

2019 Transparency report

Working together to build trust in society
and solve important problems

www.pwc.com/mt





At PwC, our purpose is to build trust in society and solve important problems. We’re a network of firms in 157 countries with over 276,000 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

Contents

Introduction from our Territory Senior Partner	4
Message from our Head of Assurance	8
Our Firm	10
Quality management for service excellence	22
Appendices	58

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.

Introduction from our Territory Senior Partner

I am delighted to present our transparency report, as required by the EU Statutory Audit Directive, for the year ended 30 June 2019. The Transparency Report is an integral part of our annual review for the same period.

We have embarked on a process of transition that is driven by the market in which we operate, and the demands of our clients. We are investing in the upskilling of our people to be adequately prepared for the workforce of the future.

The pace of change is rapid. Underlying this disruption is technology which, coupled with a regulatory backdrop that rightly demands quality and standards to be continually enhanced, has meant that we have looked at all aspects of our business to ensure that we remain at the forefront of professional services in Malta. To do this we are investing in tools to allow us to provide more value to our clients, new services that meet the needs of the market today, and in our people, and the environment we work in.

We are privileged to be part of a network of member firms operating in 157 countries. The PwC network employs more than 276,000 people carrying out

an extensive range of services. Across the world, our firms engage specialists in areas ranging from financial reporting to social policies, from cyber security to corporate ethics, from banking regulation to environmental sustainability, and much more.

Being part of this network allows us to carry many of these skills locally, and to access best practices from across the globe. The primary reasons why we need such diverse skills is because our clients ask for them and we believe that having a wide variety of skills and expertise available results in better work and a better service for our clients and stakeholders.

As our clients' needs evolve and grow, we must change and mould the capabilities we have across the firm to keep pace. We are constantly expanding our skills in areas where demand is rising, often by reallocating our talent from other areas where clients' needs have changed, and by recruiting and training our staff. It also allows us to contribute to PwC's global purpose, which is "To build trust in society and solve important problems."

We are on the cusp of a transition from the traditional audit to a fundamentally different approach, enabled by transformative technologies. Audit has always been about judgement aided by technology. Now technology can do things no one thought possible in the days of the calculator or simple spreadsheet. Audit has already started to embrace this transformation, but it needs to keep up with the accelerated pace of change. This journey is vital to ensuring audit meets the needs of the future.

The use of new tools and technologies is enabling auditors to better assess and evaluate a company's financial performance. Advancements in data analytics and AI will expand audit beyond sample-based testing to include analysis of entire populations of audit-relevant data. It will shift audit from an annual event to an ongoing process that could, in time, be able to look at almost all aspects of what a company does.

Regulation and technology are key to a robust audit system, but we cannot succeed without people. We work hard to ensure our approach to talent

entrenches the things that matter for high quality audit: integrity, technical skills, specialist skills, professional scepticism, the right values and diversity of opinions. All are vital if we are to effectively challenge clients.

We are a multi-competency firm. The benefits of being a multi-competency firm also flow to clients for whom PwC are not the auditors. A balanced portfolio of audit, tax and advisory work (with appropriate restrictions on the services delivered to both types of client) enables us to bring highly relevant specialisms, experience and insights – as well as a culture of independence of mind and professional scepticism – to all of our clients. The result is that we can develop the broadest possible view of each client's industry and provide the highest value and quality to our clients across the board, both audit and non-audit.



"We are on the cusp of a transition from the traditional audit to a fundamentally different approach, enabled by transformative technologies"

With the business community facing such disruption, during the year we held a very successful Emerging Technology conference, that is to become an annual event. Through the intervention of a number of overseas speakers from the PwC network, and contributions from our own specialists, we were able to highlight many trends that have, and will continue, to impact business locally and overseas. The event enabled us to bring to life opportunities that our clients can take advantage of.

We have launched an upskilling programme for all our people, an initiative that I am really proud of. This is a two-year programme that will enable our people to use tools that will make the services that we offer more efficient and relevant. Upskilling is a national issue, and besides offering this as a service to our clients, we are engaging with the relevant authorities to identify areas where we can contribute to the national strategy.

Just like our clients, we need to ensure that our model evolves around customer centric values and remains efficient, effective and relevant. Therefore, following our investment in Cloud for our communications model through Google for work, we have gone live with Cloud

in our Workday model which oversees our HR engagement with our people, and have commenced plans to invest in Cloud for Salesforce, our CRM model.

Corporate social responsibility is also an area that we take very seriously. We are conscious of our responsibilities in reducing our carbon footprint, and have largely removed single-use plastic throughout the office, and reduced our paper consumption through the installation of screens in all meeting rooms. We have completed a significant investment in PV panels that will generate some of the energy that we consume. We also contribute to society at a local level, helping communities, and supporting good causes throughout the Island.

It's been a good year for the firm and across all our lines of service and I'm particularly positive about the collaboration we've seen across our lines of service, as we bring one firm solutions to our clients, an important factor given the transformation that business is facing. As at 30 June 2019, PwC Malta engaged 688 people with revenues of €42 million, an increase of around 17% over last year.

