnership board's approval for re-appointment.

The number of partners of the firm who are Certified Public Accountants holding a practicing certificate in auditing, and the percentage of voting rights in the firm held by such partners meets the thresholds established in article 10.4 of the Act.



Subsidiary undertakings

The principal subsidiary undertakings of PwC Malta as at 30 June 2020 are:

Subsidiary undertaking	Principal activity
PwC Malta Technology Services Limited	Provision of IT services
Abacus Holdings Limited	Licensed to provide trustee services
Medina Management Services Limited	Licensed to act as a corporate service provider
Abacus (Nominee) Limited	Licensed to provide trustee services
PwC Academy Limited	Provision of educational and training services

Governance structure of PwC Malta

The governing body of the firm is the partner group, which meets at regular intervals to discuss strategy and to monitor the firm's progress.

The Partner Council meets to discuss proposals for partner remuneration, for bonuses payable to the managers, and proposals for changes to the level of partner capital contributions. The total level of partner remuneration, level of capital contributions as well as any bonuses payable to managers are reported at the partners meeting.

The firm is organised into three service lines, namely assurance, advisory and tax (including company administration).

Service line issues are delegated to subsidiary boards comprised of all

the partners in the respective service line, together with the territory senior partner.

Dedicated function boards are also devoted inter alia to managing other areas within the firm, including human capital, quality and risk management, clients and markets and finance.

There are also a number of supporting boards, in addition to the function boards, including diversity, regulatory, technology and sustainability.

All function boards and supporting boards have a role across all lines of service.

This structure ensures that all partners are actively involved in the management of the firm, while certain partners carry specific executive roles, reporting to the partner group as a whole.

Partner remuneration

An essential element of PwC's ethos is a set of common principles for remuneration of partners in PwC firms, based on partner performance and quality of work. The underlying premise of the partner income philosophy is to encourage, recognise and reward partners, both as individuals and as members of teams.

The partner remuneration system includes three core elements for which partners are rewarded: first, the role they are asked to play in the partnership; second, how well they carry out their responsibilities, with a particular emphasis on quality; and, third, how well the firm performs as a whole.

Within this framework, the determination of an individual partner's rewards hinges on an evaluation against individual and team objectives.

The Partner Council meets to discuss proposals for partner remuneration, for bonuses payable to the managers, and proposals for changes to the level of partner capital contributions. The total level of partner remuneration, level of capital contributions is reported at the partners meeting.



	Partner Council	Assurance Board [1]	Tax Board	Advisory Board	Quality & Risk Management Board	Human Capital Board	Clients & Markets Board	Finance Board
David Valenzia Territory Senior Partner	✓	✓	✓	✓	✓	✓	✓	✓
Simon Flynn Head of Assurance	✓	✓			✓	✓		✓
Fabio Axisa Assurance Partner		✓						
Stefan Bonello Assurance Partner		✓					✓	
Stephen Mamo Assurance Partner		✓					✓	
Lucienne Pace Ross Assurance Partner		✓			✓	✓		
Romina Soler Assurance Partner		✓						
Neville Gatt Head of Tax	✓		✓			✓		✓
Bernard Attard Tax Partner			✓				✓	
David Ferry Tax Partner			✓			✓	✓	
Steve Gingell Tax Partner			✓					

	Partner Council	Assurance Board [1]	Tax Board	Advisory Board	Quality & Risk Management Board	Human Capital Board	Clients & Markets Board	Finance Board
Mark Lautier Tax Partner			✓					
Mirko Rapa Tax Partner			✓		✓			
Joseph Camilleri [1] Head of Advisory [2]	✓			✓			✓	✓
Bonavent Gauci Advisory Partner				✓			✓	
Michel Ganado Advisory Partner				✓		✓		
George Sammut Advisory Partner				✓	✓			
Ryan Sciberras Advisory Partner				✓			✓	
Lisa Pullicino Human Capital Partner						✓		

[1] Authorised to sign audit reports on behalf of the firm

[2] Joseph Camilleri replaced Joseph Muscat as Advisory leader when Joseph Muscat retired from the partnership on 31 December 2019. Joseph Camilleri is authorised to sign audit reports on behalf of the firm

07

PwC Network



The PwC Global Network

PwC is the brand under which the member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide professional services. Together, these firms form the PwC network. 'PwC' is often used to refer either to individual firms within the PwC network or to several or all of them collectively.

In many parts of the world, accounting firms are required by law to be locally owned and independent. Although regulatory attitudes on this issue are changing, PwC member firms do not and cannot currently operate as a corporate multinational. The PwC network is not a global partnership, a single firm, or a multinational corporation.

For these reasons, the PwC network consists of firms which are separate legal entities.



Size of the network

The total turnover achieved by statutory auditors and audit firms from EU or EEA Member States, that are members of the PwC Network resulting, to the best extent calculable, from the statutory audit of annual and consolidated financial statements, for the year ended 30 June 2020, is €3.2 billion. This represents the turnover from each entity's most recent financial year converted into Euro (€) at the exchange rate prevailing at that financial year end date.

