



Transparency Report 2020

Committed to driving audit quality

January 2021

www.kpmg.com.mt

Contents

1. Introducing the Transparency Report	2
2. Who we are	3
3. Our structure and governance	3
4. System of quality control	7
5. Financial information	35
6. Partner remuneration	36
7. Network arrangements	36
8. Statement by the Partnership Board	40
9. Public Interest Entities (PIEs)	41
Appendix A - Partners & Directors	43

1. Introducing the Transparency Report

This Transparency Report contains information that is in accordance with the terms of the disclosure requirements of Section 18 of the Accountancy Profession Act (CAP, 281 Laws of Malta) relevant to audit firms which carry out statutory audits of public interest entities. This report provides information as to how we are organised, managed and how we ensure quality, which remains our top priority and underpins everything we do.

KPMG in Malta has an unwavering commitment to audit quality. We know that our standards are required to be of the very highest level in order to build and maintain public trust. Responsibility for quality starts at the top and means driving and reinforcing accountability through the complete chain of command in all our audit teams and practices so that every action helps us meet our rigorous quality objectives.

Audit is the cornerstone of our business and the basis on which KPMG was founded. That is why audit quality is absolutely paramount to us: our strategy begins with a relentless focus on quality and further guides us to continuously improve quality and consistency. We can only be satisfied with the best – it's our duty to the public and the capital markets.

For us, integrity and independence are non-negotiable: we take decisive action when individual behaviour or events occur that do not align with our Values or that run counter to achieving rigorous, independent audits.

Thus as part of our commitment to stakeholders, we aim to be transparent and open in communicating how we address audit quality. In doing so, we help to foster public trust and inspire confidence in KPMG and in the capital markets. The starting point for the business is the professionalism and integrity of our people. Our approach to audit quality relies on people with questioning minds demonstrating professional scepticism. Our leadership strives to promote a culture that quality is everyone's job. Our methodologies and processes, to which we refer in this document, similarly reflect the drive for quality.

Significant financial reporting implications are being seen throughout the world markets due to the pandemic COVID-19, which is increasing risks and economic uncertainty. We will continue to respond to and embrace this challenge as we focus on recovery and resilience in this new reality. One thing COVID-19 has not affected, however, is our KPMG values and their link to audit quality and our day-to-day work

This Transparency Report covers the year 1 October 2019 to 30 September 2020. We invite you to read our Annual Review and to browse our web-site for further information relating to other aspects of our firm. We believe that this report is a useful insight into how we manage our firm and uphold to the principles of quality and good corporate governance. We expect that this report creates the opportunity for feedback from our stakeholders and we would very much welcome your views as to how we can continue to improve the quality of the information presented herein in future years.

David Caruana
Compliance Principal



Hilary Galea-Lauri
Head of Audit –
Audit Quality



January 2021

Throughout this document, "KPMG", "we", "our" and "us" refers to the global organization or to one or more of the member firms of KPMG International Limited, each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International Limited or any other member firm vis-à-vis third parties, nor does KPMG International Limited have any such authority to obligate or bind any member firm. Throughout this document, references to "Firm", "KPMG firm", "member firm" and "KPMG member firm" refer to firms which are either: members of KPMG International Limited; sublicensee firms of KPMG International Limited; or entities that are wholly or dominantly owned and controlled by an entity that is a member or a sublicensee. The overall governance structure of KPMG International and its associated entities is provided in the 'Governance and leadership' section of the 2020 KPMG International Transparency Report.

2. Who we are

2.1 Our business

KPMG in Malta is a professional services firm that delivers Audit, Tax and Advisory services. We operate from 92, Marina Street, Pietà, Malta and had an average of 421 partners and employees in the year to 30 September 2020.

Full details of the services offered by KPMG Malta can be found on our website www.kpmg.com.mt

2.2. Our strategy

Our strategy is set by KPMG in Malta's Partnership Board and demonstrates a commitment to quality and trust. Our focus is to invest significantly in priorities that form part of a multi-year collective strategy implementation that is taking place across our entire global organization. We recognise in achieving this that our commitment to quality in everything we do is the most important element of our strategy, our reputation depends on it, as does our ability to achieve all other elements of our strategy.

3. Our structure and governance

3.1 Legal structure

Legal structure and ownership for the financial year ending 30 September 2020

KPMG in Malta is affiliated with KPMG International Cooperative ("KPMG International"). KPMG International is, a Swiss cooperative which is a legal entity formed under Swiss law. Prior to 1 October 2020 it was the coordinating entity for the network and the entity with which all the member firms of the KPMG organization were required to be affiliated with. Further details about KPMG International and its business activities, including our relationship with it for the financial year ending 30 September 2020, are available in 'Governance and Leadership' section of the [2019 KPMG Transparency Report](#).

Legal structure and ownership from 1 October 2020

On 1 October 2020, KPMG in Malta and all other KPMG firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee. KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

Further detail on the revised legal and governance arrangements for the KPMG global organization from 1 October 2020 can be found in section 'Governance and leadership' of the [2020 KPMG International Transparency Report](#).

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International or any of its related entities have any such authority to obligate or bind any member firm. KPMG in Malta is part of the KPMG global organization of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. The KPMG organization structure

is designed to support consistency of service quality and adherence to agreed Values wherever its member firms operate.

KPMG in Malta

KPMG in Malta is a civil partnership constituted under the laws of Malta and is registered as an audit firm with the Accountancy Board in terms of the Accountancy Profession Act (CAP. 281). The Compliance Principal in terms of the Accountancy Profession Act (CAP. 281) is David Caruana. KPMG in Malta is wholly owned, and its voting rights are fully held, by its partners all of whom are professionals actively involved in the provision of audit, tax and advisory services to the firm's clients. Most services, including all audit services, are provided by KPMG in Malta. The firm's subsidiary and connected undertakings include KPMG Holding Limited which acts as the "paymaster" for the practice; KPMG Advisory Services Limited which provides certain non-audit services; KPMG Talent (P5+) Limited which is licensed to provide recruitment services under the Employment and Training Services Act; K Software Limited which provides software services and KPMG Learning Academy which provides tuition.