I am really excited about the opportunities facing the firm. I think both the flow of talent into the organisation and the areas we're investing in, means we're going to have the right people that our clients will need to help them solve the important problems they face in what is a fast changing and ever complex world.

In particular this year, I would like to place on record my appreciation for the significant contribution that Chris Galea made to the firm over the years. Chris retired from the partnership at the end of 2018, upon reaching the firm's mandatory retirement age. I was fortunate to have had Chris as a partner for many years, and his support and insight have been really valuable to us all.

I would like to thank my partners for their commitment and continued support, and all of our people, who continue to deliver professional and high quality services to our clients. I would also like to thank our clients for their continued support, and look forward to working with them in today's ever-changing world.



Do you have any questions for David?



david.valenzia@pwc.com



@David_Valenzia

David Valenzia
Territory Senior Partner
October 2019

Message from our Head of Assurance

Our Assurance practice continued to experience steady growth during the year ended 30 June 2019. We strengthened our relationships with existing clients and onboarded new clients in an orderly and disciplined manner keeping at the forefront our commitment to quality and driven by the talent and dedication of our people. Income from the statutory audit of annual and consolidated financial statements grew by 15% and represented 44% of the firm's total income for the year.

We achieved these results in a challenging environment that is undergoing significant change. Audit reform in the EU has brought with it mandatory firm rotation considerations in the audit of Public Interest Entities and the concept of tighter restrictions on the provision of non-audit services. PwC has demonstrated its readiness to take on these changes. At the same time, we have this year been successful in retaining those audit mandates of Public Interest Entities where we were allowed to re-tender and be re-appointed after a

call for proposals. As market leaders we are prepared for the disruptive effect that mandatory firm rotation will have on our practice.

Our clients range from public entities to private businesses, from international organisations to local set-ups, from large businesses to small start-ups. We are geared to be of service to all our clients and to produce quality audits across the spectrum of clients that we serve. In order to achieve this, we are investing in our people by upskilling their capabilities to prepare them for the requirements of the new, digital economy. We are committed to helping our people, and our clients, understand the skills and knowledge required in the digital world. At the same time, we are transforming our audit offering to automate it more and to better develop our people's skills in those judgmental areas where it matters most.

Our investment appetite remains healthy and we continue to actively pursue a strategy of automation and simplification in our approach to audits.


We also firmly believe in investment in our people and recruitment, retention, talent development and training remain fundamental to the success of our practice. During the past year the number of people in our audit practice grew significantly and this enabled us to provide an even better service to our clients without placing undue pressure on our teams. We have grown our accounting and audit technical teams to support our mainstream audit offering and to add value to our deliverables. We believe that we are well placed to meet the challenges coming our way and continue to actively seek to bolster our team with new, fresh talent sourced both locally and internationally.

As we look forward, we see ourselves consolidating our leading position in the audit market locally with an unyielding commitment to quality, independence and objectivity in the way we act and in the services that we provide.

Do you have any questions for Simon?

 simon.flynn@pwc.com





Simon Flynn
Head of Assurance
October 2019



1

Our Firm

The structure of our firm	12
Our firm as part of a global network	16
Partner remuneration	20



The structure of our firm

Legal structure and ownership

PricewaterhouseCoopers (PwC) is a civil partnership governed by Maltese law. The firm is owned by a group of 20 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 also the Territory Senior Partner and as senior partner subjects himself at the end of a four 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 2019 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 and management structure

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.





	Designation	Partner Council	Assurance Board ¹	Tax Board	Advisory Board	Quality and Risk Management Board	Human Capital Board	Clients and Markets Board	Finance Board
David Valenzia	Territory Senior Partner	✓	✓	✓	✓	✓	✓	✓	✓
Simon Flynn	Head of Assurance	✓	✓			✓	✓		✓
Fabio Axisa	Assurance Partner		✓						
Stefan Bonello	Assurance Partner		✓					✓	
Joseph Camilleri	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			✓			✓	✓	
Chris Galea ²	Tax Partner			✓		✓			✓
Steve Gingell	Tax Partner			✓					
Mirko Rapa	Tax Partner			✓		✓			
Mark Lautier ³	Tax Partner			✓					
Joseph Muscat	Head of Advisory	✓			✓		✓		✓
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 retired 31 December 2018

³ admitted to the partnership on 1 January 2019



Our firm as part of a global network

Network arrangements and network firms

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 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.

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 an 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; and
- 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.

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 2019, is €3.1 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 2019, can be found in Appendix 2.



Key features of the network

Every PwC firm is responsible for its own risk and quality performance and, where necessary, for driving improvements.

Each PwC firm is also exclusively responsible for the delivery of services to its clients.

To support transparency and consistency, each PwC firm's Territory Senior Partner signs an annual confirmation of compliance with certain standards. These cover a range of areas, including independence, ethics and business conduct, assurance, advisory and tax risk management, governance, anti-corruption and information security that includes data protection and privacy.

These confirmations are reviewed by others who are independent from the PwC firm in question. Member firms are required to develop an action plan to address specific matters where they are not in compliance. The action plans are reviewed and their execution monitored.

