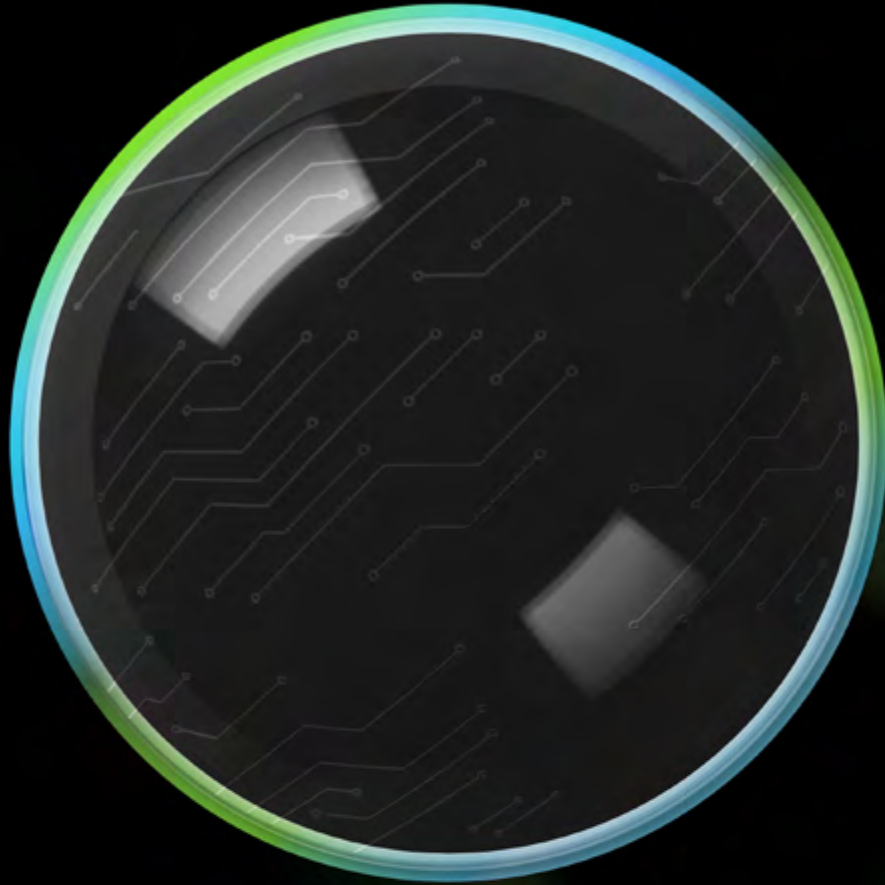


**Deloitte.**



# 2023 Transparency Report

## Deloitte Audit Limited

September 2023



# Contents

Deloitte Audit Limited - Leadership message	2
Deloitte network	3
Deloitte Audit & Assurance: Our commitment to serving the public interest	11
External and internal audit quality monitoring	26
Independence, ethics and additional disclosures	28
Appendices	31
Appendix A   EU EEA audit firms	32
Appendix B   Financial information	34
Appendix C   Public interest entities	35

# Deloitte Audit Limited Leadership message<sup>1</sup>

Welcome to our Audit Transparency Report for the year ended 31 May 2023. This report sets out the practices and processes that are currently employed by Deloitte Audit Limited, in accordance with the requirements of article 18 of the Accountancy Profession Act (Cap. 281) and of the European Union's Regulation 537/2014 on specific requirements regarding the statutory audit of public interest entities.

The past year has been characterised by a climate of economic uncertainty. Persistent challenges arising from geopolitical tensions, inflationary pressures and extreme weather-related events amongst others continue to weigh on world economies. This has seen efforts by authorities to tighten monetary policy in response to inflation whilst ensuring financial stability and to adopt energy support measures that protect households and businesses from the adverse impact of energy prices. Policy direction is expected to continue to focus on further easing of inflation whilst also addressing fiscal consolidation pressures and strengthening resilience to climate change.

This economic uncertainty invariably has an impact on businesses and puts audit quality in sharp focus given the critical public interest role that the audit profession plays. We recognise the pivotal importance of this role as we embrace our responsibility to provide robust assurance. We firmly believe that audit quality lies at the core of what we do and is a critical foundation of our audit practice.

Our people are pivotal to our approach towards audit quality. We believe in the culture of our organisation that embeds the values of integrity and ethical behaviour amongst all our professionals. We empower our people to pursue professional excellence by adopting a mindset of objectivity and

professional scepticism that enhances our capability to deliver high quality audits. This is complemented by our ongoing investment in our people through professional training and personal development programs that are necessary to support our professionals in adapting to and evolving with the increased complexities required to execute their roles effectively. We are also mindful of the challenges associated with the rigours of the audit profession and we are proud to support our people where required. This includes evolving our work practices in order to embed flexibility in people's work arrangements whilst continuing to meet the ongoing needs of our clients.

Our continuous investment in technology platforms is also crucial to meet the challenges and evolving complexities in performing audits. These digital solutions include audit tools and delivery platforms as well as online technical material and guidance. These platforms enable us to embed workflow processes in our audit processes in order to continue enhancing the quality of our audits.

In the past year, there has been a sustained effort towards ensuring the firm's readiness for the adoption of International Standard on Quality Management 1 (ISQM 1) that became effective on 15 December 2022. We are confident that the approach to quality standards promulgated by ISQM 1 shall further advance our quality control processes and monitoring effectiveness and is complementary to our ambition of continuous improvement.

It is the responsibility of our organisation to keep pace with evolving stakeholder needs, shifts in the regulatory environment and other key developments that will shape the audit profession over the coming years. In this context, we continue to actively engage



with stakeholders on a range of topics that include reporting of non-financial information on environmental, social and governance (ESG) matters. More recently, the regulation of Artificial Intelligence (AI) has come in focus and has culminated in the European Union's proposed Artificial Intelligence Act that provides a comprehensive framework to regulate AI. We are monitoring these developments closely and we look forward to participating in constructive discussions with policymakers, regulators, clients and other stakeholders.

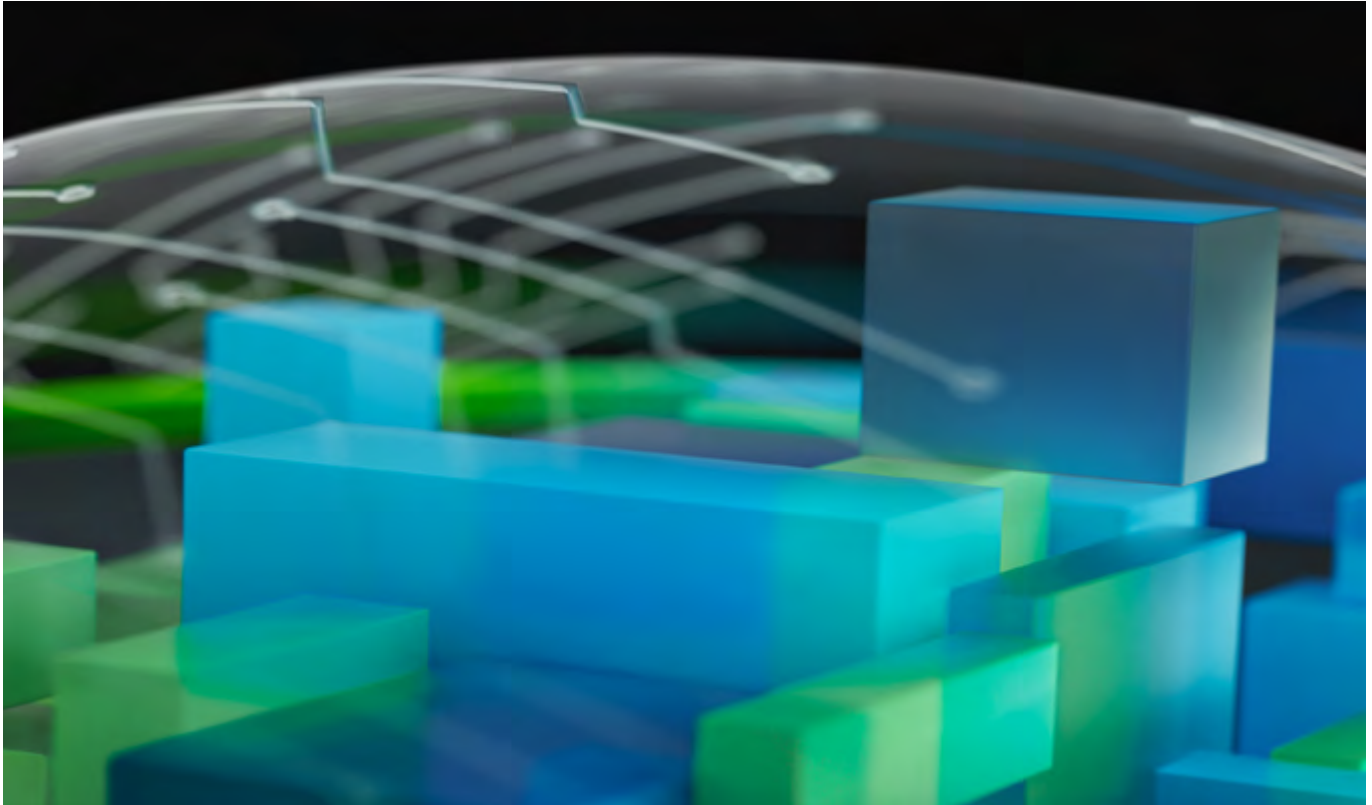
This report provides a detailed insight of our structure, governance and approach towards delivering audits that meet high quality standards. It also provides us with the opportunity to share some insights on our ongoing efforts to continuously enhance the quality of our audits and to adapt to the disruptions and developments in the marketplace.

I trust that you will find this report interesting and insightful.

**Marc Alden**  
Chief Executive Officer (CEO)  
Deloitte Malta  
29 September 2023

<sup>1</sup>Throughout this report, the terms "Deloitte, we, us and our" refer to one or more of Deloitte Touche Tohmatsu Limited, its network of member firms and their related entities. For more information about the Deloitte network, please see p. 3 or click [here](#).

# Deloitte network



## **Deloitte Malta**

The term 'Deloitte Malta' is used to refer to Deloitte Audit Limited, a Maltese entity authorised to practise as an audit firm in Malta, together with its connected undertakings in line with the definition of 'audit firm' set out in article 2(1) of the Accountancy Profession Act (Cap.281). Unless the context requires otherwise, use of the term 'firm' also refers to Deloitte Malta.

