

The background of the cover features a dark blue gradient with vibrant, diagonal streaks of light in shades of orange, yellow, and blue. On the left side, there are two vertical red bars with pointed ends, one at the top and one at the bottom.

2022 BDO MALTA AUDIT QUALITY REPORT

**OUR COMMITMENT
TO AUDIT QUALITY
AND CONTINUOUS
IMPROVEMENT**

BDO

Commitment to quality and continuous improvement

Our culture at BDO Malta ensures that a professional and qualitative service is always provided to all clients. The firm continually strives to achieve high quality standards in the services provided. In achieving this, it is the firm's policy:

- ▶ to ensure quality in all assignments performed;
- ▶ to ensure that commercial considerations never override the quality of performance;
- ▶ to ensure that sufficient resources are devoted to the development and support of the firm's quality control policies and procedures; and
- ▶ to ensure that all audit work is controlled and signed off by the partners.

The firm's quality system management is designed to provide a reasonable level of assurance that the firm, its partners, and staff comply with professional standards as well as regulatory and legal requirements, that work is consistently performed to a high standard, and that reports issued by the firm are appropriate.

Driven by the Firm's International Core Values and by continuously fostering an attitude of continuous improvement, we take the following actions to drive quality:

Maintaining leadership emphasis on quality

Quality is a standing agenda item during leadership meetings. In addition to quality guidelines, quality-focused actions and behaviour are discussed.

Investing in quality

Systemic quality is embedded through sustained investment in people, processes, and technology.

Going beyond the rules

Quality is driven as a cultural value: apart from leadership emphasis, there is a focus on message credibility, peer involvement and employee ownership of all types of quality issues.

A quality mentality

The company as a whole fosters a collective approach towards audit quality, including the organisation, our people, our clients, and communities.

Being clear and transparent

Information accessibility is at the heart of what we do. Making sure we are clear in what we do, and how we do it. We all do the right things the right way.

Continuous improvement

Measures of quality are monitored, and processes for continuous improvement are operational.



Audit quality behaviours and monitoring activities

We continue to emphasize to our professionals, at all levels, proven behaviours that drive audit quality:



Seek appropriate level of audit, accounting and industry knowledge and experience.



Perform robust risk assessment and link to focus areas of audit execution.



Demonstrate professional skepticism and apply professional judgment.



Align appropriate audit resources with significant identified risks.



Apply appropriate level of supervision and review in alignment with perceived risk.



Exhibit appropriate audit mindset.



Be independent in both fact and appearance.



Conduct work ethically and morally.



Gather appropriate and reliable audit evidence.



Remain current on emerging areas of risk and opportunity.



Comply with laws and regulations.



Be a mentor and a coach.



Project manage the necessary sequencing and timing of audit work.



Comply with professional standards and firm guidance.



Evaluate and challenge assumptions, estimates and assessments.



Use firm templates, practice aids and tools to document work and conclusions reached.



Continually assess resource management and deployment.



Evidence appropriate review controls and control design.



Sufficiently leverage capacity and resource allocation.



Embrace emerging technology, data analytics and automation.



Integrate information systems, valuation and tax professionals.



Appropriately consult on audit, accounting and reporting matters.



Provide timely feedback and audit insights.



Communicate and address audit issues as soon as they arise.

BDO Malta Audit Quality highlights

OUR AUDIT PRACTICE

Approach to Audit Quality

- ▶ Engagement teams and leaders believe that BDO is committed to the consistent execution of quality engagements in serving audit clients, investors and other stakeholders.
- ▶ Engagement teams and leaders believe that the firm is committed to demonstrating ethical behaviours.