There are some common principles and processes to guide PwC firms in applying the network standards. Major elements include:

The way we do business

PwC firms undertake their business activities within the framework of applicable professional standards, laws, regulations and internal policies. These are supplemented by a PwC Code of Ethics and Business Conduct for their partners and staff.

Sustainable culture

To promote continuing business success, PwC member firms nurture a culture that supports and encourages PwC people to behave appropriately and ethically, especially when they have to make tough decisions.

PwC people have ready access to a wide array of support networks within their respective firms – both formal and informal – and technical specialists to help them reach appropriate solutions.

Policies and processes

Each PwC firm has its own policies, based on the common standards and policies of the PwC network. PwC firms also have access to common methodologies, technologies and supporting materials for many services.

These methodologies, technologies and content are designed to help a member firm's partners and staff perform their work more consistently, and support their compliance with the way PwC does business.

Quality reviews

Each PwC member firm is responsible for monitoring the effectiveness of its own quality control systems. This includes performing a self-assessment of its systems and procedures and carrying out, or arranging to have carried out on its behalf, an independent review.

In addition, the network monitors PwC member firms' compliance with network quality expectations and risk and quality standards and policies. This includes

monitoring not only whether each PwC firm conducts an objective quality control review programme, but also considers a member firm's processes to identify and respond to significant risks.

For assurance work, the quality review programme is based on relevant professional standards relating to quality controls including International Standard on Quality Control 1: 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements' ('ISQC1').

The overriding objective of the assurance quality review programme is to assess for each relevant PwC member firm that:

- quality management systems are

appropriately designed;

- operating effectively and comply with applicable network standards and policies;
- engagements selected for review were performed in compliance with applicable professional standards and PwC Audit requirements, and significant risks are identified and managed appropriately.

A member firm's assurance quality review programme is monitored, as is the status and effectiveness of any quality improvement plans a PwC firm puts in place.



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 and level of capital contributions is reported during partners' meetings.





2

Quality management for service excellence

Quality management for service excellence	24
Internal quality control system	27
Leadership responsibilities for quality within the firm	29
Ethical requirements	31
Independence	34
Acceptance and continuance process	40
Human resources	44
Engagement performance	49
Monitoring of assurance quality	54



Quality management for service excellence

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.

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 valid expectations of our clients and other stakeholders.

This overall quality objective is supported by a series of underlying quality management objectives and our quality management system (QMS) 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 Assurance leadership, business process owners, and partners and staff. 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 quality management system when areas for improvement are identified by performing root cause analyses and implementing remedial actions; and
- establishing a quality-related recognition and accountability framework.

Real Time Assurance

We have developed a Real Time Quality Assurance (RTA) program to provide our firm with a process and tool for monitoring and supporting audit quality leveraging current technology opportunities.

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.

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. This quality risk analysis is an essential part of our QMSE, and the AQIs, in addition to other performance measures, provide a tool which assists us in monitoring the effectiveness of our QMS.

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. One of our primary objectives when conducting such analyses is to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at audits both with and without

deficiencies—whether identified through our own internal inspections process or through external inspections—to help identify possible distinctions and learning opportunities.

For individual audits, an independent 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 causal factors are identified by evaluating 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 practice. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.



Internal quality control system

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 promote and reinforce positive behaviours and drive a culture of quality;
- Consequences/reward: We have implemented consequences and rewards that are commensurate to outcome and behavior and sufficient to incentivise the right behaviours to achieve the quality objectives.



The overriding objective of the quality control system is to assess that:

- a quality management system is appropriately designed, operating effectively and complies with applicable network standards and policies;
- engagements selected for review were performed in compliance with applicable professional standards and PwC audit requirements;
- significant risks are identified and managed appropriately.

PwC Network member firms' quality control system for the assurance practice is based on the International Standard on Quality Control 1 (ISQC1): "Quality Control for Firms that Perform Audits and Reviews of Financial

Statements and Other Assurance and Related Services Engagements", issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC).

ISQC1 requires the firm to establish and maintain a system of quality control to provide it with reasonable assurance that:

- the firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and
- the reports issued by the firm/ engagement leaders are appropriate in the circumstances.





Leadership responsibilities for quality within the firm

Elements of our internal quality control system

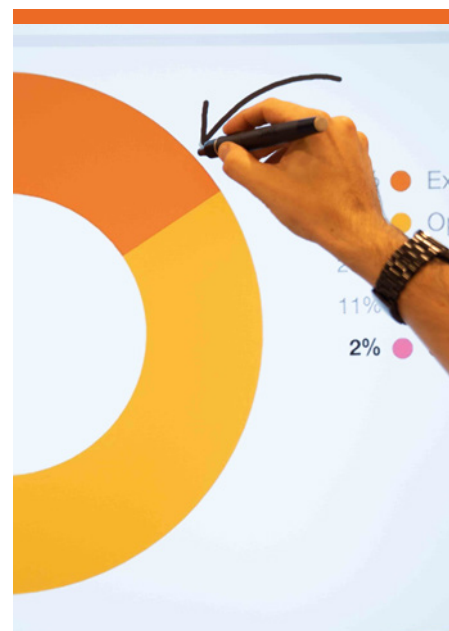
Our internal control system is based on the six elements of quality control set out in ISQC1, which are:

- leadership responsibilities for quality within the firm;
- relevant ethical requirements;
- acceptance and continuance of client relationships and specific engagements;
- human resources;
- engagement performance;
- monitoring.