Deloitte Audit Limited operates as a limited liability company, established under Maltese law, with registered office at Deloitte Place, Triq L-Intornjatur, Central Business District, CBD 3050, Malta and having registration number C 51312.

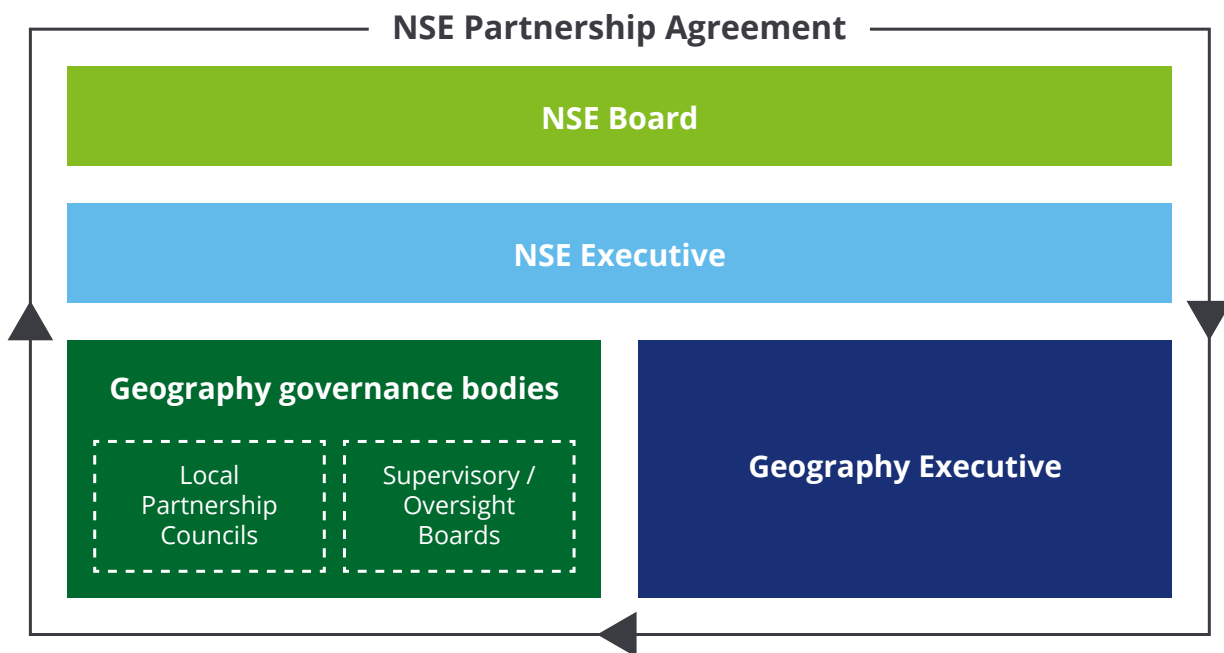
On 1 June 2019, the Deloitte Central Mediterranean member firm (comprising the Deloitte practices in Italy, Greece and Malta) combined with Deloitte NSE LLP.

Deloitte NSE LLP is the member firm of DTTL for Bahrain, Belgium, Cyprus, Denmark, Dutch Caribbean, Egypt, Finland, Gibraltar, Greece, Iceland, Iraq, Ireland, Italy, Jordan, Kuwait, Lebanon, Libya, Malta, the Netherlands, Norway, Oman, Palestinian Territories, Qatar, Republic of the Sudan, Saudi Arabia, Sweden, Switzerland, United Arab Emirates, the United Kingdom and Yemen.

Deloitte Central Mediterranean S.r.l. (DCM) is the affiliate of Deloitte NSE LLP for Italy, Greece and Malta. It does not provide services, but it holds minority stakes in the Italian company Deloitte & Touche S.p.A. and in the Greek company Deloitte Certified Public Accountants S.A., a stake in the Maltese company DCM Limited and, directly or indirectly, in other operating entities of the Deloitte network in Italy, Greece and Malta.

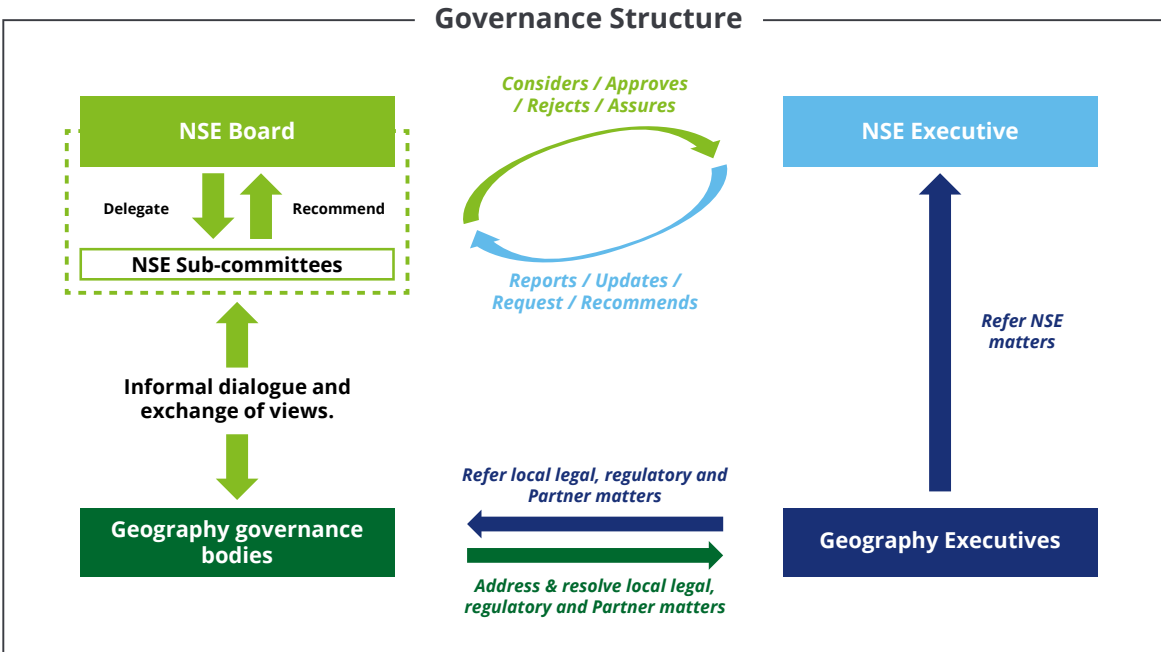
### Deloitte NSE LLP (NSE) Governance

The NSE governance structure consists of the NSE Board, NSE Executive, Geography governance bodies and Geography Executives, underpinned by the NSE Partnership Agreement:



- The **NSE Partnership Agreement** underpins the governance of NSE.
- The **NSE Board** is the primary governance body of NSE, responsible for ensuring high quality governance and stewardship of NSE. The NSE Board works with the NSE Executive to set and approve the long-term strategic objectives of NSE and the markets in which it operates. The NSE Board comprises the NSE CEO, NSE Chair and elected members, as well as Independent Non-Executives (INEs) and a Deloitte Global Representative. The latter do not have voting roles.
- The **NSE Board** oversees the risk appetite in each business area; is responsible for the oversight of the executive function, ensuring alignment with Deloitte Global obligations; and is responsible for the promotion and protection of NSE Equity Partner interests generally.
- The **NSE Executive** is responsible for developing NSE strategy and vision as well as NSE policies, and overseeing their implementation and execution.
- **Geography governance bodies** exist where this is required for legal and/or regulatory purposes and to oversee local Partner matters. Examples include the UK Oversight Board and Dutch Supervisory Board.
- The **Geography Executive** works with the NSE Executive to reflect the Connected+ Autonomy operating model (balancing local and central requirements), including the development and delivery of approved plans, in line with the NSE strategy, tailored to reflect local market conditions.

The NSE governance and leadership structure provides clear paths of communication from a Geography to NSE level:



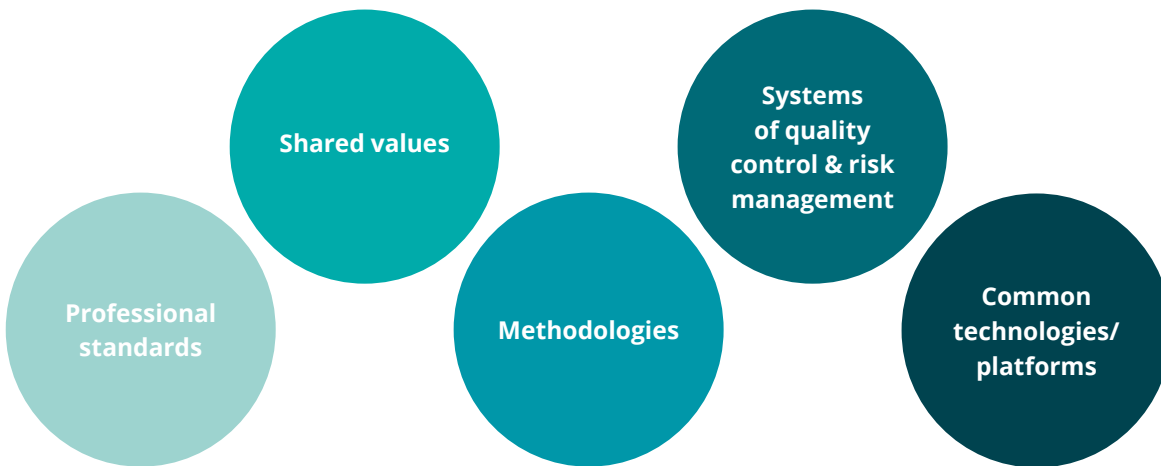
### Deloitte NSE Board sub-committees

- Audit & Risk (Standing)**
  - Oversee the appointment of internal and external auditors to the firm
  - Oversee audit quality in accordance with applicable regulations
  - Oversee the level of risk acceptable in each business area
  - Provide oversight and support to the national practices in the delivery of audit quality and local legal and regulatory compliance
- Public Interest Oversight (Standing)**
  - Oversee public interest matters as they affect NSE
- Partner Matters & Fairness (Standing)**
  - Make recommendations to the Board regarding the admission, suspension, retirement of NSE Equity Partners, and make determinations in relation to any NSE Equity Partner's long term ill health
  - Ensure fairness between NSE Equity Partners across all Geographies
- Nomination (Standing)**
  - Produce a shortlist of potential candidates and recommend to the Board a final list of candidates to stand in Board elections
  - Ensure diversity requirements are met in the composition of the Board
- Elected Leader (Event driven)**
  - Oversee selection of candidates for NSE Chair and NSE CEO roles
  - Run the election process and present proposals for NSE Chair and NSE CEO candidates to the full NSE Board for approval
- Governance & Composition (Event driven)**
  - Review the composition and size of the Board whilst both respecting the minimum number of elected Board members representing each Geography and seeking to ensure the firm's diversity requirements are met in the composition of the Board
- Remuneration (Event driven)**
  - Seek feedback, conduct appraisals, and make recommendations to the Board with regard to the proposed assignment of Equity Groups and the allocation of NSE Units to the NSE Chair, the NSE CEO and holders of such other senior management positions as the Board may determine
- Compensation & Partner Units (Event driven)**
  - Review and discuss with the NSE CEO the processes established and applied for the determination of NSE Units and Equity Groups to NSE Equity Partners (other than the NSE Chair and NSE CEO), to ensure that the principles set out in the Profit Sharing Memorandum proposed to the Board by the NSE CEO are consistently applied and the NSE Unit allocation process results in fairness between NSE Equity Partners and groups of NSE Equity Partners (other than the NSE Chair and NSE CEO) provided that the Committee shall not duplicate the work of the NSE CEO and/or the Remuneration Committee
- Transactions & Major Projects (Event driven)**
  - Consider on behalf of the Board and provide recommendations to the Board on proposals from the NSE CEO to borrow money, make investments, give undertakings and enter into contracts on behalf of the firm subject to agreed thresholds
  - Oversee major projects as directed by the Board and ensure that the interests of the firm are protected
  - Consider, report to the Board on and make recommendations to the Board on major transactions or other significant investments

## Network description

### The Deloitte network

The Deloitte network (also known as the Deloitte organisation) is a globally connected network of member firms and their respective related entities operating in more than 150 countries and territories across the world. These separate and independent member firms operate under a common brand.



### Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)

Deloitte Touche Tohmatsu Limited is a UK private company limited by guarantee incorporated in England and Wales. DTTL serves a coordinating role for its member firms and their related entities by requiring adherence to policies and protocols with the objective of promoting a consistently high level of quality, professional conduct, and service across the Deloitte network. DTTL does not provide professional services to clients, or direct, manage, control, or own any interest in any member firm or any member firm's related entities.

"Deloitte" is the brand under which 457,000 dedicated professionals and practitioners in independent firms throughout the world collaborate to provide audit and assurance, consulting, financial advisory, risk advisory, tax, and related services to select clients. These firms are members of DTTL. DTTL, these member firms and each of their respective related entities form the Deloitte organisation. Each DTTL member firm and/or its related entities provides services in particular geographic areas and is subject to the laws and professional regulations of the particular country or countries in which it operates. Each DTTL member firm is structured in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in its respective territories through related entities. Not every DTTL member firm or its related entities provides all services, and certain services may not be available to attest clients under the rules and regulations of public accounting. DTTL, and each DTTL member firm and each of its related entities, are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm, and their respective related entities, are liable only for their own acts and omissions, and not those of each other. The Deloitte organisation is a global network of independent firms and not a partnership or a single firm. DTTL does not provide services to clients.

### **Deloitte Malta: Governance – leadership in action**

The leadership and management of the firm is underpinned by strong governance structures that provide oversight of the Audit & Assurance practice. Through its robust and accountable governance and leadership structures, the firm seeks to achieve the highest levels of quality and integrity.

Responsibility for, and authority over, the management of the firm at a strategic level is entrusted to its leadership board. The leadership board is comprised of those individuals who have been appointed as sole director of the respective Ownership Entities comprising the Deloitte Malta partnership (excluding DCM Limited). These individuals for the year under review are those identified in the table set out on page (8). The leadership board is chaired by the CEO of the firm and meets on a monthly basis.

The leadership board is responsible for shaping the firm's strategic direction, for the implementation of its business objectives and for protecting the broader interests of the firm and its directors. The board's members are responsible for overseeing the firm's ongoing functional and operational requirements at times through dedicated committees that are chaired by members of the leadership board.

### **Audit leadership**

Sarah Curmi is the Audit & Assurance Leader and leads a team of directors to deliver the firm's strategy for the Audit & Assurance practice. Monthly meetings are held between the directors who are authorised to sign audit reports on behalf of the firm. In all of their activities, Deloitte Malta Audit & Assurance directors are responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements. This includes ensuring that there is the required level of focus, investment and resources to implement the required quality standards and oversight at an operational level. Deloitte network groups set and monitor quality standards and from which a number of audit quality initiatives emanate.

### **Compliance Principal**

For the purpose of the Accountancy Profession Act (Cap.281), David Delicata is the firm's Compliance Principal.



### Deloitte Malta: legal structure and ownership

During the year under review, the firm's core operating entities, namely Deloitte Audit Limited, Deloitte Tax Services Limited, Deloitte Corporate Services Limited, Deloitte Digital and Technology Limited and Deloitte Advisory and Technology Limited were beneficially owned by those limited liability companies comprising the Deloitte Malta partnership (hereinafter referred to as the "Ownership Entities") and DCM Limited. Malta International Training Centre Limited was transferred to a third party on 30 November 2022. The activities of the Deloitte Malta civil partnership comprise solely of the governance, treasury, compliance, human resources and all logistics and support activities required by the operating entities.

Each one of the Ownership Entities is beneficially owned by the individual who has been appointed as the sole director of the respective Ownership Entity. Ownership Entities participate in the profits available for distribution.

Through its interest in DCM Limited, DCM is vested with certain rights and powers with respect to the Deloitte Civil Partnership and the aforementioned operating entities.

Deloitte Holdings Limited is an intermediate ownership entity which acts as trustee of The Deloitte (Malta) Trust for the benefit of the Ownership Entities in the holding of the shares, directly or indirectly, in Deloitte Audit Limited, Deloitte Tax Services Limited, Deloitte Digital and Technology Limited and Deloitte Advisory and Technology Limited. The Trust is considered desirable so as to retain the flexibility provided by the civil partnership model, when regulating individual partnership interests and changes therein over time, within the context of limited liability companies and the consequential division of capital/interests into shares.

A diagram of the operating and ownership structure, as at 31 May 2023, is set out on the following page.

During the year under review, the Deloitte Foundation continued to support worthy causes in the community as part of its shared values.

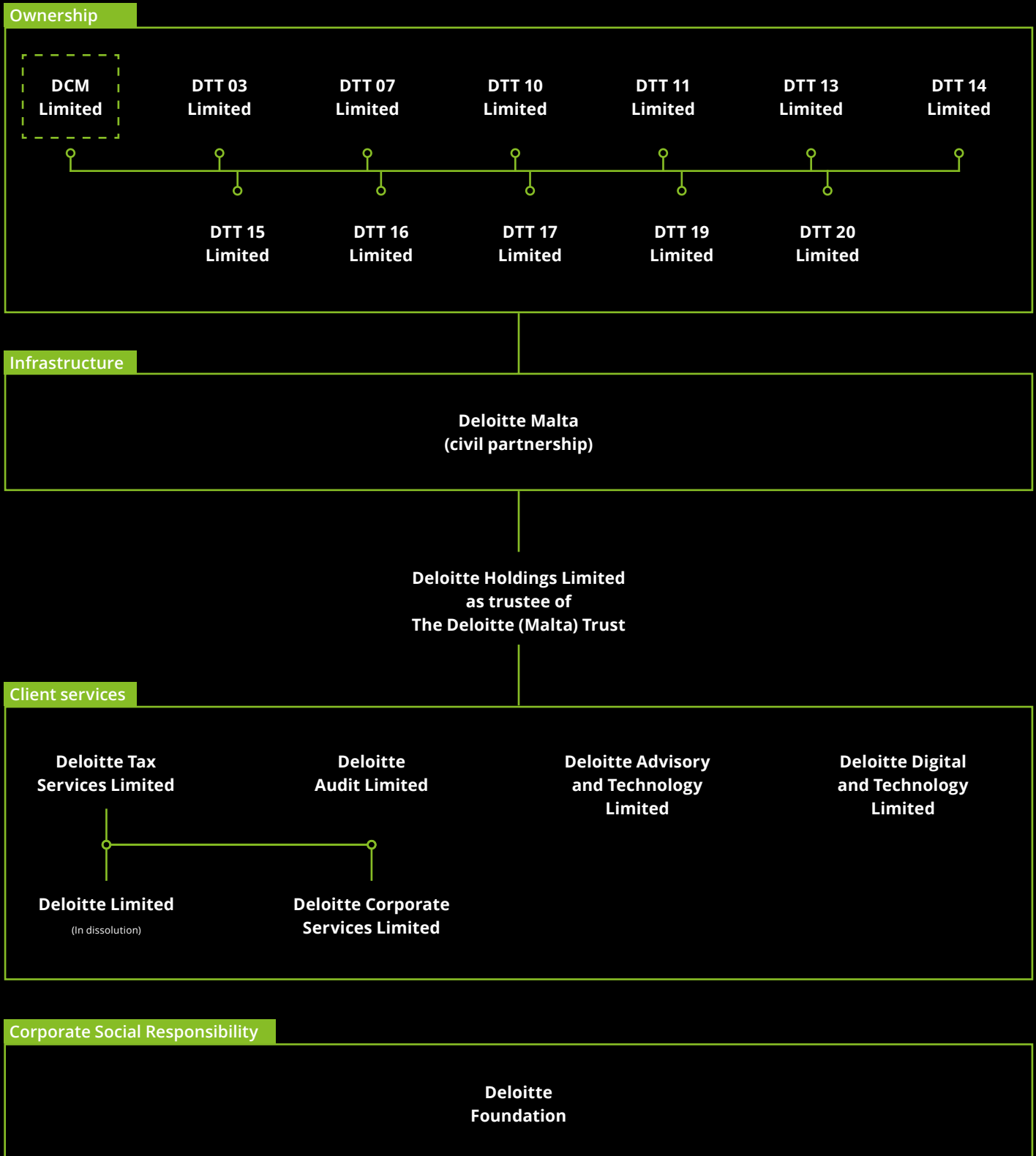
### Directors of the firm

The table below sets out the individuals who were directors of the firm during the year ended 31 May 2023 and expressly identifies those directors authorised to sign audit reports on behalf of the firm during the said period:

Name	Authorised to sign audit reports on behalf of the firm	Sole director of respective Ownership Entities
Marc Alden		✓
Raphael Aloisio*		✓
Michael Bianchi	✓	✓
Roseanne Bonello		
Richard Bonello		
Chris Borg		
Nick Captur		✓
Antoine Carabott	✓	
Caroline Cassar Reynaud		
Conrad Cassar Torregiani		✓
Ian Coppini		✓
Chris Curmi		✓
Sarah Curmi	✓	✓
David Delicata	✓	✓
Antoine Fenech	✓	
Angela Fleri Soler		
Jonathan Galea		
Julia Gingell	✓	
Mark Giorgio	✓	
Damian Heath		
Malcolm Jones		
Ludwig Micallef		
Craig Schembri		✓
Bernard Scicluna	✓	
Matthew Xuereb		
Annabelle Zammit Pace	✓	✓
Michael Zarb		
Rachel Zarb Cousin		

\*Until 31 May 2023

The Deloitte Malta organisation chart



# Our purpose and commitment: instilling trust and confidence

At Deloitte Malta, our purpose is to make an impact that goes beyond the expected. For Audit & Assurance, this means constantly evolving audit and assurance processes, leveraging leading-edge technology, applying a diversity of skillsets, knowledge, and experience to deliver high-quality services. We take great pride in instilling confidence and trust in the capital markets and are committed to relentlessly raising the standards of quality and always acting with integrity, independence, and transparency. We are continuously building our capabilities to support the delivery of high-quality audits and other assurance engagements and making leading contributions to shaping the future of the audit profession.



# Deloitte Audit & Assurance: Our commitment to serving the public interest

## A focus on audit quality

Deloitte's commitment to audit quality permeates everything we do. The independent audit is a central element of the corporate reporting ecosystem, in place to enhance the confidence and trust of investors and other stakeholders, as well as to promote the effective functioning of the capital markets. Deloitte is keenly aware of our obligation to deliver audit services that meet the challenges and complexities of the current environment, while complying with professional and regulatory standards. For the corporate reporting ecosystem to function as intended, it is vital that the auditor's role be executed effectively.

Deloitte is committed to doing more than simply meeting regulatory requirements and conforming to expectations. Deloitte is going beyond the expected to set the standard of excellence for the profession. In keeping with that objective, our commitment to audit quality is unequivocal.

## Deloitte Global leadership

The Deloitte Global Audit & Assurance Executive, which includes the Audit & Assurance Business Leaders from member firms, is led by Jean-Marc Mickeler, the Deloitte Global Audit & Assurance Business Leader, whose responsibilities include defining and driving the Deloitte Global Audit & Assurance strategy, with a particular focus on:

- Driving key audit and assurance initiatives across the Deloitte network to accomplish quality outcomes.
- Leading transformational initiatives to innovate the way our audit and assurance engagements are executed to meet the evolving needs of our stakeholders.

## Entities Deloitte audits

As part of Deloitte's Audit & Assurance commitment to supporting the capital markets, we are focused on auditing entities where it serves the public interest and where we have the capabilities to perform a quality audit with objectivity and in compliance with applicable

professional standards and laws and regulations, including those relating to ethics and independence.

The company we keep is a critical foundational aspect of our Audit & Assurance strategy and global shared values that guide our behaviour to lead the way, serve with integrity, take care of each other, foster inclusion and collaborate for measurable impact. The question we ask ourselves is: what type of entities do we, as a global network, want to be associated with? In order to answer this question, an audit and assurance risk appetite statement has been developed to serve as the foundation for the company we want to keep. The risk appetite statement can be used as a tool to promote robust discussion of risk, and as a basis upon which acceptance and continuance decisions can be debated and challenged effectively and credibly. The statement, as shown below, sets the tone for our risk culture and aims to drive global consistency in the engagement acceptance and continuance decision making process:

"Deloitte's Audit & Assurance portfolio risk appetite underpins our purpose led agenda and reinforces our Principles of Business Conduct, which articulate the standards to which we hold ourselves, wherever in the world we live and work, in order to build and maintain a sustainable business for current and future generations.

Consistent with our commitment to purpose and to act in the public interest, we recognise that taking on a degree of risk is a natural consequence of doing business. In order to deliver high-quality audit and assurance services, we proactively identify and manage risk through our quality management processes, policies and procedures to make informed decisions aligned to our strategy and values.

We aspire to have a portfolio of clients that aligns with our shared values, respects our people, recognises emerging issues and societal responsibilities, and is committed to providing transparency to stakeholders in the corporate reporting ecosystem. We endeavour to have a portfolio that does not include clients that lack integrity, engage in illegal activities, disregard the

authenticity of financial accounting and reporting, or are unwilling to establish and maintain sufficient internal controls and related processes.”

Deloitte Malta has detailed policies and procedures in place for the acceptance of prospective clients, the continuance of existing engagements and the assessment of engagement risk. These policies and procedures are designed with the objective that Deloitte Malta will only accept or continue with engagements where it:

- Is able to perform the engagement and has the capabilities, including time and resources, to do so.
- Can comply with all relevant professional standards and laws and regulations, including those relating to ethics and independence and conflicts of interest assessments and considerations.
- Considers the client’s management team to act with integrity and in alignment with our shared values.

**Fewer, stronger member firms**

Within the Deloitte member firm structure, Deloitte Malta is part of the Central Mediterranean Geography within the North and South Europe member firm. As a locally registered and regulated audit firm in Malta, we have decision-making authority regarding regulatory matters and professional obligations and maintain ultimate responsibility for the execution of audit and assurance services in accordance with professional standards and local laws and regulations. Deloitte Malta is responsible for maintaining and operating an effective system of quality management to support the performance of high-quality audit and assurance engagements. As a member of a combined firm within the Deloitte network, we work in close cooperation with the other geographies in the North and South Europe member firm and benefit from additional oversight of quality, risk management, and monitoring activities. This structure fosters shared investment in audit innovation and resources as well as the sharing of leading practices across geographies, contributing to our collective aspirations of continuous improvement in audit quality.

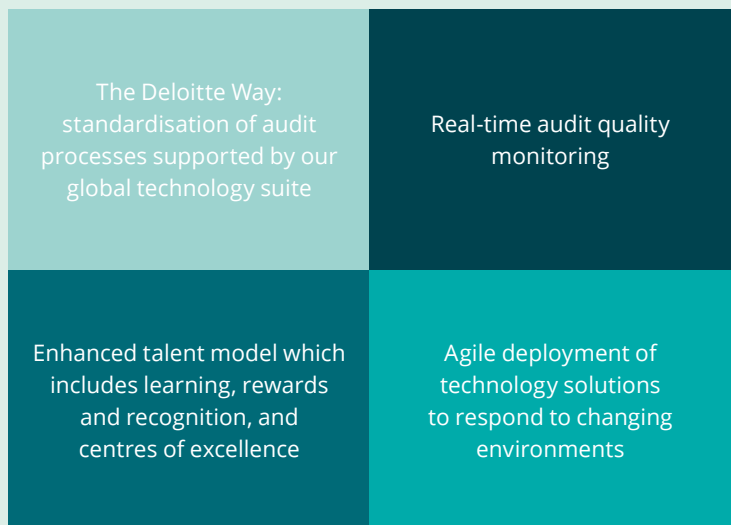
At Deloitte, meeting expectations is where our Audit & Assurance services begin.

Our people’s commitment to integrity, to serve the public interest, and to deliver high-quality assurance over the areas that matter most to our stakeholders is at the core of everything we do.

Our unwavering dedication to quality drives our sustained quality leadership position. We remain focused on excellence across people, process, and technology. Each of these core components helps us to deliver our vision for a better future, creating an impact that not only meets expectations but goes beyond them.

What does this look like? A constantly evolving audit and assurance practice, leveraging bright minds, effective processes, and world-class technologies from across our global organisation while drawing on our years of experience. We deliver high-quality services in an efficient and effective way that upholds integrity, builds confidence, and drives value by focusing on what really matters.

Audit & Assurance transformation is an important shift across the network in the way Deloitte practitioners work and includes:



### Delivering audit excellence through process, people, and technology transformation<sup>2</sup>

With The Deloitte Way, Deloitte is bringing standardisation, consistency, and efficiency to drive quality into the core of how our audits are executed: with automation that improves routine tasks and analytics that support audit execution - yielding a deeper and more insightful view into the available data. As a result, Deloitte is improving the quality of its audits while also creating a richer talent experience for its people and clients, providing a streamlined, digital audit experience, that provides greater transparency and insights.

Innovation and technology enablement are an expectation in today's fast-changing business environment, and this expectation holds true for the audit profession as well. Today's complex business environment requires that the audit be dynamic, multidimensional, and insightful. There is a demand for real-time, relevant information, and we need to evolve our audits as the entities we audit innovate their businesses and processes. Leveraging evolving technology and data, a Deloitte audit delivers deeper insights to create more consistent and transparent audit and assurance for our stakeholders. Deloitte brings bright minds, effective processes, and world-class technologies from across the global organisation to deliver an impact beyond expectations.

Deloitte is committed to the continued investment in emerging technologies and diversity of thought that enables the delivery of enhanced quality, insights, and value to our clients and the markets. Deloitte's global audit platforms, Deloitte Omnia and Deloitte Levvia, demonstrate Deloitte's commitment to delivering digital, high-quality audits of all sizes and levels of complexity. Deloitte Omnia is the

cloud-based, end-to-end audit delivery platform for larger and complex audits, while Deloitte Levvia delivers a streamlined, right-sized digital audit experience for low risk and less complex entities. Development, enhancement, and deployment of both platforms will continue over the next few years. Deloitte is also developing and implementing innovative global data and analytics solutions, and our integrated suite of enabling innovation technologies which are all connected in the cloud.

Deloitte Malta is committed to a journey of local implementation of Deloitte Global innovation initiatives and cloud-hosted solutions. This includes use of Levvia, which provides the latest cutting-edge technology for the audit of low risk and less complex entities common in the local market; Audit Online that provides support for the Deloitte Way Workflows and guided risk assessments; and Deloitte Connect, an online communication, information sharing and progress tracking tool to facilitate exchange of information with client management during the audit process. Deloitte Malta also continues to follow progress in the roll-out of Omnia.