A list of PwC Network audit firms and sole practitioner statutory auditors in the EU/EEA Member States, as at 30 June 2020, can be found in Appendix 2.





PricewaterhouseCoopers International Limited

The firms that make up the network are committed to working together to provide quality service offerings for clients throughout the world. Firms in the PwC network are members in, or have other connections to, PricewaterhouseCoopers International Limited (PwCIL), an English private company limited by guarantee. PwCIL does not practise accountancy or provide services to clients. Rather its purpose is to act as a coordinating entity for member firms in the PwC network. Focusing on key areas such as strategy, brand, and risk and quality, the Network Leadership Team and Board of PwCIL develop and implement policies and initiatives to achieve a common and coordinated approach amongst individual member firms where appropriate. Member firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC network.

In addition, member firms may draw upon the resources of other member firms and/or secure the provision of professional services by other member firms and/or other entities. In return, member firms are bound to abide by certain common policies and to maintain the standards of the PwC network as put forward by PwCIL.

The PwC network is not one international partnership and PwC member firms are not otherwise legal partners with each other. Many of the member firms have legally registered names which contain “PricewaterhouseCoopers”, however there is no ownership by PwCIL. A member firm cannot act as agent of PwCIL or any other member firm, cannot obligate PwCIL or any other member firm, and is liable only for its own acts or omissions and not those of PwCIL or any other member firm. Similarly, PwCIL cannot act as an agent of any member firm, cannot obligate any member firm, and is liable

only for its own acts or omissions. PwCIL has no right or ability to control member firm’s exercise of professional judgement.

The governance bodies of PwCIL are:

- **Global Board**, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of network standards. The Board does not have an external role. Board members are elected by partners from all PwC firms around the world every four years.
- **Network Leadership Team**, which is responsible for setting the overall strategy for the PwC network and the standards to which the PwC firms agree to adhere.
- **Strategy Council**, which is made up of the leaders of the largest PwC firms and regions of the network, agrees on the strategic direction of the network and facilitates alignment for the execution of strategy.
- **Global Leadership Team** is appointed by and reports to the Network Leadership Team and the Chairman of the PwC network. Its members are responsible for leading teams drawn from network firms to coordinate activities across all areas of our business.

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Appendix 01

Financial information

Services	12 months ended 30 June 2020
	€ million
Statutory audits and directly related services for audit clients (EU PIE and subsidiaries of EU PIE)	4.5
Statutory audits and directly related services for audit clients (other entities)	14.2
Statutory audits and directly related services for audit clients	18.7
Non-audit services to audit clients	12.1
Services to audit clients	30.8
Services to clients we do not audit	13.3
Malta firm revenue	44.1

Appendix 02

EU Entities as at
30 June 2020

Member State	Name of firm
Austria	PwC Wirtschaftsprüfung GmbH, Wien
Austria	PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz
Austria	PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt
Austria	PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz
Austria	PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg
Austria	PwC Österreich GmbH, Wien
Belgium	PwC Bedrijfsrevisoren bv/Reviseurs d'enterprises srl
Bulgaria	PricewaterhouseCoopers Audit OOD
Croatia	PricewaterhouseCoopers d.o.o

Member State	Name of firm
Cyprus	PricewaterhouseCoopers Limited
Czech Republic	PricewaterhouseCoopers Audit s.r.o
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Estonia	AS PricewaterhouseCoopers
Finland	PricewaterhouseCoopers Oy
France	PricewaterhouseCoopers Audit
France	PricewaterhouseCoopers Entreprises
France	PricewaterhouseCoopers France
France	PricewaterhouseCoopers Services France
France	PwC Entrepreneneurs CAC
France	PwC Entrepreneurs Commissariat aux Comptes
France	PwC Entrepreneurs Audit
France	PwC Entrepreneurs Audit France
France	PwC Entrepreneurs CAC France

Member State	Name of firm
France	PwC Entrepreneurs Commissariat aux Comptes France
France	PwC Entrepreneurs France
France	PwC Entrepreneurs Services
France	Expertise et Audit Lafarge
France	M. Philippe Aerts
France	M. Jean-François Bourrin
France	M. Jean-Laurent Bracieux
France	M. Didier Brun
France	M. Anouar Lazrak
France	Mme Elisabeth L'Hermite
France	M. François Miane
France	M. Yves Moutou
France	M. Claude Palméro

Member State	Name of firm
France	M. Pierre Pégaz-Fiornet
France	M. Antoine Priollaud
Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Germany	Wibera WPG AG
Gibraltar	PricewaterhouseCoopers Limited
Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Könyvvizsgáló Kft.
Iceland	PricewaterhouseCoopers ehf
Ireland	PricewaterhouseCoopers
Italy	PricewaterhouseCoopers Spa
Latvia	PricewaterhouseCoopers SIA
Liechtenstein	PricewaterhouseCoopers GmbH, Vaduz

Member State	Name of firm
Lithuania	PricewaterhouseCoopers UAB
Luxembourg	PricewaterhouseCoopers, Société coopérative
Malta	PricewaterhouseCoopers
Netherlands	PricewaterhouseCoopers Accountants N.V.
Netherlands	Coöperatie PricewaterhouseCoopers Nederland U.A.
Norway	PricewaterhouseCoopers AS
Poland	PricewaterhouseCoopers Polska sp. z. o.o.
Poland	PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością sp. k.
Poland	PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.
Portugal	PricewaterhouseCoopers & Associados- Sociedade de Revisores Oficiais do Contas Lda