The policies and procedures that form our internal quality control systems have been documented, and there is a monitoring regime to enable the partners to review the extent to which the policies and procedures are operating effectively.

The policies and procedures are embedded as part of the firm's day-to-day activities.

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



The overall responsibility for the firm's internal quality control system lies with the partners. The day-to-day responsibility for the implementation of this system and for monitoring risks and the effectiveness of controls is delegated to the line of service leaders and function leaders as appropriate.

The firm's leadership is committed in delivering high-quality service and upholding the values of integrity, independence, professional ethics and professional competence which are embedded within the audit process.

The firm's leadership has appointed a number of partners (supported by appropriate additional resources) in roles dedicated to establishing high standards of quality.

Lucienne Pace Ross is the partner designated as Risk Management Partner.

Risks to audit quality are identified through the Audit Quality Risk Assessment (AQRA) which forms part of the firm's Enterprise Risk Management (ERM) plan, that also takes into consideration the results of firm, PwC Network and regulatory compliance reviews, the regulatory environment and current developments, and the prevailing economic and market conditions.

Once risks have been identified, the probability and impact of such events happening in the future are determined; actions to address those risks are identified as well as opportunities.

Audit engagement leaders take primary responsibility for the delivery of the firm's audit opinion. Audit quality is a major component of the partner planning, assessment and execution process. Partners are held accountable for their performance. In this respect, the firm has adopted a recognition and quality accountability framework which applies to all partners. The purpose of this framework is to facilitate a common approach among PwC firms in responding to poor quality in providing professional services and more specifically:

- failures to meet professional standards, comply with external regulations or PwC standards and policies; and
- behaviours that jeopardise the quality of the firm's audit opinion.



Ethical requirements



Culture and tone at the top

Our values define who we are, what we stand for, and how we behave.

While we come from different backgrounds and cultures, our values are what we have in common. They guide how we work with our clients and each other, inform the type of work we do, and hold us accountable to do our best. They govern our actions and determine our success.

Our values help us work towards our purpose of building trust in society and solving important problems.

The trust that our clients, communities and our people place in PwC, and our high standards of ethical behaviour, are fundamental to everything we do. Our core set of shared values state that when working with our clients and colleagues we:

- Act with Integrity;
- Make a Difference;
- Care;
- Work Together; and
- Reimagine the Possible.

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:

- a. Integrity – to be straightforward and honest in all professional and business relationships;
- b. Objectivity – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements;
- c. 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;
- d. 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;

e. 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/anti-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 the 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 earn the trust that we seek. 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 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 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 online for all internal and external stakeholders at pwc.com/ethics.

Our Code of Conduct sets out a common framework around how we are expected to behave and do the right thing. These help guide our behaviours and build trust:

- in how we do business;
- with each other;
- in our communities and;
- in how we use information.

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 are responsible for assisting the firm in meeting its professional conduct obligations; and

- 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.

Confidentiality and information security

Confidentiality and information protection 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.

Our firm's Information Security Partner and Partner Responsible for Data Protection is responsible for providing oversight, policy and strategic direction on confidentiality and data privacy matters. Our information security policies and procedures aim at ensuring that:

- information is protected from internal and external threats;
- confidentiality, availability and integrity of information is maintained;
- statutory regulatory and contractual obligations are met; and

- access to confidential information is granted only for justified business needs.

Our policies and procedures include:

- encryption of all the firm's laptops, PCs and memory sticks;
- secure and managed apps for data accessed by mobile devices;
- software restricting the use of removable media;
- access to engagement files – both electronic and hard copy paper files – which is restricted to those on a 'need to know' and is regularly reviewed;
- regular backup of data on individual laptops and PCs;
- daily data backups of all servers;
- clear-desk policy, both in our offices and at client sites;
- securing hard copy files when they are not in use;

- remote access to our network via a secure virtual private network, or equivalent technology;
- policies on the transmission of data by email outside of the organisation; and
- restricted access to operational areas of PwC Malta.

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

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.



Independence



As auditors of financial statements and providers of other types of professional services, PwC 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, 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 also applies the relevant applicable rules and standards issued by relevant regulatory authorities.

Each PwC firm 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 designated partner in Malta is Lucienne Pace Ross and she is supported by a team of 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;
- 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 assurance clients; and
- 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.

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

The policies and processes implemented by PwC are designed to help the firm comply with relevant professional and regulatory standards of independence that apply to the provision of assurance services. Where local standards go beyond the international requirements, compliance with those standards is also required.

Independence-related tools

As a member of the PwC Network, PwC Malta has access to a number of tools which support PwC 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 status of clients of the member firm before entering into a new non-audit engagement or business relationship. This system drives the ‘Independence List’ and also feeds Independence Checkpoint;

- ‘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, documenting the potential independence threats of the service and proposed safeguards, 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 audit rotation policies for engagement leaders, other key audit partners involved in an audit; and a database that records approved business relationships entered into. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.