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<sup>2</sup>For more information about Deloitte audit innovation, please refer to [Deloitte Global Impact Report](#) and [Audit innovation](#) and [Audit & Assurance: the Deloitte way](#) pages on [Deloitte.com](#)



### Auditing in disruptive times

In the wake of tremendous global disruption marked by public health, political, and social uncertainties over the past few years, the profession, along with all corporate reporting ecosystem stakeholders, has been affected. Deloitte's response to the uncertainties and disruptions has included efforts to continue advancing the profession, while prioritising the wellbeing of its people.

Particularly in the current environment, a sharpened awareness regarding the heightened risk of fraud, the presence of emerging or evolving risk factors, and the need for effective internal control environments remains critical. Although the existing accounting frameworks have provisions for uncertainties, financial statement users and regulators should continue to expect a higher degree of market and economic volatility in the near term.

Deloitte has consistently welcomed public statements and guidance issued by regulators that recognise uncertainties and emphasise the importance of high-quality, forward-looking corporate disclosures. Greater transparency benefits the public, just as raising awareness about these issues, especially when all corporate reporting ecosystem stakeholders participate. More clarity about the unique and complementary responsibilities of management, audit committees, entities, auditors, regulators, and other stakeholders enables the investing public to hold accountable these parties in a way that effectively serves the public interest.

The value of high-quality audit and assurance services is not diminished in the midst of global unrest. Rather, investors and other stakeholders continue to call for professional services based on independence and objectivity-based principles and practices to engender trust and inspire confidence in the capital markets - and Deloitte is committed to leading the way.

Deloitte Malta's commitment to serving the public interest - especially as it relates to behaving according to the highest standards of ethics, integrity, independence, and transparency is steadfast. Deloitte is keenly aware of the gravity of responsibility that comes with meeting professional obligations and discharging its role as auditors within the corporate reporting ecosystem globally.





The following principles remain at the forefront and are continuously reinforced with Audit & Assurance practitioners:

- Exercise professional scepticism and due professional care.
- Critically evaluate the quality of audit evidence obtained and determine whether it is sufficient and appropriate to address relevant risks.
- Make well-reasoned professional judgments supported by clear documentation.
- Foster a culture of excellence and consultation.
- Demonstrate commitment to integrity and ethical behaviour, including compliance with regulatory and professional obligations.
- Stay connected and support one another.

### Multidisciplinary model (MDM)

Deloitte's robust multidisciplinary business model comprises audit and assurance, tax, consulting, and risk and financial advisory practices and is an important contributor to the organisation's ability to deliver high-quality audit and assurance services. Specifically, the scope of corporate reporting has begun to expand and it is expected to transform drastically in the near future. Financial statements and corporate disclosures will continue to become more complex due to ESG considerations and other matters (cyber, AI, data privacy, etc.). In addition, as big data and other digital advances become routine, the demand for data analysts and IT specialists will grow accordingly.

The MDM remains foundational to Deloitte's cross-disciplinary services globally. Deloitte prides itself on having a deep bench of independent specialists who can be deployed around the world on engagements to provide subject matter expertise and new, insightful perspectives. Deloitte believes that the current MDM helps the organisation deliver high-quality audits and assurance engagements in the public interest and reinforces the resilience of the audit and assurance practice. The strengths of the MDM include:

- The possibility to develop industry or thematic insights (e.g., climate, governance, corporate strategy, etc.) through multiple lenses, which enhances auditors' understanding of business risks relevant to conducting audits.
- The MDM enables access to functional specialists and industry experts who are independent, and who provide audit support helping to deliver high-quality audits. This will become more important as we move towards broader corporate reporting.
- The breadth of the MDM is attractive to candidates who may not want to limit their career options to providing audit and assurance services only.
- The scale of the MDM brings greater resilience to each Deloitte business line, including audit and assurance, allowing continued investment in technology, methodology, and process to support delivery of high-quality services.

Deloitte leadership recognises that each Deloitte business line is important and critical to the organisation's ability to deliver on its public interest responsibilities. Management's attention and investment allocation are not limited to the business lines with the highest growth rates.

Deloitte acknowledges the possibility and perception of conflicts of interest, and therefore has robust conflicts and independence policies and systems to help ensure that Deloitte's strategy is executed in alignment with regulatory and professional requirements. In some areas, Deloitte policies are more stringent than professional standards, laws, or regulations.



### **Environmental, social, and governance (ESG) reporting<sup>3</sup>**

The foundations of business are changing rapidly - long-term resiliency and the ability to create enduring value is directly linked to alignment with the values and expectations of society. Market participants and other stakeholders are calling for greater insight into how organisations are building, protecting, and enhancing enterprise value over time, and are specifically demanding enhanced transparency around climate-related and broader ESG impacts and the dependencies of an entity's business model and strategy.

Specifically, Deloitte recognises that climate change poses a risk to financial stability and impacts businesses in many sectors with increased disclosure and reporting expectations from various stakeholders.

Deloitte is taking strategic actions to educate our people on climate change and the potential impact on audited entities to support the execution of high-quality audits, thereby giving appropriate consideration to climate-related risks and opportunities. This includes the deployment of materials such as a climate learning curriculum, as well as a framework and related guidance to consider climate-related matters as part of the audit.

### **Broader corporate reporting**

Traditional financial reporting is beginning to evolve into broader corporate reporting. To support this evolution, there are standard setting and rulemaking efforts regarding sustainability by the European Financial Reporting Advisory Group (EFRAG), International Sustainability Standards Board (ISSB) and others around the world.

These standards emphasise the need for better connectivity between financial and non-financial reporting and will help users of corporate disclosures better understand and compare information about entities. Further, these standards will enable greater

transparency, consistency, and comparability globally, as well as shift the requirements for climate-related reporting from being voluntary to mandatory.

To be effective, the standards need to be adopted globally in a consistent manner to deliver corporate reporting which is comparable, based on the global baseline, and supplemented by local considerations where warranted. These standards will also need to be brought into regulation around the world, together with associated enforcement, monitoring, governance and controls, assurance, and training. The developments in standard-setting and rulemaking are intended not only to create transparency and consistency in global baseline reporting, but also to make clear that information in financial reporting and information contained in sustainability reporting together are essential inputs to inform a stakeholder's view of an entity's value.

Therefore, there is a growing demand for companies to integrate climate-related and other ESG considerations into internal control policies and procedures, enhancing the maturity of systems, processes, and governance over climate-related and other ESG information. As a result, those charged with governance (e.g., audit committees, boards) are increasingly incorporating ESG considerations in their oversight responsibilities of an organisation's management, its reporting, and their data-collection processes and controls.

Deloitte understands that given the increased risks associated with climate change, it is important for climate-related factors to be properly incorporated into corporate reporting. Today some stakeholder's expectations may not be met by financial statements prepared in accordance with current accounting frameworks. As corporate reporting continues to evolve and stakeholders accommodate and adapt to market shifts and public sentiment, it is important to allow for appropriate due process in order to develop

<sup>3</sup>For more information about Deloitte's alignment with ESG, please refer to Deloitte [Global Impact Report](#).

robust standards applied consistently across the globe and to drive reporting that is responsive to the growing asks of investors and other stakeholders.

Deloitte remains committed to engaging in meaningful and transparent conversations with investors, standard-setters, regulators, and other relevant stakeholders. We also look forward to supporting reduced standard and regulatory fragmentation and to greater market confidence as consistency in standards is realised globally.

Locally, the Corporate Sustainability Reporting Directive (CSRD) will require companies to start adopting European Sustainability Reporting Standards (ESRSs) with effect from 1 January 2024.

**Assurance**

With the increased focus and scrutiny of ESG reporting also comes the increased need for confidence over the quality of disclosures and increasing calls for assurance requirements. Individual jurisdictions, such as the European Union and the United States, are moving to introduce or strengthen regulation around sustainability reporting. Assurance requirements are increasingly becoming mandatory.

Providing assurance on ESG information should be expected to follow a professional framework including competence, independence, a system of quality management, and be subject to oversight and inspection as well as professional liability mechanisms to ensure that credible assurance is delivered to the market.

Below are specific actions that Deloitte is undertaking to support execution of high-quality assurance that appropriately address ESG reporting and regulatory requirements:

- Engaging in shaping the capital market infrastructure for sustainability reporting tied to enterprise value through collaboration on climate and ESG standard setting reporting, and assurance initiatives, such as the IFRS Foundation, the International Auditing and Assurance Standards Board, and the International Ethics Standards Board for Accountants. Locally, Deloitte Malta actively engages and supports the Malta Institute of Accountants and the Malta Financial Services Advisory Council in shaping the necessary frameworks within which ESG reporting will be delivered and regulated.
- Actively participating in various global platforms such as the World Economic Forum and the 2022 UN Framework Convention on Climate Change (COP27).
- Deployment of enhanced guidance to deliver limited and reasonable ESG assurance through Deloitte’s global sustainability assurance methodology. Building capacity through global and localised learning focused on ESG.

- Developing technology-enabled tools, including a tool to evaluate a company’s sustainability disclosures against common ESG standards.
- Developing a team of local professionals to support and deliver high quality climate-related engagements.

Deloitte supports the continued collaboration of all participants in the corporate reporting ecosystem, working together to develop and implement common standards upon which to measure, disclose, and ultimately assure ESG information.

**Deloitte’s commitment**

Further, to help the world achieve the goals of the Paris Agreement<sup>4</sup>, Deloitte has launched [WorldClimate](#), a strategy to drive responsible climate choices within the Deloitte network and beyond.



<sup>4</sup>The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 parties at the United Nations (UN) Climate Change Conference (COP21) in Paris, France, on 12 December 2015 and was entered into force on 4 November 2016. Per the UN, its overarching goal is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

# Shaping the future of the audit profession

The provision of relevant and reliable financial and, increasingly, non-financial information is critical to both the capital markets and broader society. Policy makers, regulators, investors, company directors, audit committees, and auditors all have an important role so that users of corporate information have a clear and robust picture of uncertainties and risks in a company's business model to help support their informed decision making.

Uncertainty and complexity are set to remain a central theme over the coming years, driven by heightened global challenges and the rapid advancement of technology.

Deloitte is committed to establishing a meaningful vision for the future of the profession which addresses the shifting needs of society.

Deloitte is continually innovating to address the challenges of efficiency and effectiveness through technology, data, and ways of working. In parallel, the role of audit and assurance in the corporate reporting ecosystem, its responsibility to act in the public interest, and its evolving contribution to societal value remains at the forefront of our work in this area. Through proactive engagement with a range of stakeholders, Deloitte seeks to understand today's rapidly developing issues faced by society (e.g., ESG, cyber, AI, data privacy, etc.) and the role that audit and assurance can play in responding and driving change for the better.