Client-facing staffing leverage ratios

1 to 1.3

Partner to Team Leader

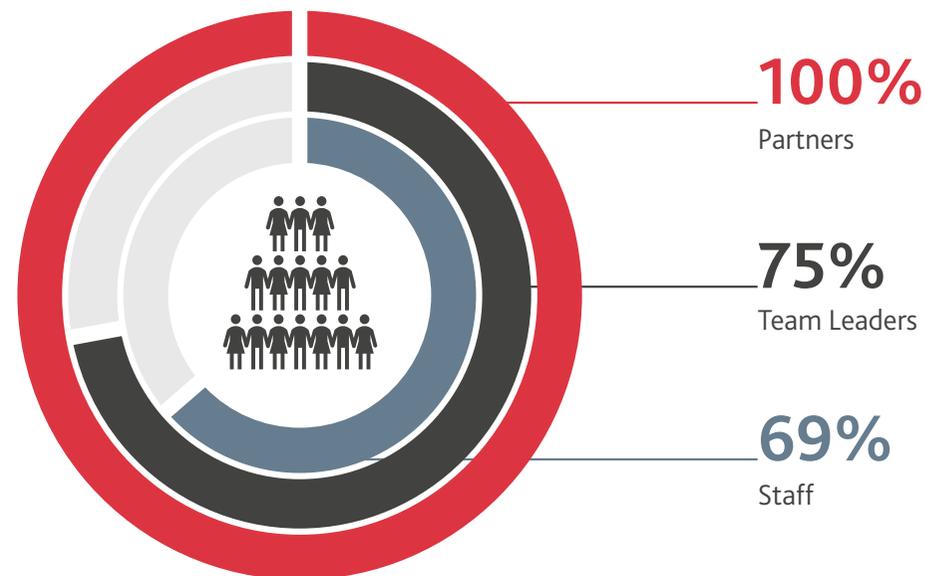
1 to 6.33

Partner to Staff

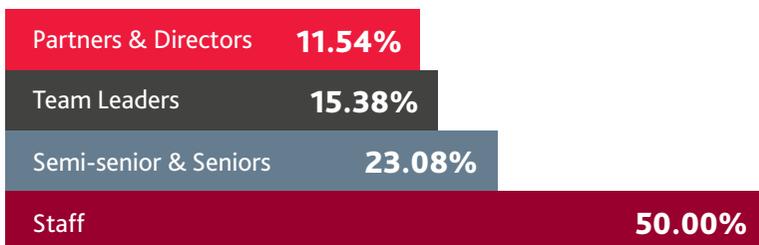
1 to 5.75

Team Leader to Staff

Average retention rates



Audit department composition



Gender split ratio



Leadership responsibilities for quality within the firm

Quality control is dependent upon an organisational structure which is inherently sound, and which clearly defines the responsibilities of the various levels of management. The partner in charge of compliance and ethics is Mark Attard.

The partners have ultimate responsibility in respect of audit quality within the firm. Any changes in the firm's audit procedures can only be made after authorisation has been given by one of the partners.

The partners are responsible for:

- ▶ developing assurance methodology and guidance to ensure compliance with auditing standards;
- ▶ maintaining the firm's technical manuals and communicating developments to the firm's partners and staff;
- ▶ helping maintain the firm's assurance practice at the highest standards prevailing in the profession, including the supervision of the firm's auditing work;
- ▶ consulting with local office partners and other professionals seeking technical advice; and
- ▶ overseeing the firm's technical continuing professional education (CPE) programmes.

BDO Malta's ongoing mission to drive quality throughout the firm has been further enhanced with the appointment of an experienced professional as Head of Audit & Assurance Quality Management focused on driving effective implementation of quality. The experience she brings to the firm provides independent insight and will further improve BDO Malta's capabilities in assessing and responding to audit quality-related matters. The firm can maintain a system of quality control that meets or exceeds the extant International Standard on Quality Control (ISQC) 1 and could meet the requirements as per the new International Standard on Quality Management (ISQM) 1.

A Committee on audit matters meets monthly to decide on our overall audit strategy and the programming of our audit tasks. The committee is composed by the audit partners and the CEO.

Operation objectives relate to:

- ▶ Client acceptance and retention
- ▶ Resourcing and development of our people
- ▶ Interaction with our clients
- ▶ Quality of work performed

Professional objectives focus on having the right capabilities and on using these capabilities to meet our own standards and the professional requirements. Our aim is to direct resources and activities to achieve the highest level of quality outcome on delivering our audits.



Leadership responsibilities for quality within the firm (cont.)

Organizational Structure Enhancements

During 2022 we hired 11 professional team members, and we also promoted 8 audit professionals.

Furthermore, we established the Audit Quality department to take the responsibility for the system of quality management and for the monitoring and remediation process.

Audit Quality Perspective

Certain actions were designed to address previously identified quality management issues. They were implemented to enhance firm-level audit quality matters, such as:

- ▶ Resource management
- ▶ Development and improvement of procedures
- ▶ Encouraging employees to constantly share information with the firm and with one another.



Audit & assurance: a global approach

BDO Malta is a member firm of BDO's extensive global organisation. The strength of our network is based on our professionals providing exceptional client service of the highest quality.

In a rapidly evolving business and regulatory environment, the right guidance is more important than ever.

BDO's Assurance professionals draw on deep industry experience and global resources to help clients to navigate change, bolster investor confidence, and strengthen the value of their businesses.

With BDO's audit team, you can be confident in the knowledge that your business is compliant with all the relevant rules and regulations, because we are leaders in the field of business assurance.

Whether you're a owner managed business or a multinational listed entity navigating these challenges, BDO can provide you with the services you seek. We are able to deliver high-quality audits to a wide range of organisations as we draw upon decades of experience in the field as well as the continuous professional development of our staff.

BDO INTERNATIONAL

€11.8 billion
Revenues

42% Accounting & Auditing **22%** Tax **36%** Advisory (Consulting, Corp. Fin., Other)

7,234 Partners **76,467** Professional Personnel
111,307 Total Personnel **164** countries & territories

1,803 offices



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