Engagement leader, quality review partner and key audit partner rotation 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.

Consultation, training and confirmations

Consultation by engagement teams on independence issues is embedded in the PwC culture. Teams are encouraged to consult with independence experts when a matter is complex, where the facts and circumstances of a situation suggest more than a single conclusion may exist, or in the case of doubt.

Our processes are supported by training of partners and staff. All PwC firms are required to develop and implement a training plan to provide partners and practice staff with annual or ongoing training relating to independence appropriate to their position and role.

Annually, all partners and practice staff receive mandatory training on

the firm's independence policies and related topics. Completion/attendance is monitored and non-completion or non-attendance may lead to disciplinary action being taken.

Additionally, classroom training is delivered by the firm's independence specialists as required.

All partners and practice staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the 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 confirmations serve two primary

purposes: to identify potential breaches of independence that may have arisen and as an important reminder of the firm's independence policies and procedures.

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 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 independence risk management standard.

In addition, global policies are supplemented by local policies and guidance to reflect any local laws or regulations.

The results of PwC Malta's monitoring and testing are reported to the firm's management on a regular basis. Based on the reviews outlined above, we confirm that we have conducted an internal review of our independence practices during FY19.

The firm 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.

If any breaches are identified, or occurred, there would be a 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 firm and the need for safeguards to maintain objectivity. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in the firm's systems and processes and for additional guidance and training.





Acceptance and continuance process

Considerations in accepting and continuing an audit client relationship

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 focuses on the quality of prospective clients and has established consistent policies and rigorous vetting procedures for client and engagement acceptance and continuance that are also in line with anti-money laundering legislation.

In assessing acceptance of a prospective client we consider:

- the identity, business reputation, integrity and ethics of the client's principal owners, key management and those charged with its governance;

- information concerning the attitude of the client's principal owners, key management and those charged with its governance towards matters that might affect the provision of a prospective service (for example, aggressive interpretation of accounting standards and the internal control environment in the context of assurance engagements);
- the nature of the client's operations, including its business practices;
- imposed limitations in the scope of work which may raise questions about the integrity of the client;
- indications that the client might be involved in money laundering or other criminal actions;
- the public profile of the prospective client and the underlying reasons for that profile;

- a sense of the operating and control environments of entities involved;
- financial condition and the prospective client's ability to pay our fees;
- whether heightened risks of fraud exist (for example, opportunities, incentives, or pressures);
- independence and potential conflicts of interest; and
- any current or previous relationships with other PwC firms.

Audit engagement acceptance

PwC Malta has 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. More specifically, this system enables:

a) 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.

b) 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.





Human resources

Recruitment

We are committed to attracting and retaining the best and brightest graduates and professionals – people who share our strong sense of responsibility for delivering high-quality services. We focus on creating unique career opportunities and a work environment that offers significant personal and professional growth. It has been very rewarding to see these efforts and the culture we are building attracting high calibre students and graduates.

In the 12 months ended 30 June 2019, we recruited over 280 professionals across the organisation, including over 70 university graduates and ACCA students and more than 83 interns into our various student programmes.

We also continued to transform and innovate our summer internship programmes, increasingly seeking

students with educational backgrounds that differ from the traditional accounting qualification. We have in fact this year opened our internships to a larger number of students with technology, commerce and legal backgrounds.

More specifically, our recruitment processes are key drivers in attracting and recruiting graduates with potential, as well as qualified and experienced professionals with technical expertise, management skills, leadership attributes and personal integrity.

At the interview stage, assessment of candidates is carried out against the PwC Professional, our leadership development framework that define what it means to be a professional at PwC and helps us develop our people into authentic and inclusive leaders. In this way we ensure that we recruit people who match the skills and behaviours we are looking for.

Developing our staff

The ongoing development of staff once they join the firm centres around a personal development and coaching system, supported by a comprehensive and fully integrated training programme across all lines of service.

The system entails:

- assigning a development coach to all staff within the firm;
- setting and agreeing personal development objectives aligned with the firm's goals;
- providing feedback after the performance of material assignments and at periodic intervals. This process entails formal manager and partner meetings with all staff, and serves as a determining factor in an individual's career progression and
- attendance to a series of training

programmes and courses throughout one's career with the firm. Courses may be technical in their content, or may deal with the development of personal skills, the use of IT and the values of the firm.

Continuing education

The PwC approach to assurance learning and education (L&E) is to provide access to a formal curriculum of technical courses, while also providing support for PwC firms' L&E leadership to consider local or broader training needs and to foster personal accountability for continuing education.

We and other PwC member firms are committed to delivering 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, updates on auditing standards and their implications, and areas of audit risk and areas of focus for improved quality.

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 78,000 hours of training between July 2018 and June 2019.

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 amongst 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 is 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 (staff members 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 strong foundation in leadership skills, opportunities to build lasting relationships with peers from across the firm, and to encourage participants to actively plan their careers. Around 90 participants benefited from these programmes, 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.