Deloitte strives to engage with these parties, both formally and informally, to share, offer, and debate ideas that foster our collective ambition to ensure the ongoing and growing relevance of audit and assurance to the capital markets.

## Professional development and performance management

Deloitte's culture of excellence and the design of learning programs place people at the forefront<sup>5</sup>. Deloitte practitioners are technically proficient with high levels of ethics, integrity, professional scepticism, and objectivity, applying their judgment and experience with passion and commitment. We are continuously enhancing our skillsets, knowledge, and experience to go beyond the expected and deliver meaningful impact.

Deloitte is committed to delivering an unrivalled talent experience, developing practitioners, and furthering their careers by creating a life-long learning environment - advancing audit education, skillsets, and flexible career options that appeal to auditors of today and tomorrow.

Deloitte practitioners bring diverse backgrounds, knowledge, and skills that enhance capabilities as an organisation in delivering the highest quality audits. We support and empower our people to achieve their full potential by valuing and demonstrating diversity, equity, inclusion, and wellbeing. In addition, operational discipline, effective management of the business, and our singular approach to doing audits known as The Deloitte Way provide global consistency to our audits.

Deloitte recognises and rewards its Audit & Assurance practitioners and professionals and makes meaningful investments in their futures.



<sup>5</sup>For more information about Deloitte's commitment to its people, please refer to [Audit & Assurance People page](#) on Deloitte.com.

## Learning and development initiatives

Deloitte's transformed approach to audit delivery is changing the audit experience for practitioners. Audit teams are empowered by advanced tools and technologies and more extensive use of data and analytics within a guided workflow to execute the end-to-end audit. For Deloitte practitioners, this means focusing on how the engagement is planned, executed, and managed consistently across the globe using our innovative techniques and capabilities. It also offers opportunities to enhance their technical and professional skillsets and competencies. For example, the following skills remain as important as ever - enhanced data analytics, project management, critical thinking, communication, professional judgment, and the application of accounting and auditing principles to work more effectively and deliver high-quality engagements. As capabilities and skillsets are enhanced, we build greater confidence and become ever-better evaluators of risk.

Deloitte has made substantial investments in talent and learning strategies and transformed the technical audit curriculum to build the refreshed skillsets and proficiency required by level:

- At the core, Deloitte has a single, global mandatory audit technical learning curriculum, tailored for learners by level, using a dynamic blend of live instructor-led, digital on-demand courses, and on-the-job activities.
- All client service practitioners are required to follow the firm's learning requirements for their roles and complete sufficient continuing professional education (CPE) each year and over a cyclical three-year period to ensure both compliance with regulatory standards and Deloitte internal policies. This is achieved through structured, formal learning programs, such as internal or external courses, seminars, or e-learning covering all areas of the competency model (e.g., shared competencies, function-specific technical competencies, and competencies in areas of specialisation). Furthermore, holders of a warrant issued by the Accountancy Board in Malta and members of the Malta Institute of Accountants must, on an annual basis, obtain a minimum of 25 hours of structured CPE, 10 of which must be related to core competencies, as well as 15 hours of unstructured CPE.
- All client services practitioners have clearly defined role expectations and Global Talent Standards which outline the capabilities that are required of practitioners at each level.

Deloitte has also established specific learning opportunities for specialists working on audit engagements to support their knowledge and understanding of the audit process. In addition, our assurance learning offering is being expanded to respond to emerging business needs.

The objective of the Deloitte Malta professional development program is to help directors and practitioners maintain and enhance their professional competence and ensure consistency of audit execution. To supplement on-the-job development, Deloitte Malta provides formal continuing professional development programs in relevant subject areas consistent with the Deloitte Global Audit & Assurance Curriculum.

Deloitte Malta follows the mandatory Audit Learning Curriculum prescribed globally with local supplementation for changes in laws and regulations. The attendance and completion of training programs by directors and practitioners are monitored by the human resources (HR) department using the Deloitte Learning platform.

All practitioners are assigned to a team leader who is responsible for their development and wellbeing within the firm. A centralised team ensures that the Global Mandatory Audit Technical Learning Curriculum for auditors is implemented in accordance with the guidelines set by the Global Audit & Assurance Learning (GAAL) team. Monitoring is also carried out by the centralised team and assisted by the HR department, to ensure that the CPE requirements are adhered to and CPE documentation is submitted on an annual basis.

Deloitte Talent Standards provide clear role expectations for a globally uniform level of quality from all Audit & Assurance professionals. Global consistency allows our people to enhance both their personal performance and to ensure that our clients will experience a consistent Deloitte.

Global Audit & Assurance Talent Standards have been developed to be used by member firms as guidelines in the employee life cycle.

The Talent Standards are broken down into three capabilities, namely:

- Leadership - common to all Deloitte professionals regardless of business
- Professional - common to all A&A professionals in a Talent Model regardless of which specific group they are a part of
- Technical/specialised capabilities - applicable to a specific group within a Talent Model.

Over recent years, the firm has introduced further developmental tools to enable practitioners to check-in regularly on their career progression and technical skills.

**Deloitte University**

Deloitte actively cultivates the collective knowledge and skills of Deloitte people globally through continued investment in Deloitte Universities (DU). These are state-of-the-art learning and development centres focused on Deloitte culture and founded in the principles of connectedness and leadership in a highly inclusive learning environment<sup>6</sup>. Last year, in-person programming returned to Deloitte Universities, providing opportunities for our people to reconnect with each other after several years of remote learning.



**Audit & Assurance Leadership appointments**

Critical Audit & Assurance leadership roles are clearly defined. A role profile and key performance indicator framework provide a basis for consistent leadership appointments and evaluations across the Deloitte Audit & Assurance network and align member firm and Deloitte Global Audit & Assurance strategic objectives. Deloitte has introduced globally consistent standards for member firm Audit & Assurance leaders, including Audit & Assurance Business Leaders, Audit & Assurance Quality Leaders, and Audit & Assurance Risk Leaders through clearly defined roles, responsibilities, and expected success outcomes. These inform objective setting and evaluation processes and reinforce Deloitte's culture of quality and excellence. Robust monitoring of succession planning helps ensure Deloitte is developing and appointing the appropriate individuals with the capabilities to achieve these consistent standards.

**Attraction and retention**

The current environment for talent is extremely competitive and attraction and retention of our people is a strategic priority for Deloitte. We acknowledge the challenges our people are facing and recognise our part to re-establish the connections that so many have missed during COVID-19 pandemic. Deloitte is focused on transforming the A&A talent experience, including reimagining the ways of working to improve retention and further advance the diversity, equity, and inclusion (DEI), and wellbeing of Deloitte people. We are looking at opportunities to collectively expand the talent experience. This focus on our people and retention of top talent enhances Deloitte's ability to deliver high quality audits.

Deloitte continues to receive recognition and awards across the globe for its commitment to delivering an unrivalled talent experience for its people [Awards and recognition | Deloitte Global](#).


**Directors' remuneration**

Execution of high quality audits is expected from all professionals and is embedded across the Deloitte network. The firm's appraisal and promotion processes and considerations are designed with the aim of establishing a strong linkage between audit quality and audit remuneration and a director selection process which is thorough and robust.

In accordance with global policies, Deloitte Malta's directors are evaluated on a yearly basis, and depending on the outcome of the evaluation, the remuneration of directors may increase or decrease. Directors who provide audit services are not evaluated or remunerated on the selling of other services to the entities they audit, or on criteria relating to any specific client sub-grouping. The aim is that this approach should preclude financial considerations from driving actions and decisions having a negative effect on audit quality, objectivity and independence.

## Social Impact

**Making an Impact Every Day**  
 We believe human connection can help create innovative solutions and lasting impact on pressing issues of our time. By harnessing the collective power of Deloitte's network of people, clients, nonprofits, and communities, we aim to achieve lasting social impact for the greater good.



<sup>6</sup> For more information about Deloitte Universities, please refer to [Deloitte Global Impact Report](#).

# Deloitte's priority focus on audit quality

Deloitte's commitment to audit quality is central to everything we do. We consistently deliver on this commitment by instilling a culture of quality and excellence across the network, establishing business and financial priorities, and developing effective processes, tools, and technologies applied in the execution of audits. Deloitte's brand is defined by the high-quality audits delivered and by the unwavering commitment to continuous improvement of our systems of quality management. Making sure audit quality keeps pace with emerging economic, business, and regulatory conditions, as well as technological advances, is critical to the continual enhancement of Deloitte's role in protecting the public interest and supporting the effective functioning of the corporate reporting ecosystem.





### Leadership commitment and tone at the top

Deloitte's culture of quality and excellence begins with strong tone from the top, starting with senior leadership through to the leaders in all our offices and audit and assurance engagements. Deloitte's focus on audit quality is evident through the direct involvement of leaders in emphasising that quality is the highest priority for audit and assurance practitioners at all levels and consistent messaging that reinforces the importance placed on executing high-quality audit and assurance engagements. Deloitte's relentless pursuit of quality defines not just what we do, but who we are.

### System of quality control management (SQM)

Deloitte believes an effective system of quality management is crucial for the consistent performance of high-quality audit engagements and we continue to make significant investments in our people, processes, and technologies that underlie Deloitte's quality management processes.

Regulators and standard setters in Malta and globally are also focused on driving further improvements in firms' system of quality management. In December 2020, the IAASB released its new, revised suite of quality management standards, including International Standard on Quality Management 1 (ISQM 1). Systems of quality management in compliance with ISQM 1 were required to be designed and implemented by 15 December 2022.

ISQM 1 introduced a risk-based approach to the SQM that require firms to respond to quality objectives and risks to support the ability to execute high-quality audits in the following areas:

- The firm's risk assessment process;
- Governance and leadership;
- Relevant ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Engagement performance;
- Resources;
- Information and communication; and
- The monitoring and remediation process.

The effective implementation of ISQM 1 has been and remains a key element of Deloitte's global audit quality strategy. Deloitte Malta's ISQM 1 implementation activities were completed by 15 December 2022, building on the multi-year investments and commitment already delivered to go beyond the

requirements of the existing professional standards. As part of the implementation of ISQM 1, quality objectives, quality risks and responses were formalised and brought together in a globally consistent technology platform to facilitate the design and maintenance of the system, as well as the operation through tri-annual self-assessments by business process owners and reporting capabilities to support the required annual evaluation.