Member State	Name of firm
Romania	PricewaterhouseCoopers Audit S.R.L.
Slovakia (Slovak Republic)	PricewaterhouseCoopers Slovensko, s.r.o.
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.L.
Sweden	PricewaterhouseCoopers AB
Sweden	Öhrlings PricewaterhouseCoopers AB
UK	PricewaterhouseCoopers LLP
UK	James Chalmers
UK	Katharine Finn



Appendix 03

Public interest entities audited by the firm

The Accountancy Profession Act defines a Public Interest Entity (PIE) as an entity whose transferable securities are admitted to trading on a regulated market of any EU 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 1 of Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions, or an insurance undertaking within the meaning of Article 2(1) of Directive 91/674/EEC.

Listed bonds

Bortex Group Finance plc
Central Business Centres plc
Corinthia Finance plc
Exalco Finance plc
Ferratum Bank plc
Gambling.com Group plc
Gaming Innovation Group plc
Hudson Malta plc
MeDirect Bank (Malta) plc
Mediterranean Maritime Hub Finance plc
Melite Finance plc
Merkanti Holding plc
Pendergardens Developments plc
SD Finance plc
Together Gaming Solutions plc
Tumas Investments plc
United Finance plc
Virtu Finance plc

Listed equity

BMIT Technologies plc
Catena Media plc
GO plc
HSBC Bank Malta plc
International Hotel Investments plc
Kindred Group plc
Lombard Bank Malta plc
Main Street Complex plc
Malita Investments plc
Malta Properties Company plc
MaltaPost plc
Midi plc
PG plc
Plaza Centres plc
Simonds Farsons Cisk plc
Tigne Mall plc
Trident Estates plc

Listed funds

Altruid Hybrid Fund SICAV plc
Amalgamated Investments Sicav
plc
Aquarium Funds SICAV plc*
Global Funds Sicav plc
HSBC Malta Funds Sicav plc
Kylin Prime SICAV plc
RohFund Global Fund Sicav plc

Insurance Companies

Arnold Clark Insurance (Malta) Ltd
Atlas Insurance PCC Ltd
Bastion Insurance Company Ltd
Bavaria Reinsurance Malta Ltd
Building Block Insurance PCC Ltd**
Cafina Assurances Ltd
Darag Malta Insurance and Reinsurance
PCC Ltd
Duiker Insurance Company Ltd
Elmo Insurance Ltd
Ergon Insurance Ltd
Eucare Insurance PCC Ltd
European Insurance Solution PCC Ltd
First European Title Insurance Company
Ltd
Gasamamo Insurance Ltd
HSBC Life Assurance (Malta) Ltd
One Insurance Ltd
Oney Insurance (PCC) Ltd
Oney Life (PCC) Ltd
Reed Insurance Ltd
Rhenas Insurance Ltd
SN SecureCorp Insurance Malta Ltd
Tulip Assist Insurance Ltd
Werla Insurance Ltd

Credit Institutions

BNF Bank plc
CommBank Europe Ltd
Credorax Bank Ltd
FCM Bank Ltd
IIG Bank (Malta) Ltd
Merkanti Bank Ltd
NBG Bank Malta Ltd
Yapi Kredi Bank Malta Ltd

The firm is also the auditor of the financial statements of Akbank T.A.S. Malta Branch, an EU based branch of a foreign bank.

The firm also audits the following entities that are EU incorporated and that issued securities that were accepted for trading on a market that is not regulated in the EU as defined point 14 of Article 4(1) of Directive 2004/39/EC
Brait S.E.
Homechoice International plc
IG Finance plc
Raketech Group Holding plc
Tradehold Ltd

* Delisted in April 2020

** No longer auditors



Appendix 04

The firm's partners and directors

Assurance Board

Left to right, at the back:
Michelle Agius, Stefan Bonello,
Romina Soler, David Valenzia, Simon
Flynn, Joanne Saliba and
Stephen Mamo.

Left to right, in front:
Lucienne Pace Ross, David Leone
Ganado and Fabio Axisa.





Tax Board

Left to right, at the back:

David Ferry, David Valenzia and Steve Gingell.

Left to right, in front:

Mark Lautier, Bernard Attard, Neville Gatt and Mirko Rapa.

Advisory Board

Left to right, at the back:

Joseph Camilleri, David Valenzia and Michel Ganado.

Left to right, in front:

George Sammut, Ryan Scibberas, Angelique Spina and Bonavent Gauci.





Internal Firm Services

Left to right:

David Valenzia, Lisa Pullicino,
and Nicolette Mirabelli.



We have prepared this Transparency Report, in respect of the financial year ended 30 June 2020, in accordance with the requirements of Article 13 of the EU regulation No. 537/2014.

PricewaterhouseCoopers is referred to throughout this report as “the firm”, “PwC”, “we”, “our” and “us”.

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