



The Malta Institute of Accountants

Technical and Educational initiatives

Jonathan Dingli

MIA Technical Director



Overview of this Presentation

- Introduction
- Technical Pronouncements
- General Accounting Principles for Smaller Entities (GAPSE)
- Practice Support
- Continuous Professional Education



Introduction

- Technical department of the Institute formally organised in 2005
 - n Technical Director
 - n Administration and Technical Officer
 - n Sub-committees (volunteers)
- Technical Department in charge of:
 - n Issuance of Technical Pronouncements
 - n Practice Support
 - n Drafting (and updating) of GAPSE
 - n Drafting (and updating) of CPE Regulations
 - n Organisation of CPE events



Technical Pronouncements (1)

Types of Technical Pronouncements

- Technical Releases (2 issued to date)
- Guidance Notes (7 issued to date + 2 work in progress)
- Briefing notes (3 issued to date)
- General Accounting Principles for Smaller Entities (1 version issued to date)
 - n Implementation guidance work in progress
- Technical Circulars – issued as necessary



Technical Pronouncements (2)

Technical Releases – features

- A Technical Release:
 - n is issued on topics where very little or no regulation exists
 - n is normally of particular relevance to non-audit assurance engagements
 - n may be issued on professional pronouncements
 - n is a standard, i.e. its application is mandatory on members



Technical Pronouncements (3)

Technical Releases

- 2 Technical Releases issued to date:
 - I. AUDIT 01/05: Engagements to report on original subscriptions and subsequent issues of shares for non-cash consideration
 - *“to assist members in the carrying out of engagements to report on original subscriptions or subsequent issues of shares for non-cash consideration as required by Article 73, and on the valuation of an asset transferred to the company as required by Article 74, of the Companies Act 1995...”*



Technical Pronouncements (4)

Technical Releases

- 2 Technical Releases issued to date
(continued):
 - II. AUDIT 01/06: Engagements to report on actual revenues generated by undertakings regulated by the Malta Communications Authority
 - *“to lay down professional requirements for Members in the carrying out of engagements to report on actual revenues generated by undertakings regulated by the Malta Communications Authority as required by the Electronic Communications (Regulation) Act and Directive No. 1 of 2004 issued under the said Act, and the Postal Services Act and Directive No.1 of 2005 issued under the latter Act.”*



Technical Pronouncements (5)

Guidance Notes – features

- **Guidance Notes:**
 - n** are neither a standard, nor mandatory on members, though they are indicative of Best Practice
 - n** are intended to guide and assist members in complying with a primary product or subject matter
 - n** Guidance Notes may be issued on relevant legislation (ex. Anti-Money Laundering), IFRSs, ISAs, Companies Act 1995 and conflicts with IFRS (ex. Distributable Profits currently in progress), Taxation, VAT, etc



Technical Pronouncements (6) *7 Guidance Notes issued to date*

- I. TECH 01/05: Prevention of Money Laundering – Guidance Notes for auditors, external accountants and tax advisors
 - *“to assist members carrying out professional duties in complying with the requirements of the Prevention of Money Laundering Act and Regulations”*
- II. TECH 02/05: Deferred Tax – Recognition and Measurement – Guidance Notes on recognising and measuring deferred tax under the newly amended tax provisions on the transfer of immovable property
 - *“to assist Members in recognising and measuring deferred tax under the newly amended tax provisions on the transfer of an immovable property”*



Technical Pronouncements (7)

7 Guidance Notes issued to date

III. TECH 03/05: Practice Guide in Data Protection for Accountants and Auditors

- *“to provide practitioners with agreed practices in processing personal data for the different services they offer”*

IV. Risk Management Guidelines for Members in Public Practice

- *“present recommendations to all warrant holders for the establishment and maintenance of a system of quality control as a means of securing an effective risk management strategy for their practice”*



Technical Pronouncements (8) *7 Guidance Notes issued to date*

- V.** TECH 01/06: Ultimate Controlling Party Disclosures under IAS 24 Related Party Disclosures
 - *“to assist Members in applying International Accounting Standard 24 Related Party Disclosures (revised 2003) in the context of locally applicable relevant legislation”*
- VI.** TECH 01/07: Audit Reporting On Schedules A, C, D and E of the Capital Gains Rules
 - *“to assist Members engaged as practicing auditors in complying with the reporting requirements stemming out of the amended Capital Gains Rules”*



Technical Pronouncements (9)

7 Guidance Notes issued to date

VII. TECH 02/07: Euro Changeover for Accountants

- *“to assist Members in considering the more relevant issues, and carrying out the necessary procedures, pursuant to the changeover to the euro”*

q Guidance Notes – work in progress:

- q** Determination of Realised Profits and Losses in the context of distributions under the Companies Act - *to assist Members in determining realised profits and losses that are made available for distribution under the Companies Act 1995*
- q** Document retention - *to assist Members in public practice in the drafting of a document retention policy*



Technical Pronouncements (10)

Briefing Notes

- Brief information papers on relatively straightforward issues
- 3 Briefing Notes issued to date:
 - I. The Prevention of Money Laundering Regulations
 - II. Prevention of Money Laundering and Terrorism Funding for auditors, external accountants and tax advisors
 - III. Accountancy Profession Accounting and Auditing Standards Regulations, 2009
“to inform Members of recent legal amendments and their respective applicability, as well as some practical implications arising therefrom”



GAPSE Background (1)

Simplification of smaller entity GAAP

- May 2006: the Accountancy Board (Regulator) delegated the Malta Institute of Accountants to make proposals to simplify the accounting for smaller entities
- Between May 2006 and February 2007 MIA looked into three different courses of action:
 - n Upgrading of Companies Act Third and Fourth Schedules (sourced from the EU 4th & 7th Directives)
 - n IFRS for SMEs
 - n UK FRSSE



GAPSE Background (2)

Alternative 1

- 1st alternative to be considered:
 - n Companies Act 3rd Schedule – *Form and content of individual accounts*
 - n Companies Act 4th Schedule – *Form and content of consolidated accounts*
 - n (EU 4th & 7th Directives)
 - Main advantage: already part of our law and would reflect minimum required under EU legislation
 - Conclusion: inherent limitations and significant omissions from the 3rd Schedule; possibility of upgrading the 4th Schedule
-



GAPSE Background (3)

Alternative 2

- 2nd alternative to be considered: IFRS for SMEs
- Main advantage: having applied IASB pronouncements since 1995, easier transition to IFRS for SMEs
- Conclusion: the IFRS for SMEs did not meet the simplification objectives the Institute set out to achieve



GAPSE Background (4)

Alternative 3

- Final alternative to be considered: the UK Financial Reporting Standard for Smaller Entities (FRSSE)
 - Main advantages:
 - n Tried and tested in the UK since 1997
 - n Readily available
 - n Comes from a reputable jurisdiction
 - Conclusion:
 - n to draft a local set of accounting principles *modelled* on the UK FRSSE; but
 - n *tailored* to make use of IFRS nomenclature and terminology
-



GAPSE Background (5)

GAPSE

- At a high level, GAPSE:
 - n is a robust, standalone set of accounting principles
 - 119 pages in all
 - 25 Sections (Chapters)
 - n modelled on the UK FRSSE, using IFRS nomenclature and terminology
 - n framework based on IFRS for SMEs
 - n contemplates true and fair override
-



GAPSE Background (6)

GAPSE

- At a high level, GAPSE:
 - n contains major simplification in measurement allowing cost as an option throughout
 - n requires significantly reduced disclosures (eg no IFRS 7)
 - n ensures consistency with the EU 4th & 7th Directives (eg disclosure of derivative positions as a minimum)
 - n provides a stable platform
 - n designed to make financial statements easier to prepare and to understand
-



GAPSE Scope (1)

Adoption of GAPSE

- Every entity may adopt GAPSE unless specifically prohibited
 - n For financial reporting periods ending on or after 1 January 2009
- GAPSE thus sets out a number of detailed prohibitions
 - n Quantitative criteria
 - Prohibited if the GAPSE quantitative criteria are exceeded
 - n Qualitative criteria
 - Prohibited if the GAPSE qualitative criteria are not met



GAPSE Scope (2)

Quantitative criteria

- GAPSE shall not be applied by entities (other than state-owned entities) that exceed any one of the following criteria:
 - a) Balance sheet total: €17.5m (or equivalent using closing rate of exchange)
 - b) Total revenue: (annualised) €35m (or equivalent using average rate of exchange)
 - c) Average number of employees during each of the two consecutive immediately preceding financial reporting periods: 250
 - n EU 'medium'; Art 27 4th Dir (exceed any two)
 - n GAPSE Reg 5(1)(a)
-



GAPSE Scope (3)

Quantitative criteria

- GAPSE shall not be applied by state-owned entities exceeding any two of the following criteria:
 - a) Balance sheet total: €4.4m (or equivalent using closing rate of exchange)
 - b) Total revenue: (annualised) €8.8m (or equivalent using average rate of exchange)
 - c) Average number of employees during each of the two consecutive immediately preceding financial reporting periods: 50
- n EU 'small'; Art 11 4th Dir
- n GAPSE Reg 5(1)(g)