KPMG and its subsidiary and connected undertakings in Malta are collectively referred to as KPMG in Malta in this report, unless the context clearly indicates otherwise. The contents of this report apply to the whole KPMG practice in Malta including that of its subsidiary and connected undertakings. During the year to 30 September 2020 there were 17 partners in KPMG in Malta (in 2019: 15 Partners).

3.2 Name, ownership and legal relationships

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International.

Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities.

Member firms may consist of more than one separate legal entity. If this is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

3.3 Responsibilities and obligations of member firms

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, procedures and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

Each member firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG Values (see section 4.1).

KPMG International's activities are funded by an annual payment paid to it by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the member firms. A firm's status as a KPMG member firm and its participation in the KPMG organization may be terminated if, among other things, it has not complied with the policies,

procedures and regulations set by KPMG International or any of its other obligations owed to KPMG International.

3.4 Governance Structure

KPMG in Malta applies high standards of corporate governance. KPMG’s governance structure as reflected in the Partnership Agreement is summarised in the figure below.



Partnership Board

The principal governance and oversight body of KPMG in Malta is the Partnership Board which provides leadership to the organization and is responsible for our long term growth and sustainability, setting our strategy and overseeing its implementation, monitoring performance against our business plan and protecting and enhancing the KPMG brand as well as the appointment of partners and staff to carry out the managerial roles within the firm's governance structure.

The Partnership Board is made up of all the Partners of KPMG in Malta. The Senior Partner chairs the Partnership Board. All the voting rights of the firm are held by the partners. The Partnership board met 13 times during the year ending 30 September 2020. The Senior Partner of KPMG in Malta up to 30 September 2020 was Tonio Zarb who was succeeded by Andre Zarb with effect from 1 October 2020.

Details of the Partners of KPMG in Malta, including their roles within the firm and expertise are set out in Appendix A.

In addition, there are three main bodies that deal with key aspects of governance within the group that report into the Board. These are:

- Executive Management Committee
- The Quality Risk & Reputation Committee
- Functional partners' committees

Details about the role and responsibilities and composition of each of these key bodies are set out below.

Executive Management Committee

The Executive Management Committee (EMC) is responsible for management of the day-to-day activities of the KPMG in Malta, recommending policy to the Board and developing the business plan within the overall strategy set by the Board, together with its subsequent implementation. It deals with operational matters affecting the firm (including monitoring operating and financial performance, budgets, new business proposals, marketing, technology development, recruitment, and retention and general remuneration, prioritization and allocation of resources and investment and managing the risk profile of KPMG in Malta. The EMC, which is chaired by the firm's senior partner, met 40 times during the year ending 30 September 2020, either face-to face or via video link/conference call supplemented by frequent additional telephone calls and ad hoc meetings.

The Quality, Risk & Reputation Committee

The principle role of the Quality, Risk and Reputation Committee is to provide oversight of quality and risk management matters across the firm. As part of its role it oversees that a culture of quality and integrity is maintained within the firm and, where required, it will act as a sounding board to the Risk Management Partner on the policies and procedures relating to professional risk management, ethics and independence, quality control and compliance. The Committee also considers the impact of the key findings from our compliance quality monitoring programmes and the adequacy of proposed remedial actions.

Functional partners' committees

The partners and directors working within each of the firm's three functions form part of a partners' committee for that function, chaired by the respective head of function. The objective of these committees is to ensure the effective management of each respective function within the firm.

4. System of quality control

Overview

Tone at the top, leadership and a clear set of Values and conduct are essential to set the framework for quality. However, these are required to be backed up by a system of quality control that ensures our performance meets the highest professional standards.

To help all audit professionals concentrate on the fundamental skills and behaviour required to deliver a quality audit, KPMG has developed the Audit Quality Framework, based on International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements .

KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality and Risk Management Manual (GQRMM) which applies to all KPMG personnel. KPMG in Malta is required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls.

KPMG in Malta is required to implement KPMG International policies and procedures and also adopts additional policies and procedures that are designed to address rules and standards issued by the Accountancy Board in Malta and other relevant regulators as well as applicable legal and regulatory requirements.¹

Quality control and risk management are the responsibility of all KPMG in Malta partners and employees. This responsibility includes the need to understand and adhere to firm policies and associated procedures in carrying out their day-to-day activities. The system of quality control applies to KPMG partners and employees wherever they are based.

We are implementing our program to adopt the new international standard on quality management (ISQM 1), which was approved by the IAASB in September 2020 and is expected to be effective from December 2022. ISQM 1 requires each KPMG firms to design, implement and operate a system of quality management to consistently deliver quality audits, and to evaluate the effectiveness of the system on an annual basis.

While this Transparency report summarises KPMG's approach to audit quality, it may also be useful for stakeholders interested in member firms' Tax and Advisory services, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered.

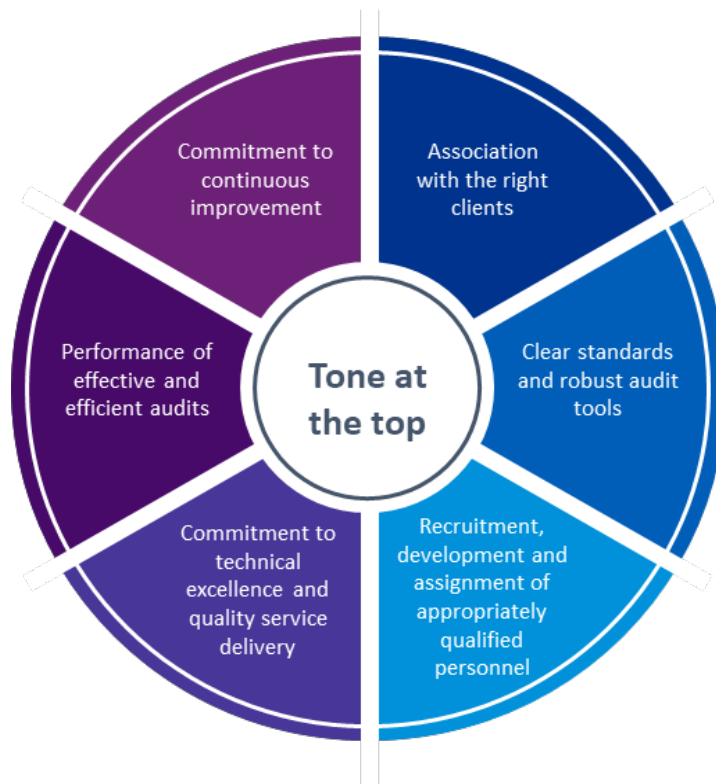
Audit Quality Framework

At KPMG in Malta, audit quality is not just about reaching the right opinion, but how that opinion is reached. It is about the processes, thought and integrity behind the auditor's report. The outcome of a quality audit is the delivery of an appropriate and independent opinion in compliance with relevant professional standards and applicable legal and regulatory requirements. To help all audit professionals concentrate on the fundamental skills and behaviours required to deliver a quality audit, KPMG International has developed the Audit Quality Framework.