Deloitte Malta continues to work with leaders across the firm, as well as the broader network, to further enhance our proactive approach to managing the quality of engagements performed - identifying and addressing risks to audit quality and driving continued advancements in quality management processes serves us well into the future as the environment within which we operate continues to evolve and become increasingly complex.

Consistent with Deloitte's culture of continuous improvement and innovation, Deloitte Malta's ISQM 1 implementation efforts have provided us the opportunity to challenge ourselves - examining those areas where we can further enhance and transform our system of quality management. Audit quality is always front and centre, and robust audit quality monitoring processes play an integral role in our ability to continually improve.

The first annual evaluation of the system of quality management is required to be performed within one year following 15 December 2022. Deloitte Malta performed its first evaluation of its SQM as of 31 May 2023.

### Conclusion on the effectiveness of the system of quality management (SQM)

Deloitte Malta is responsible for designing, implementing, and operating a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm, that provides the firm with reasonable assurance that the objectives of the SQM are being achieved. The objectives are:

- The firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm are appropriate in the circumstances.

Deloitte Malta conducted its evaluation in accordance with the International Standard on Quality Management 1, and concluded that the SQM provides the firm with reasonable assurance that the objectives of the SQM are being achieved as of 31 May 2023.

Reasonable assurance is obtained when the system of quality management reduces to an acceptably low level the risk that the objectives of the SQM are not achieved. Reasonable assurance is not an absolute level of assurance, because there are inherent limitations of a system of quality management.

### **Independence, objectivity, and professional scepticism**

The execution of high-quality audits requires independence, objectivity and professional scepticism. This means a continuous and tangible focus on Deloitte's critical role in serving the public interest, including creating a culture of quality where doing the right thing is of paramount importance. Deloitte consistently reinforces the important role of auditors as independent evaluators who must maintain a mindset of professional scepticism throughout the conduct of our work. This approach to the audit is reflected in Deloitte policies, methods, procedures, and learning, and is reinforced through quality management and accountability measures.

### **Audit approach**

Deloitte's approach to performing a high-quality audit involves the use of an audit methodology, common across the Deloitte network, supplemented by audit tools for use by our practitioners to plan, perform, supervise, review, document, conclude and communicate the results of each audit. Deloitte's audit approach is underpinned by professional standards, as well as requirements of applicable laws and regulations.

Deloitte's audit methodology is risk-based, focusing on the financial statement account balances, disclosures,

and underlying assertions that have a reasonable possibility of being materially misstated. Our audit methodology is also dynamic - it evolves continuously to keep pace with the changing demands of investors, companies, and other stakeholders. It recognises that advances in the availability and management of large data sets and in statistical science are relevant to continuing to enhance the quality of Deloitte audits.

### **Resources to support Deloitte practitioners in the execution of high-quality audits**

The resources applied by Deloitte practitioners in the performance of their audits include the proprietary tools, guidance, materials and practice aids used in conducting audits, which are available to all our practitioners in the Deloitte Global Technical Library, an extensive online library, and in our audit execution platforms (EMS and Deloitte Levvia). Deloitte regularly issues accounting and auditing guidance to our practitioners and communicates developments that should be factored into audit risk assessments and responses in order to maintain and drive quality audit execution.

### **Consultation**

Quality and risk management considerations are integral to Deloitte's audit business and to the performance of audit engagements. That is why Deloitte views consultation as an essential, collaborative process - one that involves robust challenge and helps determine the most appropriate answers to complex questions. Deloitte has identified circumstances where consultation outside of the engagement team is required in order to demonstrate an appropriate level of professional judgment and the exercise of professional scepticism. Deloitte consultation policies require that conclusions are documented, understood and implemented. Foundational to the effectiveness of the consultation process is Deloitte's investment in consultation resources who have the appropriate skills and expertise. In addition to formal consultations, whenever engagement directors and teams need additional information or perspectives, they are encouraged to seek assistance from the Audit Quality team, or others in the organisation with specialised knowledge.



# External and internal audit quality monitoring

## Monitoring of audit quality

A continued focus on audit quality is of paramount importance to the Deloitte brand. It is critical that a Deloitte audit is consistently executed and of high-quality, wherever in the world it is performed.

The objective of monitoring and remediation processes are to provide relevant, reliable, and timely information about the design, implementation, and operation of the system of quality management to leadership in order to enable appropriate and timely actions to be taken to respond to identified deficiencies. This includes the identification of deficiencies and good practices in the system of quality management and the assessment of the effectiveness of remedial actions in driving improvements in audit quality.

## System of quality management (SQM) monitoring

SQM monitoring is an integral part of Deloitte Malta's monitoring activities and considers relevant requirements in ISQM 1, as well as evaluating the design, implementation and operating effectiveness of responses that address the quality risks that have been identified for the firm.

Audit Quality Indicators (AQIs) are used in conjunction with other metrics to further assist Deloitte Malta in developing and monitoring audit quality action plans and reporting on the progress in its audit quality journey.

## Monitoring of in-process engagements

Ongoing audit quality monitoring by Deloitte Malta involves the identification of audit issues on in-process engagements in order to drive timely solutions and real time corrective actions. This is achieved through:

- Subject matter specific “health checks” to assist Deloitte Malta audit quality leaders in assessing progress and identifying potential issues on in-process engagements.
- Results are evaluated overall to determine whether additional communication and support is needed for audit engagement teams with respect to adherence to the audit methodology or updates thereto.



**Inspections of completed engagements**

Key components of inspections of completed engagements (practice reviews) include:

- Risk-based engagement selection and consideration of all major industries served by Deloitte Malta.
- Mandatory moderation panel to drive consistency in findings and engagement ratings.
- Network monitoring with external directors, independent of Deloitte Malta, who drive global consistency by providing input and sharing best practices for monitoring programs.
- Identifying appropriate resources, principally from other Deloitte geographies, with the right experience and industry knowledge.



**Root cause analysis and remediation**

Continuous improvement is essential to Deloitte’s culture of quality and excellence. Understanding why engagement level findings and SQM deficiencies occur is critical to being able to design effective remedial actions. When engagement level findings and SQM deficiencies are identified, whether through internal or external monitoring activities, actions are taken to identify gaps and develop appropriate remediation activities. Remediation is imperative to drive continuous improvement in audit quality and avoid future similar findings.



**External inspections**

In addition to Deloitte Malta’s own monitoring of audit quality, the firm is subject to external monitoring by the Quality Assurance Unit of the Accountancy Board within the Ministry for Finance.

Internal monitoring	External monitoring
Last internal monitoring report issued in October 2022 covering the year ended May 2022. Practice review for the year ended May 2023 is in final stages of completion.	Last external monitoring visit held between October 2020 / May 2021, generally covering the year ended August 2020, with the final report issued in August 2021.

# Independence, ethics and additional disclosures

## Deloitte Global Independence



Sets **independence policies and procedural expectations** based upon the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and, where applicable, the independence standards of the US Securities and Exchange Commission and the Public Company Accounting Oversight Board.



Supports firms, as needed, with their ongoing SQM monitoring activities and gives insights into global areas of focus. On a three-year cycle, performs **network monitoring activities** through its monitoring program, providing recommendations and observations for consideration as part of firms' Monitoring & Remediation activities. In-depth follow-up reviews are conducted as needed.



Provides firms with **technical independence expertise**, as required, which also informs potential enhancements to global policies, procedural expectations, tools, and practice support activities.



Delivers **global systems** to provide its people with entity information to support compliance with personal and professional independence requirements, including financial interests, scope of service, and business relationship approvals.



Promotes **independence awareness** across the Deloitte network through active engagement with independence and business leadership groups, periodic communications and alerts, and development of guidance, learning, and instructions.

### Deloitte Malta Independence

Deloitte Malta has quality responses that address quality objectives and quality risks as they relate to the relevant ethical requirements for independence. These responses include policies and procedures that are based on expectations set out in Deloitte Global Independence policies, and which are supplemented, as appropriate, to reflect additional national or regional requirements that may be more restrictive than Deloitte Global policies. Deloitte Malta leadership reinforces the importance of compliance with independence and related quality management standards, thereby setting the appropriate tone at the top and instilling its importance into the professional values and culture of Deloitte Malta. Strategies and procedures to communicate the importance of independence to directors, other practitioners, and support staff have been adopted, emphasising each individual's responsibility to understand and meet the independence requirements. The Director of Independence is responsible for overseeing independence matters within Deloitte Malta, including the design, implementation, operation, monitoring, and maintenance of the system of quality management related to independence.

As part of the firm's system of quality management, Deloitte Malta:

- Implemented responses to address quality objectives and quality risks it has identified for its key independence areas;
- Performed appropriate monitoring activities over its key independence areas; and
- Appropriate independence governance in place.

The firm's key independence areas include:

- Client, engagement, and business relationships, including use of the independence business process tools, the Deloitte Entity Search and Compliance (DESC) system, and the Service Request Monitoring (SRM) application
- Firm and personal financial relationships, including the use of the Global Independence Monitoring System (GIMS)
- Employment and other relationships
- Independence confirmations

- Independence consultations
- Independence-related policies, communications, and learning
- Breaches of independence requirements
- Disciplinary measures for failures to adhere to applicable independence requirements

Global Independence conducted a review of compliance with policies and procedures in the key independence areas during the year, and a report was issued on 3 November 2022.



**DESC**  
**Deloitte Entity Search and Compliance**

Global, searchable database containing specific entity information relevant in determining personal and professional independence restrictions



**SRM**  
**Service Request Monitoring**

Application integrated with DESC that provides a standard business process workflow for submitting and reviewing preapproval requests to provide services to and enter into business relationships with clients



**GIMS**  
**Global Independence Monitoring System**

Application that contains financial relationship data with relevant independence compliance indicators

**Long association requirements of audit directors and practitioners**

Key audit engagement directors cease their participation in the statutory audit of a public interest entity after having served seven cumulative years in a key audit director role with respect to the audit of that public interest entity. They do not participate again in the statutory audit of that audited entity before the required cooling-off period has been completed. In assigning the most senior personnel, other than key audit directors, to audit engagements of public interest entities, attention is paid to ensure a gradual rotation mechanism on the basis of individuals rather than of the entire engagement team.