GAPSE Scope (4)

Qualitative criteria

- GAPSE shall not be applied by an entity:
 - n GAPSE Reg 5(1)(c),(d)(e),(f)
 - a) whose securities are listed on a regulated market;
 - b) which is a guarantor of the principal or interest of the listed securities in (a) above;
 - c) which is a Public company;
 - d) which is in possession of a licence or other authorisation issued by the MFSA acting as the competent authority in terms of the relevant legislation (e.g. Banks, Insurance Coys, Funds, etc)
-



GAPSE Scope (5)

Qualitative criteria

- Where a member holding not less than 20% of the shares in that entity has served notice on the entity requesting the preparation of financial statements in accordance EU-IFRS
 - Only possible if due to the financial reporting requirements of such member
 - n i.e. not for use by individual shareholder
 - Generally, notice must be served not later than six months prior to the end of the financial reporting period for which the financial statements are being prepared
 - n Other time frames for notification in particular circumstances contemplated
-



GAPSE Scope (6)

Adoption of GAPSE

- Default GAAP in Malta is EU-IFRS
- GAPSE is an alternative and optional framework
 - n Need board (or governing body) decision to adopt GAPSE for each financial reporting period
 - n GAPSE Reg 4(a)
 - n At any time before issuance of financial statements



Practice Support (1) *Background*

- Quality Assurance:
 - n Legislation enacted in February 2006
 - n Review visits started in April 2007
- Education identified as the key area where the MIA has, and will continue, to provide support
 - n MIA signed a Memorandum of Understanding with ACCA in 2006 for their assistance in this, and other, respects



Practice Support (2)

Initiatives – Audit workshops

- January – April 2007 – Audit Workshops:
 - n 2 day course – participation capped at around 22 per course
 - n Had to run the workshop five times to meet all demand
 - n Workshop run by Michael Scott, part of ACCA's QA team
 - n Charged to members at cost
 - n Guide to practical compliance for Partners & Managers
 - n Areas covered included methodology for improving compliance procedures, risk and materiality, tailoring the audit programme, fraud, the audit of the main balance sheet and P/L areas, the completion process, audit reports and ISQC1
-



Practice Support (3)

Initiatives – practice aids

- December 2006 – ACCA's International Audit Programmes (delivered by 16 January):
 - n Programmes were developed to help practices improve the standard of their audit files at an affordable cost
 - n Fully compliant with ISA's
 - n Provide documentation for both current and permanent files, appropriate schedules and guidance notes, optional schedules, checklists and standard letters
 - *ISQC 1 audit manuals*
 - n Include sample policies and procedures, checklists, Questionnaires
 - Practice aids supplied to members at cost
-



Practice Support (4)

Initiatives – list of QA service providers

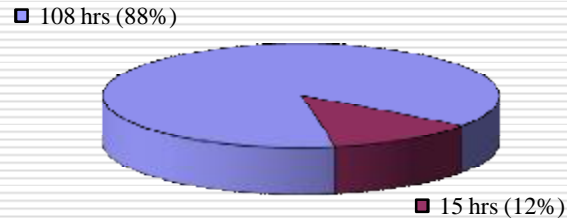
- In line with commitment to facilitate service provider/practitioner interaction the Institute made a call for expressions of interest from members to provide the following:
 - n Mock quality assurance reviews
 - n External ACR's
 - n Hot file reviews
 - n Cold file reviews
 - Institute assumes no responsibility for the quality and professional competence of reviewers
 - Selection remains the practitioner's prerogative – this is not an exclusive list
-



Practice Support (5) *Initiatives – CPE*

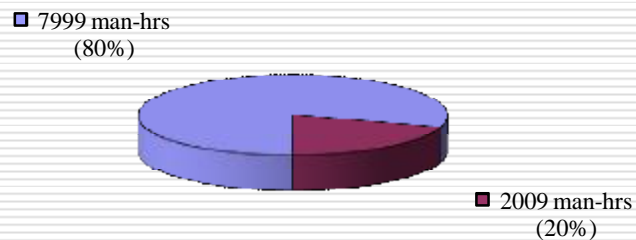
○ Institute's commitment to provide CPE training