¹ All the references to 'KPMG policies and procedures' or 'our policies and procedures' refer to the KPMG International policies and to the additional KPMG in Malta policies together.

KPMG’s audit quality framework introduces a common language that is used by all KPMG firms to describe what drives audit quality and to help highlight to their audit professionals how to contribute to its delivery.

‘Tone at the top’ sits at the core of the Audit Quality Framework’s seven drivers of audit quality and helps ensure that the right behaviours permeate all KPMG firms. All of the other drivers create a virtuous circle because each driver is intended to reinforce the others.



4.1 Tone at the top

KPMG global leadership, working with regional and member firm leadership, plays a critical role in establishing our commitment to quality and the highest standards of professional excellence. A culture based on quality, integrity and ethics is essential in an organisation that carries out audits and other services on which stakeholders rely.

At KPMG in Malta we promote a culture in which consultation is encouraged and recognised as a strength.

Tone at the top means that KPMG in Malta leadership demonstrates commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders and society at large to earn public trust. Our Values represent what we believe in, and what’s important to us as an organization. They guide our behaviours day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all our stakeholders.

Our Values are:

Integrity: We do what is right.

Excellence: We never stop learning and improving.

Courage: We think and act boldly.

Together: We respect each other and draw strength from our differences.

For Better: We do what matters.

Our Values express our firm's long-standing core beliefs, and in 2020 the language was updated to make them bolder, simpler, and more memorable to help each of us bring them to life every day.

Outlined in KPMG's Global Code of Conduct are the responsibilities all KPMG personnel have to each other, our clients, and the public. It shows how our Values inspire our greatest aspirations and guide all of our behaviours and actions. It defines what it means to work at and be part of KPMG, as well as our individual and collective responsibilities.

Our Values lie at the heart of the way we do things. To do the right thing, the right way. Always. They drive our daily behaviours, guide our decisions, and shape our admissions. They form the foundation of a resilient culture ready to meet challenge with integrity, so we never lose sight of our principal responsibility to protect the public interest. And they propel us forward — through our work and the example we set — as we inspire confidence and empower change throughout the world.

Everyone at KPMG is required to comply with the Global Code of Conduct and to confirm their compliance with the Code. Everyone at KPMG is also required to take regular training covering the Code. We are committed to holding ourselves accountable for behaving in a way that is consistent with the Code. Individuals are encouraged to speak up if they see something that makes them uncomfortable or that is inconsistent with our Values.

Moreover, everyone at KPMG is responsible for reporting- and is required to report- any activity that could potentially be illegal or in violation of our Values, KPMG policies, applicable laws, regulations or professional standards.

To safeguard this, each KPMG firm is required to have procedures and established channels of communication so that anyone working there can report suspected ethical and quality issues or concerns.

In addition, the [KPMG International hotline](#) is a mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by any KPMG International entity, activities of KPMG firms or KPMG personnel.

All KPMG firms and personnel are prohibited from retaliating against individuals who have the courage to speak up in good faith. Retaliation is a serious violation of the Code, and any person who takes retaliatory action will be subject to their firm's disciplinary policy.

At KPMG in Malta, we regularly monitor the extent to which our people feel that the firm lives the KPMG Values through the Global People Survey (refer to section [4.5.6]).

4.2 Leadership responsibilities for quality and risk management

KPMG in Malta demonstrates commitment to quality, ethics and integrity, and communicates our focus on quality to clients, stakeholders and society. Our leadership plays a critical role in setting the right tone and leading by example – demonstrating an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.

Our leadership team is committed to building a culture based on quality, integrity and ethics, demonstrated through their actions – written and video communications, presentations to teams and one-to-one discussions.

The following individuals have leadership responsibilities for quality and risk management at KPMG in Malta.

Senior Partner

In accordance with the principles set out in ISQC1, our Senior Partner, Tonio Zarb, up to 30 September 2020 and Andre Zarb with effect from 1 October 2020, has assumed ultimate responsibility for KPMG in Malta system of quality control. Details of some of the measures that he and the rest of the Partnership Board have taken to ensure that a culture of quality prevails within KPMG in Malta are set out in this section of the report.

Risk Management Partner

The Risk Management Partner (RMP) is responsible for setting overall professional risk management and quality control policies and monitoring compliance for KPMG in Malta. The RMP has a seat on the firm's Executive Management Committee, chairs the Quality, Risk & Reputation Committee, and has a direct reporting line to the Senior Partner. The RMP consults with the appointed Area Quality and Risk Management Leader. This underlines the importance that the firm places on risk and quality issues. The Risk Management Partner is supported, as appropriate, by partners and professionals in each of the functions.

Ethics and Independence Partner

The Ethics and Independence Partner has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG in Malta and reports on ethics and independence issues to the Senior Partner.

The Audit, Tax and Advisory functions – Function Heads

The three heads of the client service functions (Audit, Tax and Advisory) are accountable to the Senior Partner for the quality of service delivered in their respective functions. They are responsible for the execution of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the Risk Management Partner. These procedures make it clear that at the engagement level, risk management and quality control is ultimately the responsibility of all professionals in the firm.

KPMG in Malta's Heads of Audit are responsible for leading a sustainable high-quality Audit practice This includes:

- setting the right 'tone at the top' by demonstrating an unwavering commitment to the highest standards of professional excellence, including scepticism, objectivity, and independence;
- developing and implementing strategies to monitor and maintain knowledge and skills required of partners and employees to fulfil their professional responsibilities; and
- working with the Risk Management Partner to monitor and address audit quality and risk matters as they relate to the Audit practice, including an annual evaluation of activities considered to be key to audit quality.