**Ethics**

All Deloitte people are expected to act with integrity in accordance with high ethical standards as described in the Deloitte [Global Principles of Business Conduct](#) ("Global Code"). The Global Code is embedded into

each member firm's Code of Conduct and defines the commitments that all Deloitte people make regarding ethical standards, as well as explaining each individual's responsibilities to their clients, colleagues, and society. In addition to the Global Code, other foundational elements of Deloitte's ethics program include global policies, a program of training and communications, and established reporting channels supported by defined incident management protocols. For continuous improvement, regular program assessments and reviews are conducted, and feedback is collected from Deloitte people through an annual ethics survey.

Ethics at Deloitte is led by the Deloitte Global Chief Ethics Officer at the global level, and by member firm Ethics Officers at the local level, all of whom are experienced with direct access to the member firm's CEO and governing body. Deloitte Global and member firm ethics leaders work together to continually monitor risk and to reinforce compliance with the Global Code.

Deloitte Malta maintains policies and procedures that build on the global policies and are designed to provide reasonable assurance that its people comply with relevant ethical requirements.

The ethical requirements for audit and related assurance services provided by Deloitte Malta are in accordance with Accountancy Profession (Code of Ethics for Warrant Holders) Directive (Directive Number 2) issued in terms of the Malta Accountancy Profession Act (Cap. 281). Deloitte Malta also complies with Deloitte Global policies and procedures, which align with the requirements and guidance set out in the international Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, a standard-setting body of the International Federation of Accountants (IFAC). When the national professional requirements are more restrictive than the Deloitte Global policies and procedures, Deloitte Malta follows the applicable national requirements.

Deloitte Malta reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes, and measurement systems for all people. Learning includes targeted content for onboarding, manager and senior manager promotion, director admission, independent contractors, and refresher programs every two years. Recent global training topics have included a focus on the importance of owning up to one's mistakes, navigating personal relationships in the workplace, and demonstrating respect, integrity and professionalism on social media, and courses have included a confirmation that professionals are aware that answers should not be shared with others and doing so would constitute a violation of the Global Code. In addition, Deloitte Malta conducts ethics reviews for senior leaders and requires all directors, other practitioners, and support staff to confirm annually that they have read and comprehended the member firm's Code of Conduct and understand that it is their responsibility to comply with it.

# Deloitte Global Ethics

Deloitte is committed to conducting business with honesty, distinctive quality and high standards of professional behaviour.

Deloitte's Global Principles of Business Conduct ("Global Code") outlines Deloitte's ethical commitments as a network and expectations for Deloitte's 457,000 people, giving a strong, principled foundation. The foundations of the network's ethics programme is comprised of the following elements:



# Appendices



# Appendix A | EU EEA audit firms

## Disclosure in accordance with Article 18.2 (b)(ii)-(iii) of the Accountancy Profession Act (Cap. 281) and Article 13.2 (b)(ii)-(iii) of the EU Audit Regulation<sup>7</sup>

**EU/EEA member state** - Article 13.2 (b)(iii) EU Audit Regulation: the countries in which each audit firm that is a member of the network is qualified as a statutory auditor or has its registered office, central administration, or principal place of business

**Name of audit firms carrying out statutory audits in each member state** - Article 13.2 (b)(ii) EU Audit Regulation: the name of each audit firm that is a member of the network

EU/EEA Member State	Name of audit firms carrying out statutory audits in each Member State
<b>Austria</b>	Deloitte Audit Wirtschaftsprüfungs GmbH
	Deloitte Niederösterreich Wirtschaftsprüfungs GmbH
	Deloitte Oberösterreich Wirtschaftsprüfungs GmbH
	Deloitte Salzburg Wirtschaftsprüfungs GmbH
	Deloitte Tirol Wirtschaftsprüfungs GmbH
	Deloitte Wirtschaftsprüfung Styria GmbH
<b>Belgium</b>	Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises BV/SRL
<b>Bulgaria</b>	Deloitte Audit OOD
<b>Croatia</b>	Deloitte d.o.o. za usluge revizije
<b>Cyprus</b>	Deloitte Limited
<b>Czech Republic</b>	Deloitte Audit s.r.o.
	Deloitte Assurance s.r.o.
<b>Denmark</b>	Deloitte Statsautoriseret Revisionspartnerselskab
<b>Estonia</b>	AS Deloitte Audit Eesti
<b>Finland</b>	Deloitte Oy
<b>France</b>	Deloitte & Associés
	Deloitte Marque & Gendrot
	Deloitte Audit Holding
	BEAS
	Cisane
	Constantin Associés
	DB Consultant
	ECA Audit
	Opus 3.14 Audit et Conseil
	Pierre-Henri Scacchi et Associés
	Revi Conseil

<sup>7</sup>EU Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities

EU/EEA Member State	Name of audit firms carrying out statutory audits in each Member State
Germany	Deloitte GmbH Wirtschaftsprüfungsgesellschaft
	Deutsche Baurevision GmbH Wirtschaftsprüfungsgesellschaft
	SüdTreu Süddeutsche Treuhand GmbH Wirtschaftsprüfungsgesellschaft
Greece	Deloitte Certified Public Accountants S.A.
Hungary	Deloitte Könyvvizsgáló és Tanácsadó Kft.
Iceland	Deloitte ehf.
Ireland	Deloitte Ireland LLP
Italy	Deloitte & Touche S.p.A.
Latvia	Deloitte Audits Latvia SIA
Liechtenstein	Deloitte (Liechtenstein) AG
Lithuania	Deloitte Lietuva UAB
Luxembourg	Deloitte Audit
Malta	Deloitte Audit Limited
Netherlands	Deloitte Accountants B.V.
Norway	Deloitte AS
Poland	Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa
	Deloitte Audyt spółka z ograniczoną odpowiedzialnością
	Deloitte Assurance spółka z ograniczoną odpowiedzialnością
Portugal	Deloitte & Associados, SROC S.A.
Romania	Deloitte Audit SRL
Slovakia	Deloitte Audit s.r.o.
Slovenia	Deloitte Revizija d.o.o.
Spain	Deloitte, S.L.
Sweden	Deloitte AB

#### Disclosure in accordance with Article 18.2 (b)(iv) of the Accountancy Profession Act (Cap. 281) and Article 13.2 (b)(iv) of the EU Audit Regulation

The total turnover achieved by the audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements: €2.3 billion<sup>8</sup>

<sup>8</sup>Amount represents an estimate determined based upon best efforts to collect this data. Certain Deloitte audit firms registered to perform statutory audits in respective member states provide statutory audit services as well as other audit, assurance, and non-audit services. While Deloitte endeavoured to collect specific statutory audit turnover for each EU/EEA Deloitte audit firm, in certain cases turnover from other services has been included. The turnover amounts included herein are as of 31 May 2023, except for a limited number of instances where a Deloitte audit firm has a different financial year-end or has not finalised its reporting for such period. In these cases, turnover amounts are for the relevant financial year or preceding financial year. Where currency other than the Euro is used in the Member State, the amount in Euros was translated using an average exchange rate in effect for the period 1 June 2022 to 31 May 2023.

## Appendix B | Financial information

### Disclosure in accordance with Article 18.2 (k)(i)-(iv) of the Accountancy Profession Act (Cap. 281) and Article 13.2 (k)(i)-(iv) of the EU Audit Regulation

Breakdown of Deloitte Malta's turnover for the financial year ended 31 May 2023:

<b>Turnover</b>	<b>€ '000</b>
Statutory audit (PIEs or PIE subsidiaries)	1,137
Statutory audit (all other entities other than PIEs or PIE subsidiaries)	7,667
All services to audit entities other than statutory audit	3,668
All services to non-audit entities and individuals	21,000
<b>Total</b>	<b>33,472</b>

# Appendix C | Public interest entities

## Disclosure in accordance with Article 18.2 (f) of the Accountancy Profession Act (Cap. 281) and Article 13.2 (f) of the EU Audit Regulation

Deloitte Audit Limited issued statutory audit reports during the financial year ended 31 May 2023 on the entities listed in the table (as indicated) that fell within the definition of Public Interest Entity (PIE) during the financial period covered by the audit report.

The Maltese Accountancy Profession Act (Cap.281) defines PIEs as entities governed by the law of an EU Member State whose transferable securities are admitted to trading on a regulated market of any EU Member State, a credit institution (e.g. a bank) or an insurance company. Full definitions referencing applicable EU legislation are set out in Article 2(1) of the Accountancy Profession Act (Cap.281).

Any entity that would otherwise fall within the definition of a PIE but which was not governed by the law of an EU Member State and / or whose transferable securities were admitted to trading on a market other than a regulated market of any EU Member State, has been designated as an Other Entity of Public Interest.

The Maltese Minister for Finance may from time to time designate other entities as PIEs, for instance entities that are of significant public relevance because of the nature of their business, their size, or their number of employees. To date, there are no such other entities that have been designated as PIEs.

Company	Audit Report Issued between June 2022 and May 2023	Credit Institution	Insurance Company	Listed Equity	Listed Debt	Listed Funds
Advent Insurance PCC Limited	Yes		•			
Agribank p.l.c	Yes	•				
Agriholdings p.l.c *	Yes				•	
APS Bank p.l.c	Yes	•				
APS Funds Sicav p.l.c	Yes					•
AQA Ucits Funds Sicav p.l.c. *	Yes					•
CC Finance Group p.l.c *	Yes				•	
CC Funds Sicav p.l.c	Yes					•
CE Insurance Limited	No †		•			
CRH Group Insurance Services Europe Limited	Yes		•			
Fortegra Europe Insurance Company Limited	Yes		•			
Grand Harbour Marina p.l.c	Yes			•	•	
Highdome PCC Limited	Yes		•			
IDA Insurance Limited	Yes		•			
Lime Street Insurance PCC Limited	Yes		•			
Malta Properties Company p.l.c.	No †			•	•	

\* Denotes Other Entity of Public Interest

† First audit report will be issued in 2023/2024

Company	Audit Report Issued between June 2022 and May 2023	Credit Institution	Insurance Company	Listed Equity	Listed Debt	Listed Funds
Mangrove Insurance Europe PCC Limited	Yes		•			
Mariner Finance p.l.c	Yes			•		
Orlen Insurance Limited	Yes		•			
RiverStone Insurance (Malta) SE	Yes		•			
RS2 Software p.l.c	Yes			•		
Shoreline Mall p.l.c	Yes				•	
Traveljigsaw Insurance Limited	Yes		•			

\* Denotes Other Entity of Public Interest

† First audit report will be issued in 2023/2024

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