Access to reference material and subject matter experts

The firm maintains online reference materials covering all aspects of policy, procedure and methodology as well as a library of all relevant auditing, accounting and ethical standards. To keep technical knowledge up to date, partners and staff receive regular electronic update communications on technical and

regulatory topics as they arise. Technical subject matter experts are also available.

Managing performance

We go out of our way to give our people the respect and recognition they deserve. We offer stimulating work, invest in continuous professional development, ongoing coaching and constructive feedback, as well as maintain fair and transparent performance evaluation and promotion processes.

Real-time feedback is provided regularly throughout the year, which then forms an element of our annual appraisal process. Agreed objectives and grade-related skills and capabilities are aligned to the PwC Professional, our leadership development framework that defines



Engagement performance

what it means to be a professional at PwC and helps us develop our people into authentic and inclusive leaders. Moreover, any promotion in the firm is based on an individual's performance, their skills and the business case.

Remuneration

In determining remuneration for our staff, we carefully balance several elements including: the economic climate and the external market, recognition of people's hard work, including the quality of the work they deliver, the performance of the firm and investment for the future.

Diversity and inclusion

Diversity means different things to different people and organisations. At PwC, driving diversity means bringing together the perspectives of individuals create better outcomes for our clients, our people and our communities.

As of 30 June 2019, our staff population included 33 different nationalities with 58% of our people being female and the average age of our people being 28. 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.



We heavily invest in the effectiveness of our audits, in the skills of our people and in our underlying audit methodology, as well as in making the right amount of time and resources available, to ensure compliance with regulatory requirements and PwC's policies and standards. Standard terms of business under which we perform audit and non-audit assurance engagements are agreed in accordance with the legal and professional standard requirements. Engagement performance is further enhanced through regular feedback we seek from our clients paying close attention to things we need to improve. In addition, remedial or improvement actions are taken based on the findings of the routinely internal and external reviews performed on the effectiveness of our risk and quality processes described further below.

Methodology and tools

PwC 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.

The PwC Audit Guide explains PwC's methodology. The Guide along with PwC's technology-based audit support tools, templates and content, support engagement teams in conducting assurance and related services engagements.

Developed technology

We continue to invest in audit technology that builds quality into the audit and enhances our ability to provide insights to our clients. Our technology is built and implemented globally ensuring consistency across the PwC network.

These tools that enhance audit quality and efficiency through automation, connectivity and mobility include:

- **Aura** - Aura is used globally across all PwC audits, delivering audits tailored to the clients business. It provides engagement teams with an application that integrates



a broad range of capabilities, including built-in tools to promote audit quality, consistency and ease of documentation. Aura also integrates with a variety of other tools and applications, creating one work space for client work. Our audit work is planned, executed and documented using Aura which supports teams in applying our methodology effectively, by creating a transparent linkage between risks identified and the work done to address those risks, as well as providing comprehensive project management capabilities;

- **Aura Mobile** - the mobile version of Aura, providing critical functionalities to users on the go, any time, anywhere. Engagement teams can easily monitor status of engagement tasks using the enhanced dashboard, review EGAs, and

manage coaching notes, including dictating them with voice to text capabilities

- **The Connect Suite** - 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** - 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. Halo works with data from any

system and there are a number of applications for different industries and risks.

Consultation

Consultation is a key element of quality control. The firm has policies setting out the circumstances under which consultation on accounting, auditing and risk management matters is mandatory.

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.

Our accounting consulting services team specialises in the application of International Financial Reporting Standards (IFRS) and provides support and guidance both internally to engagement teams and externally in relation to the accounting treatment of

specific transactions (i.e. treatment of complex financial instruments, business combinations, lease classifications).

The audit methodology team deals with and addresses audit issues, supports teams throughout the audit process and assists in delivering consistent and quality audits in accordance with the PwC audit methodology.

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.

Supervision and review

The engagement leader and senior engagement team members supervise the audit, review the work done, coach the team and maintain audit quality. Our audit software, Aura, is designed to help audit team members track the progress of the engagement and therefore make sure that all work has been completed, that work is reviewed by the relevant individuals including the engagement leader and, where relevant, Engagement Quality Control Reviewer (known in PwC Audit as the Quality Review Partner), and that all matters arising have been appropriately addressed.



The engagement leader is responsible to ensure that the audit is performed and documented as required and the conclusions reached are appropriate, by being timely and sufficiently involved throughout the audit. This includes making key judgments, initiating consultation requests on difficult or contentious matters as deemed appropriate and being satisfied that all risks have been appropriately assessed and responded to.