Investing in continuous improvement

KPMG continues to invest significantly in audit quality across the global organisation.

What is audit quality?

Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands.

We define “audit quality” as the outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and all of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We are building on our sound audit quality foundations, both in terms of how we manage our firms and how we execute audit engagements.

This means ongoing investment in our system of quality management, global monitoring of audit quality, enhanced support, and providing best-in class technology and tools for engagement teams.

Our global audit quality program supports consistent deployment of investments to enhance and drive a common approach.

4.3 Association with the right clients

4.3.1 Acceptance and continuance of clients and engagements

Rigorous global client and engagement acceptance and continuance policies are vital to being able to provide high-quality professional service.

KPMG’s client and engagement acceptance and continuance policies and processes are designed to identify and evaluate any potential risks prior to accepting or continuing a client relationship or performing a specific engagement.

KPMG firms are required to evaluate whether to accept or continue a client relationship or perform a specific engagement. Where client/engagement acceptance (or continuance) decisions pose significant risks, additional approvals are required.

4.3.2 Client and engagement acceptance process

Client Evaluation

KPMG in Malta undertakes an evaluation of every prospective client.

This involves obtaining sufficient information about the prospective client, its key management and significant beneficial owners and then properly analysing the information to be able to make an informed acceptance decision. This evaluation includes completion of a questionnaire to assess the client’s risk profile and obtaining background information on the client, its key management, directors and owners. In addition, we obtain additional information required to satisfy our local legal and regulatory requirements.

Engagement Evaluation

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential

independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, public perception, as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of partners and employees assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG in Malta partners and employees and includes review by the quality and risk management leadership as required.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional independence evaluation procedures including a review of any non-audit services provided to the client and of other relevant business, financial and personal relationships.

Similar independence evaluations are performed when an existing audit client becomes a public interest entity or additional independence restrictions apply following a change in the circumstances of the client.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are required to be documented and resolved prior to acceptance.

A prospective client or engagement will be declined if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional standards and our policies, or if there are other quality and risk issues that cannot be appropriately mitigated.

4.3.3 Continuance process

KPMG in Malta undertakes an annual re-evaluation of all its audit clients. The re-evaluation identifies any issues in relation to continuing association and mitigating procedures that need to be put in place (this may include the assignment of additional professionals such as an Engagement Quality Control (EQC) reviewer or the need to involve additional specialists on the audit).

Recurring or long running non-audit engagements are also subject to periodic re-evaluation.

In addition, clients and engagements are required to be re-evaluated if there is an indication that there may be a change in the risk profile, and as part of the continuous independence evaluation process, engagement teams are required to identify if there have been any changes to previously identified threats or if there are new threats to independence. The threats are then evaluated and, if not at an acceptable level, are eliminated or appropriate safeguards are applied to reduce the threats to an acceptable level.

4.3.4 Withdrawal process

Where KPMG in Malta comes to a preliminary conclusion that indicates that we should withdraw from an engagement or client relationship, we consult internally and identify any required legal, professional and regulatory responsibilities. We also communicate as necessary with those charged with governance and any other appropriate authority.

4.3.5 Client portfolio management

KPMG in Malta's leadership appoints engagement leaders that have the appropriate competence, capabilities, time and authority to perform the role for each engagement.

We review each audit engagement leader's client portfolio in individual discussions with the audit leader. The reviews consider the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the leader to deliver a quality audit for every client.

4.4 Clear standards and robust audit tools

All KPMG in Malta professionals are expected to adhere to KPMG International and KPMG policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The KPMG in Malta policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical, and quality control standards as well as rules and standards issued by the Accountancy Board in Malta and other relevant regulators as well as applicable legal and regulatory requirements.

4.4.1 Our approach to audit

The KPMG organization has been investing significantly in evolving its audit capabilities and will continue to do so in the coming years including a new global electronic audit workflow delivered through KPMG Clara platform – KPMG's smart, modular audit platform – capable of continually integrating new and emerging technologies, with advanced capabilities embedded that leverage data science, audit automation, data visualisation and more. Digital audit is integral to the way how KPMG member firms obtain audit evidence and interact with clients in the digital era.

KPMG's high-quality audit process will continue to include:

- **timely partner and manager involvement** throughout the engagement
- **access to the right knowledge** including involvement of specialists, training and experience requirements and relevant industry expertise
- **critical assessment of all audit evidence obtained during the audit**, exercising appropriate professional judgment
- **ongoing mentoring, supervision and review** of the engagement team managing and documenting the audit.

KPMG's commitment to audit quality during the COVID-19 pandemic

The COVID-19 pandemic has forced us all to think differently, we continue to respond to and embrace this challenge. Most organizations are likely to be impacted by the COVID-19 pandemic, either directly or indirectly, and the increased economic uncertainty and risk may have significant financial reporting implications. Issues including going concern, asset impairments and valuations will require careful judgment as organizations deal with a high degree of uncertainty and market volatility. KPMG firms' role as auditors is to evaluate these judgements.

Since the start of the pandemic we have maintained an online COVID-19 | Financial reporting resource centre to assist companies and other stakeholders understand potential accounting and disclosure implications.

KPMG International has issued extensive guidance to assist teams in addressing the various accounting, financial reporting and audit related matters arising from the impacts of the COVID-19 pandemic including going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, inventory, subsequent events, audit evidence communications with Those Charged With Governance, and considerations for remote working environments.

KPMG's guidance has been continually updated throughout the pandemic as other significant auditing, accounting and reporting issues have been identified.

KPMG is a technology-enabled organization, with all audit technical accounting and auditing resources, guidance and audit platforms and tools available electronically, enabling the conversion to a remote working environment.

Communication has been increasingly important to everyone during the COVID-19 pandemic. We have leveraged our investments in technology to provide KPMG firms with more regular updates, including virtual meetings to share best practices and guidance.

4.4.1.1 Consistent audit methodology and tools

Bringing consistency through our methodology.