CPE hours - 2007



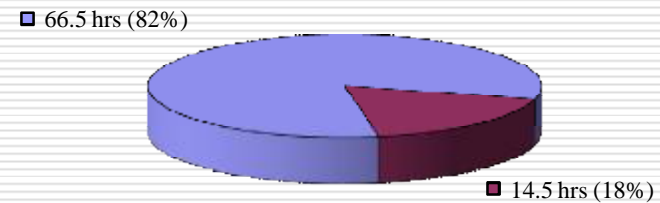
■ Core ■ Professional

CPE man-hours - 2007



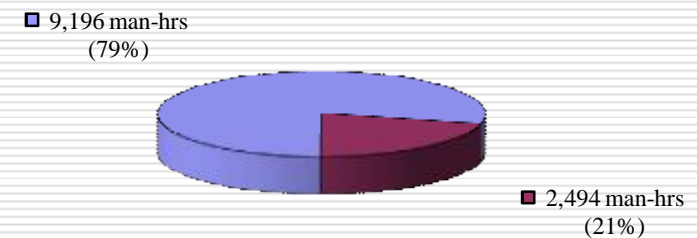
■ Core ■ Professional

CPE hours - 2008



■ Core ■ Professional

CPE man-hours - 2008



■ Core ■ Professional



Practice Support (6) *Initiatives – CPE*

QA Specifically targeted CPE

- In partnership with ICAEW – two workshops covering 11 hours of CPE specifically targeted at QA issues
 - n the extent of documentation on the audit of smaller entities
 - n the quality of audit files: common problems and solutions
- How to carry out cold file reviews – January 2009



Continuous Professional Education *Background*

- December 1999 – recommendations for the establishment and operation of a CPE program
- CPE made compulsory in 2000, with effect from calendar year 2001:
 - n Members in Public Practice – min. 90 hours over 3 year rolling period, min. 20 hours annually (100% structured/verifiable)
 - n Members not in Public Practice – min. 90 hours over 3 year rolling period, min. 20 hours annually (min. 20% structured/verifiable)
- CPE Regulations amended with effect from calendar year 2007
 - n Brought in line with IFAC's IES 7, Published in May 2004, and effective from 1 January 2006



Continuous Professional Education *2007 Regulations*

- Structured CPE:
 - n Structured learning activities – measurable and verifiable
 - n Courses, conferences and organised technical discussion meetings
 - n Service on technical committees
 - n Web-based learning activities
 - n Time spent on lecture preparation and lecturing
 - n Post-tertiary course
- Unstructured CPE:
 - n Individual home study
 - n Private reading – technical, professional, managerial and ethical issues
 - n Activities that would fail to qualify as structured



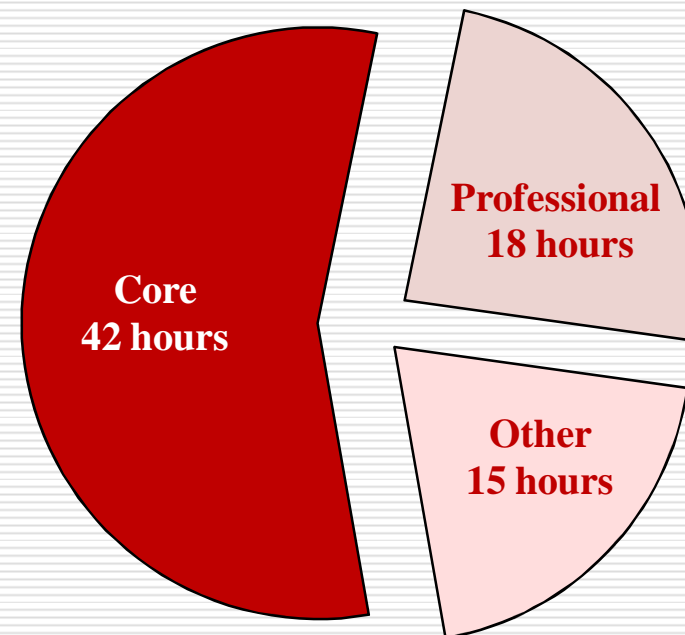
Continuous Professional Education *2007 Regulations*

- Core competencies – directly relevant to the exercise of the profession:
 - n Audit and assurance
 - n Taxation
 - n Financial accounting
 - n Management accounting
 - n Corporate finance
 - n Professional regulation and ethics
- Professional competencies: Practice management; Relevant legislation; Transaction services; Project planning and appraisal; Human Resources management; IT and Management Information Systems; Strategic decision-making; Liquidation and insolvency; Fiduciary and trustee; and Investment business.



Continuous Professional Education 2007 Regulations

- CPE Requirements – 3 year rolling period:
 - n Minimum 120 hours, 75 of which must be structured as follows:
 - Core 42 hours
 - Professional 18 hours
 - Other 15 hours
- Minimum annual:
 - n 25 hours, 20 of which must be structured
 - n No split between Core, Professional and Other on annual requirements





Thank you

Jonathan Dingli

Technical Director

Malta Institute of Accountants

jdingli@miamalta.org