Engagement quality control review

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

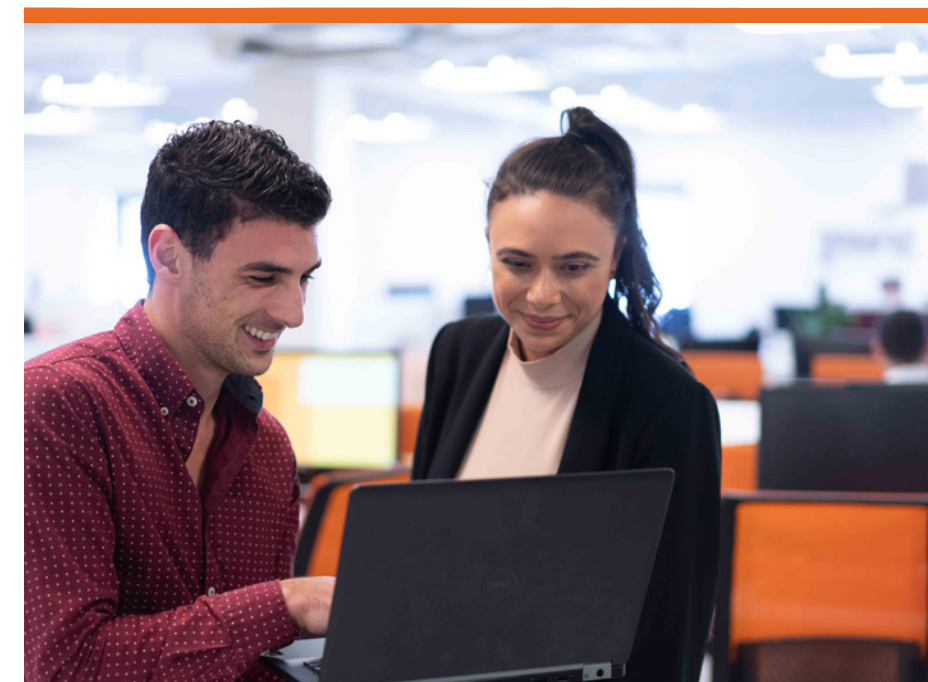
seek to challenge the audit team in the judgements they have made and work done. Their review is completed and any matters raised are resolved to the QRP's satisfaction in advance of the audit report date.

Differences of opinion

Policies are in place to resolve situations where a difference of opinion arises between the engagement leader and either the quality review partner, a technical expert or another assurance partner in relation to their professional views.

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.





Monitoring of assurance quality

Quality reviews

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.

Each PwC member firm is responsible for monitoring the effectiveness of its own quality control systems. This includes effective monitoring processes aimed at evaluating whether the policies and procedures which constitute our Quality Management System are designed appropriately and operating effectively to provide reasonable assurance that our audit engagements

are performed in compliance with laws, regulations and professional standards.

Our firm's monitoring program is based on the PwC Network's Global Assurance Quality Review (GAQR) Program. This program which is based on professional standards relating to quality control including ISQC1, contains policies, procedures, tools and guidance which are used by PwC Network firms. The GAQR program is coordinated by a central team which consists of a GAQR Leader with a group of International Team Leaders (ITL) who are senior partners seconded to the GAQR central team by PwC member firms. Provision of oversight

by the ITLs and their continuous involvement and support enable a consistent and effective performance of reviews across the PwC network.

Our firm's monitoring procedures include an ongoing assessment of the design and effectiveness of our quality management system, as well as a review of completed engagements (Engagement Compliance Reviews - ECR). The results of these procedures form the basis for the continuous improvement of our quality management system.

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 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 GAQR-approved checklists and tools when conducting their review procedures.

The results of the quality reviews 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 engagements. In addition, the GAQR 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 firms which enables our partners to consider these findings in planning and performing their audit work.



Statement on the effectiveness of the firm's internal quality control system

Regular reports, based on documented monitoring procedures, are submitted to the partner group by the partners responsible for risk management and for monitoring quality in terms of ISQC1, to ensure the proper operation of the procedures described above.

The various reviews of our systems of internal control carried out during 2019 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 once every three years. The most recent QAU review of the firm was carried out in 2014.





3

Appendices

Appendix 1 - Financial information	60
Appendix 2 - EU entities (as at 30 June 2019)	62
Appendix 3 - Public Interest Entities (PIEs) currently audited by the firm	66
Appendix 4 - The firm's partners and directors	68

Appendix 1

Financial information

Services	12 months ended 30 June 2019
	€ million
Statutory audits and directly related services for audit clients (EU PIE and subsidiaries of EU PIE) ¹	4.2
Statutory audits and directly related services for audit clients (other entities)	14.0
Statutory audits and directly related services for audit clients	18.2
Non-audit services to audit clients ²	9.3
Services to audit clients	27.5
Services to clients we do not audit	14.2
Malta firm revenue	41.7

¹ If an entity met the definition of an EU PIE (or subsidiary of) as at 30 June 2019, we have included related revenues in this category.
² Non-audit services to audit clients are only provided where permitted by PwC Network and PwC Malta policies and applicable laws and regulations.