Our audit methodology, tools and guidance are:

- globally consistent and fully compliant with the applicable standards, including International Standard on Auditing (ISA), Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) and are supplemented to comply with local auditing standards and regulatory or statutory requirements by member firms
- inclusive of KPMG methodology interpretations that drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed
- centred on identifying risk, focusing on risks of material misstatements and the necessary audit response
- made available to all KPMG audit professionals and required to be used, where necessary
- applied even where local auditing standards may be less demanding than the ISAs

The KPMG audit methodology is set out in KPMG's Audit Manual (currently used with eAudit) and the KPMG Audit Execution Guide (for use with the KPMG Clara workflow) and includes additional requirements that go beyond the ISAs and which we believe enhance audit quality. The methodology emphasises applying appropriate professional scepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence.

Enhancements to the audit methodology, guidance and tools are made regularly to maintain compliance with standards, and address emerging auditing areas of focus and audit quality results (internal and external). For example, as a result of the COVID-19 pandemic, many companies are experiencing significant financial uncertainty. We have issued guidance to our auditors on conducting audit procedures in a remote-working environment, raising awareness of key audit risks such as going concern and impairments and provided reminders of the importance of exercising professional scepticism taking appropriate actions if information is identified that is unexpected or unusual and may be indicative of potential management bias, a fraud risk or fraud.

KPMG firms may add local requirements and/or guidance in the Audit manual to comply with additional professional, legal, or regulatory requirements.

Delivering through our current audit workflow

The current KPMG audit is enabled through eAudit, an activity-based workflow and electronic audit file used by all KPMG member firms. eAudit is KPMG's audit documentation workflow that allows professionals to complete quality and consistent audits. eAudit integrates KPMG's audit methodology, guidance and industry specific, and the tools needed to execute and document the audit work performed.

eAudit can be “scaled” to present the relevant requirements and guidance, depending on the nature of the entity to be audited and in accordance with professional standards and applicable legal and regulatory requirements. It provides direct access to KPMG’s audit guidance, professional standards and documentation templates.

Investing for the Future

While our current audit workflow and methodology are robust and consistent with all auditing standards’ requirements, the changes we are making will enable us to execute on our objective of a relentless focus on audit quality and provide us with the platform to build in continuous enhancements as the power of new technologies develops.

We have laid the groundwork for this already with the launch of our smart audit platform, KPMG Clara, in 2017.

Audit solutions for today’s world

We recognize that in order to deliver quality audits, we need to continually evolve and develop our technology solutions to keep pace with today’s digital world.

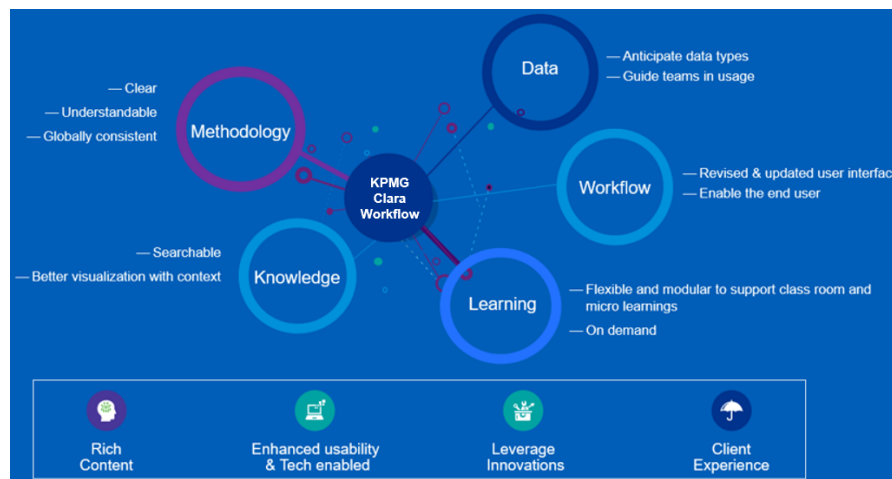
That is why we embarked on a process of reimagining our audit platform, workflow and methodology to provide enhanced consistency and support to our audit engagement teams, deliver more detailed insights to our clients, and future-proof our systems for the expected continued development of new technologies such as robotic process automation, machine learning and cognitive technologies.

The continuation of this process will see a new workflow and revised audit methodology embedded into the KPMG Clara platform. Limited deployment of the new “KPMG Clara Workflow” took place during 2019, and full deployment globally started in 2020, and is expected to be completed by the end of 2022.

The release of the KPMG Clara workflow and revised audit methodology is an important milestone in KPMG’s journey to innovate, digitalize and transform the audit experience for our people. It is a significant investment that underlines our commitment to audit quality, consistency and innovation

Bringing it all together in KPMG Clara

The KPMG Clara smart audit platform brings together KPMG’s digital Audit capabilities, innovative new technologies, collaboration capabilities and our new KPMG Clara workflow.



Creating the new KPMG Clara Workflow

The new KPMG Clara workflow will be used by our audit teams to execute and document KPMG audits. It will guide audit teams through a series of steps in a logical sequence aligned to the applicable auditing standards, with clear display of information, visuals, and guidance available at the moment of need, and with embedded advanced digital audit capabilities. The workflow and revised audit methodology will also be scalable – adjusting the requirements to the size and complexity of the audit engagement. This globally-driven project will significantly overhaul and redesign the execution of an audit by KPMG professionals and clearly drive audit quality and global consistency.

Through the use of data mining and tracking of relevant engagement level data indicators, the KPMG Clara Workflow will also facilitate member firm's monitoring at the engagement level. Once the KPMG Clara Workflow has been fully deployed our predecessor audit workflow tool, eAudit, will be retired.

Strategically embedding the use of data through digital audit capabilities

KPMG Clara also allows us to more seamlessly build digital audit capabilities into our audits. Digital audit routines are capable of interrogating and analysing vast quantities of data.

KPMG's audit is designed to:

- **enhance audit quality**; by providing a deeper understanding of data populations, giving focus to higher risk transactions;
- **be secure**; by restricting access to data both in transit and within KPMG's IT environments; and
- **be transparent**; by facilitating detailed analysis to uncover the reasons behind, and root causes of, outliers and anomalies and provide increased visibility into higher risk transactions and process areas.

Digital audit capabilities and routines are built on principles and professional standards underlying an audit and do not relieve auditors of their responsibilities.

Current capabilities in this area facilitate the performance of planning and risk assessment activities and substantive procedures, and include capabilities that:

- enable the analysis of account balances and journal entry data
- automate 'period on period' balances comparison and 'time series' evolution information
- enable the analysis of sub-ledger, transactional data over certain business processes and accounts.

Together with our KPMG Clara platform, we are significantly investing in digital audit capabilities and paving the way for the increasing use of emerging technologies such as robotic process automation and machine learning — which will take the power of technology applied in the audit to an even greater level.

4.4.2 Independence, integrity, ethics and objectivity

4.4.2.1 Overview

Auditor independence is a cornerstone of international professional standards and regulatory requirements.

KPMG International has detailed independence policies and procedures, incorporating the requirements of the IESBA Code of Ethics. These are set out in KPMG's GQRMM, which applies to all KPMG firms. Automated tools, which are required to be used for every prospective engagement to identify potential independence and conflict of interest issues, facilitate compliance with these requirements.

These policies are supplemented by other processes to ensure compliance with the standards issued by the Accountancy Board. These policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, firm financial relationships, post-employment relationships, partner rotation and approval of audit and non-audit services.

The Partner-in-Charge of the Global Independence Group is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG firms and that tools are available to help the firms and their personnel to comply with these requirements.

KPMG in Malta has a designated Ethics and Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG in Malta. The EIP is responsible for communicating and implementing KPMG global policies and procedures and ensuring that local policies and procedures are established and effectively implemented when they are more stringent than the global requirements. The EIP fulfils this responsibility through:

- implementing/monitoring the ethics and independence quality control process and structure within the firm;
- approving/appointing partners responsible for ethics and independence within the firm;
- overseeing the processes related to the evaluation of specific independence threats in connection with clients and prospective clients;
- participating in the development and delivery of training materials;
- monitoring compliance with policies;
- implementing procedures to address non-compliance; and
- overseeing the disciplinary process for ethics and independence matters.

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications with all KPMG firms. KPMG firms are required to implement changes as specified in the communications, and this is checked through the internal monitoring programs.

KPMG in Malta partners and employees are required to consult with the EIP on certain matters as defined in the GQRMM. The EIP may also be required to consult with the Global Independence Group, depending upon the facts and circumstances.

4.4.2.2 Personal Financial Independence

KPMG International policies require that KPMG firms and KPMG professionals are free from prohibited financial interests in, and prohibited financial relationships with, KPMG firm assurance and audit clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors, and, where required, significant owners. All KPMG partners – irrespective of their firm or function – are generally prohibited from owning securities of any audit client of any KPMG firm.

KPMG firms use a web-based independence compliance system (KICS) to assist KPMG professionals in complying with personal independence investment policies. This system contains an inventory of publicly available investments and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e. late reporting of an investment acquisition).

All partners and all manager grade and above client-facing employees are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in publicly traded entities in KICS, which automatically notifies them if any investment subsequently becomes restricted. Newly restricted investments are required to be disposed of within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of professionals.

The Global Independence Group provides guidance and required procedures relating to the audit and inspection by KPMG member firms of personal compliance with KPMG's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

In 2020, 54 of KPMG in Malta partners and employees were subject to these audits (this included approximately one third of our principals (partners and directors)).

4.4.2.3 Employment Relationships

Any KPMG in Malta professional providing services to an audit client irrespective of function is required to notify our EIP if they intend to enter into employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG firm that is a public interest entity.

Former members of the audit team or former partners of KPMG in Malta are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to KPMG in Malta, including payments which are not fixed and predetermined and/or would be material to KPMG in Malta and ceased participating in KPMG in Malta business and professional activities. Key audit leaders and members of the chain of command for an audit client that is a public interest entity are subject to time restrictions (referred to as 'cooling-off' periods) that preclude them from joining that client in certain roles until a defined period of time has passed.

We communicate and monitor requirements in relation to employment and partnership of KPMG in Malta professionals by audit clients.

4.4.2.4 Firm Financial Independence

KPMG firms are required to also be free from prohibited interests in, and prohibited relationships with, audit clients, their management, directors and, where required, significant owners.

In common with other KPMG firms, KPMG in Malta uses KICS to record its own direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed entities or funds. This includes investments held in associated pension and employee benefit plans.

Additionally, KPMG in Malta is required to record in KICS all borrowing and capital financing relationships, as well as custodial, trust and brokerage accounts that hold member firm assets.

On an annual basis, KPMG in Malta confirms compliance with independence requirements as part of the Risk Compliance Program.

4.4.2.5 Business relationships/suppliers

KPMG in Malta has policies and procedures in place that are designed to ensure its business relationships with audit clients are maintained in accordance with the IESBA Code of Ethics and other applicable local independence requirements, such as those promulgated by the SEC.

4.4.2.6 Business acquisitions, admissions and investments

If KPMG in Malta is in the process of considering the acquisition of, or investment in, a business, it is required to perform sufficient due diligence procedures on the prospective target to identify and address any potential independence and risk management issues prior to closing the transaction. Specific consultations with the Global Independence Group and Global Quality & Risk Management are required to enable independence and other issues to be addressed when integrating the business into KPMG in Malta and the wider global organisation.

4.4.2.7 Independence Clearance Process

KPMG in Malta follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as 'the independence clearance process,' are required to be completed prior to accepting an audit engagement for these entities.

4.4.2.8 Independence training and confirmations

All, KPMG in Malta Partners and client facing professionals as well as certain other individuals, are required to complete independence training that is appropriate to their grade and function upon joining KPMG in Malta and on an annual basis thereafter.

New partners and client facing employees who are required to complete this training should do so by the earlier of (a) thirty days after joining KPMG in Malta or (b) before providing any services to, or becoming a member of the chain of command for, any audit client.

We also provide all partners and employees with annual training on:

- the Global Code of Conduct and ethical behaviour, including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards, and
- reporting suspected or actual non-compliance with laws, regulations, professional standards and KPMG's policies.

New partners and employees are required to complete this training within three months of joining KPMG in Malta.

All KPMG partners and employees are required to sign, upon joining KPMG in Malta and thereafter, an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year.

4.4.2.9 Non-audit services

All KPMG firms are required, at a minimum, to comply with the IESBA Code of Ethics and applicable laws and regulations related to the scope of services that can be provided to audit clients.