Appendix 2

EU Entities (as at 30 June 219)

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 bcvba/ Reviseurs d'entreprises scrl
Belgium	PwC Audit Services SPRL
Bulgaria	PricewaterhouseCoopers Audit OOD
Croatia	PricewaterhouseCoopers d.o.o
Cyprus	PricewaterhouseCoopers Limited

Member State	Name of Firm
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 Entrepreneurs Audit
France	PwC Entrepreneurs Audit France
France	PwC Entrepreneurs CAC
France	PwC Entrepreneurs CAC France

Member State	Name of Firm
France	PwC Entrepreneurs Commissariat aux Comptes
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. Pierre Blanquart
France	M. Jean-François Bourrin
France	M. Jean-Laurent Bracieux
France	M. Didier Brun
France	Mme. Elisabeth L'Hermite
France	M. François Miane

Member State	Name of Firm
France	M. Yves Moutou
France	M. Claude Palméro
France	M. Pierre Pégaz-Fiornet
France	M. Antoine Priollaud
Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Germany	Wibera WPG AG
Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Könyvvizsgáló Kft.
Iceland	PricewaterhouseCoopers ehf
Ireland	PricewaterhouseCoopers
Italy	PricewaterhouseCoopers Spa
Latvia	PricewaterhouseCoopers SIA



Member State	Name of Firm
Liechtenstein	PricewaterhouseCoopers GmbH, Vaduz
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.

Member State	Name of Firm
Poland	PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.
Poland	PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością sp. k.
Portugal	PricewaterhouseCoopers & Associados-Sociedade de Revisores Oficiais do Contas Lda
Romania	PricewaterhouseCoopers Audit S.R.L.
Slovakia (Slovak Republic)	PricewaterhouseCoopers Slovensko, s.r.o.
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.L.

Member State	Name of Firm
Sweden	PricewaterhouseCoopers AB
Sweden	Öhrlings PricewaterhouseCoopers AB
UK	PricewaterhouseCoopers LLP
UK	James Chalmers
UK	Katharine Finn





Appendix 3

Public Interest Entities currently 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.

The PIEs currently audited by the firm include:

Listed Bonds

- Bortex Group Finance plc
- Central Business Centres plc
- Corinthia Finance plc
- Exalco Finance plc
- Ferratum Bank plc
- Gambling-com Group plc
- Gasan Finance Company plc
- Hudson Malta plc
- MeDirect Bank (Malta) plc
- Mediterranean Maritime Hub Finance plc
- Pendergardens Development plc
- PG plc
- SD Finance plc
- Tumas Investments plc
- United Finance plc
- Virtu Finance plc

Listed Funds

- Amalgamated Investments Sicav plc
- Aquarium Funds SICAV plc
- ETSF Fund Sicav plc
- Global Funds Sicav plc
- HSBC Malta Funds Sicav plc
- RohFund Global Fund Sicav plc
- Selenium SICAV 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
- Plaza Centres plc
- Simonds Farsons Cisk plc
- Tigne Mall plc
- Trident Estates plc

Credit Institutions

- BNF Bank plc
- CommBank Europe Ltd
- Credorax Bank Ltd
- FCM Bank Ltd
- IIG Bank (Malta) Ltd
- Merkanti Bank Ltd (f.k.a. MFC Merchant Bank Ltd)
- NBG Bank Malta Ltd
- Yapi Kredi Bank Malta Ltd

Insurance Companies

- Arnold Clark Insurance (Malta) Ltd
- Atlas Insurance PCC Ltd
- Bastion Insurance Company Ltd
- Building Block Insurance PCC Ltd

- Cafina Assurances Ltd
- Caversham Insurance (Malta) Ltd
- Darag Malta Insurance and Reinsurance PCC Ltd
- Elmo Insurance Ltd
- Ergon Insurance Ltd
- European Insurance Solution PCC Ltd
- GasanMamo Insurance Ltd
- Genghis Insurance PCC Ltd
- HSBC Life Assurance (Malta) Ltd
- Multi Risk Indemnity Company Ltd*
- One Insurance Ltd
- Oney Insurance (PCC) Ltd
- Oney Life (PCC) Ltd
- R&Q Insurance (Europe) Ltd*
- Reed Insurance Ltd
- Rhenas Insurance Ltd
- SN SecureCorp Insurance Malta Ltd
- Tulip Assist Insurance Ltd
- Werla Insurance Ltd

The firm is also the auditor of the financial statements of the Central Bank of Malta* and 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

- Anchovy Studios plc*
- Brait S.E.
- Gaming Innovation Group Ltd
- Homechoice International plc
- IG Finance plc
- Raketech Group Holding plc
- Timberland Securities Investment plc
- Tradehold Ltd

*No longer auditors

Appendix 4

The firm's partners and directors



Assurance Board

Back row, from left to right: Fabio Axisa, Romina Soler, David Valenzia, Simon Flynn and Joseph Camilleri
In front, from left to right: Stephen Mamo, David Leone Ganado, Stefan Bonello and Lucienne Pace Ross



Tax Board

Back row, from left to right: Steve Gingell, David Ferry, Mirko Rapa and David Valenzia
In front, from left to right: Mark Lautier, Bernard Attard and Neville Gatt



Advisory Board

Back row, from left to right: Joseph Muscat, David Valenzia and George Sammut
In front, from left to right: Michel Ganado, Bonavent Gauci and Ryan Sciberras



Internal Firm Services

From left to right: Nicolette Mirabelli, Lisa Pullicino and David Valenzia

#ThisisPwC
www.pwc.com/mt

Follow us:



To view the web version of this report visit:
www.pwc.com/mt/annualreviewmalta