KPMG in Malta have policies that are consistent with the IESBA principles, Directive 2, Code of Ethics for Warrant Holders issued in terms of the Accountancy Profession Act (CAP 281) and Article 18 in terms of the Accountancy Profession Act (CAP 281) which address the scope of services that can be provided to audit clients.

KPMG in Malta is required to establish and maintain a process to review and approve all new and modified services that are developed by KPMG in Malta. KPMG in Malta's EIP is involved in the review of potential independence issues related to these new or modified services.

In addition to identifying potential conflicts of interest, Sentinel™, ™facilitates compliance with independence requirements. Certain information on all prospective engagements including detailed service descriptions, deliverables and estimated fees are required to be entered into Sentinel™ as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential independence threats and safeguards is also required to be included in the Sentinel™ submission.

Lead audit engagement leaders (LEAPs) are required to maintain group structures for their publicly traded and certain other audit clients including their related entities or affiliates in Sentinel™. They are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats. For entities for which group structures are maintained, Sentinel enables LAEPs to review and request revision, approve, or deny, any proposed service for those entities worldwide. For approved proposed services, Sentinel designates a timeframe during which the approval remains valid. Upon expiration of the established timeframe, the services are required to be complete or be re-evaluated for permissibility; otherwise, the services are required to be exited.

KPMG global independence policies prohibit member firm audit partners from being evaluated on, or compensated based on, their success in selling non-assurance services to their audit clients.

4.4.2.10 Fee dependency

KPMG International's policies recognise that, self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the KPMG firm expressing the audit opinion. These policies require firms to consult with their Area Quality & Risk Management Leader where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In the event that the total fees from a public interest entity audit client and its related entities represent more than 10 percent of the total fees received by a particular member firm for two consecutive years, these policies further require that:

- This be disclosed to those charged with governance at the audit client; and
- A Partner from another KPMG member firm be appointed as the engagement quality control (EQC) reviewer.

No audit client accounted for more than 10 percent of the total fees received by KPMG in Malta over the last two years.

4.4.2.11 Resolving conflicts of interest

Conflicts of interest can arise in situations where KPMG in Malta partners and employees have a personal connection with the client which may interfere or be perceived to interfere with their ability to remain objective, or where they are personally in possession of confidential information relating to another party to a transaction. Consultation with the Risk Management Partner (RMP) or the EIP is required in these situations.

KPMG International policies are also in place to prohibit KPMG partners and staff from offering or accepting inducements, including gifts and hospitality to or from audit clients, unless the value is trivial and inconsequential, is not prohibited by relevant law or regulation and is not deemed to be have been offered with the intent to improperly influence the behaviour of the recipient or which would cast doubt on the individual's or the member firm's integrity, independence, objectivity or judgment.

All KPMG firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived to have an impact on a firm's and/ or its partners' or employees' ability to be objective or otherwise act without bias. All KPMG firms are required to use Sentinel™ for potential conflict identification so that these can be addressed in accordance with legal and professional requirements.

KPMG in Malta has risk management resources who are responsible for reviewing any identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which are required to be documented.

Escalation and dispute resolution procedures are in place for situations in which agreement cannot be reached on how to manage a conflict. If a potential conflict issue cannot be appropriately mitigated, the engagement is declined or terminated.

4.4.2.12 Independence breaches

All KPMG in Malta personnel are required to report an independence breach as soon as they become aware of it to the EIP. In the event of failure to comply with our independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. All breaches of independence rules are required to be reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed to with those charged with governance.

KPMG in Malta has a documented and communicated disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations.

Matters arising are factored into promotion and compensation decisions and, in the case of engagement leaders and managers, are reflected in their individual quality and risk metrics.

4.4.2.13 Compliance with laws, regulations and anti-bribery and corruption

Compliance with laws, regulation and standards is a key aspect for everyone at KPMG. In particular, we have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery - even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third-parties, including by our clients, suppliers or public officials.

Further information on KPMG International anti-bribery and corruption policies can be found on the [anti-bribery and corruption site](#).

4.4.2.14 Partner and firm rotation

Partner rotation

KPMG International partner rotation policies are consistent with the requirements of the IESBA Code of Ethics and require all member firms to comply with any stricter local applicable rotation requirements.

KPMG in Malta leaders are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that leaders in certain roles may provide audit services to a client, followed by a 'time-out' period during which time these leaders may not:

- participate in the audit;
- provide quality control for the audit;
- consult with the engagement team or the client regarding technical or industry-specific issues;
- in any way influence the outcome of the audit;
- lead or coordinate professional services at the client;
- oversee the relationship of the firm with the audit client; or
- have any other significant or frequent interaction with senior management or those charged with governance at the client.

KPMG in Malta monitors the rotation of audit engagement leaders (and any other key roles, such as the Key Audit Partner and Engagement Quality Control Reviewer, where there is a rotation requirement) and develops transition plans to enable allocation of leaders with the necessary competence and capability to deliver a consistent quality of service to clients.

Firm rotation

In terms of the 2016 changes to the Companies Act (CAP 386) subject to transitional requirements, a public interest entity shall appoint an auditor for a maximum period of 10 years extended to a maximum period of 20 years subject to a public tender process being held after 10 years. KPMG in Malta has processes in place to track and manage compliance with audit firm rotation requirements.

4.5 Recruitment, development and assignment of appropriately qualified people

One of the key drivers of quality is ensuring that KPMG professionals have the appropriate skills and experience, passion and purpose to deliver high quality audits. This requires the right recruitment, development, reward, promotion, retention and assignment of professionals.

Only with engaged, talented people KPMG can deliver audits in line with our audit quality expectations. Annually, all KPMG personnel, across all functions, are invited to participate in KPMG's Global People Survey (GPS) to share their perception about their experience of working for KPMG. Global People Survey is used as a means of measuring employee engagement (refer to section 4.5.6).

4.5.1 Recruitment

KPMG in Malta is committed to building extraordinary people experience for all current and prospective KPMG partners and employees.

Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools, but also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age. KPMG in Malta also recruits significant numbers at an experienced hire and director level.

All candidates submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews and qualification/reference checks. These leverage fair and job-related criteria to ensure that candidates possess the appropriate skills and experience to perform competently, are suitable and best placed for their roles. KPMG's policies also require that recruits undergo rigorous reference and background checks subject to legal and regulatory requirements.

KPMG in Malta recruited approximately 180 new people (excluding students and trainees) in the year ending 30 September 2020 (2019: approximately 130).

Where individuals are recruited for senior grades, a formal independence discussion is conducted with them by the Ethics and Independence Partner or a delegate. KPMG in Malta does not accept any confidential information belonging to the candidate's former firm/employer.

4.5.2 Personal development

Development

KPMG in Malta's approach to performance development, "Open Performance Development", is built around the *Everyone is a Leader* performance principles and includes:

- global role profiles (including role profiles specific to audit quality accountabilities and responsibilities);
- a goal library (including audit quality content); and
- standardized review forms (with provision for audit quality ratings).

Open Performance Development is linked to the KPMG Values and designed to articulate what is required for success — both individually and collectively. We know that by being clear and consistent

about the behaviour we're looking for and rewarding those who demonstrate them, we will continue to drive a relentless focus on audit quality.

At the same time, we are driving a shift in our performance-driven culture, supported by and enacted through leading technology that allows us to embed audit quality into the assessment of performance and the decisions around reward as well as drive consistency across the global organisation.

Attracting, retaining and developing talented individuals is at the very top of our people agenda and is key to KPMG firms being a magnet for talent. The firm dedicates a significant amount of time, money and other resources to build professional capability, leadership and business skills and technical expertise.

KPMG in Malta monitors quality and compliance incidents and maintains quality and compliance metrics in assessing the overall evaluation, promotion and remuneration of partners, directors and managers. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

As part of the open approach, all our people are encouraged to think about their careers and personal development needs via regular performance conversations with ongoing feedback and support.

A clear focus on high performance and regular feedback, both positive and developmental, helps our firm identify high performers who also have the potential to take on more senior or more complex roles.

In our performance development approach feedback can be sought and received through two mechanisms, informal feedback, which should be regular and owned by the individual for their own development and growth, and formal feedback through an engagement review form. The engagement review form specifically requests feedback on quality and is required quarterly, and inputs into performance evaluations.

Partners and certain professionals are also required to be evaluated on key quality and compliance metrics. KPMG in Malta monitors quality incidents and maintains quality and compliance metrics for the purpose of partner assignments and also for the purposes of partner evaluation, promotion and remuneration.

High performers are further developed through coaching and mentoring on the job, rotation opportunities, global mobility opportunities and secondments.

4.5.3 Inclusion and diversity programs

KPMG in Malta is committed to fostering an inclusive culture for all. Being inclusive enables us to bring together successful teams with the broadest range of skills, experiences and perspectives.

Our leadership and management teams also need to reflect the diversity within our firm and the diversity of our clients.

We believe that the established KPMG Global Inclusion and Diversity strategy provides the framework to drive the actions that are necessary to promote inclusion and diversity at KPMG in Malta and across all KPMG firms.

For more about Inclusion & Diversity at KPMG read [here](#).

4.5.4 Reward and promotion

Reward

KPMG in Malta has compensation and promotion policies that are informed by market data, clear, simple, and linked to the performance review process. This helps our partners and employees understand what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved through by assessing relative performance across a peer group to inform reward decisions.

Reward decisions are based on consideration of both individual and firm performance.

The results of performance evaluations directly affect the promotion and remuneration of partners and employees and, in some cases, their continued association with KPMG.

The extent to which our people feel their performance has been reflected in their reward is measured through the Global People Survey, with action plans developed accordingly.

Partners are remunerated solely out of the profits of the whole firm and are personally responsible for funding pensions and other benefits. Audit partner remuneration setting takes no account of the level of non-audit services provided to the partner's audit clients.

Promotion

The results of performance evaluations directly affect the promotion and remuneration of partners and employees and, in some cases, their continued association with KPMG.

Partner admissions

The KPMG in Malta process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. Our criteria for admission to the KPMG in Malta partnership are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice.

4.5.5 Assignment of professionals

KPMG in Malta has procedures in place to assign both engagement leaders and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the engagement leader assignment process. Key considerations include leader experience and capacity - based on an annual leader portfolio review, to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement).

Audit engagement leaders are required to be satisfied that their engagement teams have appropriate competencies, training and capabilities including time, to perform audit engagements in accordance with our audit methodology, professional standards and applicable legal and regulatory requirements. This may include involving specialists from our own firm, other KPMG member firms or external experts.

When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement leader's considerations may include the following:

- an understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- an understanding of professional standards and legal and regulatory requirements;
- appropriate technical skills, including those related to relevant information technology and specialised areas of accounting or auditing;
- knowledge of relevant industries in which the client operates;
- ability to apply professional judgment;
- an understanding of KPMG in Malta's quality control policies and procedures;
- Quality Performance Review (QPR) results and results of regulatory inspections.

4.5.6 Insights from our people – Global People Survey (GPS)

Annually KPMG in Malta invites all its people to participate in an independent Global People Survey to share their perception about their experience of working for KPMG. The GPS provides an overall measure of our people's engagement through an Engagement Index as well as insights into areas driving engagement which may be strengths or opportunities. Results can be analysed by functional or geographic area, grade, role, gender to provide additional focus for action. Additional insight is provided on how we are faring on categories known to impact employee engagement. We also cover areas of focus which are directly relevant to audit quality; the survey includes specific audit quality related questions that all individuals who participated in audit respond to, giving us a particular data set for audit quality related matters.

The survey also specifically provides KPMG in Malta leadership and KPMG global leadership with results related to quality and risk behaviours, audit quality, upholding the KPMG Values, employee and partner attitudes to quality, leadership and tone at the top.

KPMG in Malta participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. The results of the GPS are also aggregated for the entire global organisation and are presented to the Global Board each year and appropriate follow-up actions agreed.

4.6 Commitment to technical excellence and quality service delivery

All KPMG in Malta professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and the professional practice department, either to provide resources to the engagement team or for consultation. Where the right resource is not available within KPMG in Malta, the firm accesses a network of highly skilled KPMG professionals in other KPMG firms.

At the same time, audit policies require all KPMG audit professionals to have the appropriate knowledge and experience for their assigned engagements.

4.6.1 Lifetime learning strategy

Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at global, regional and where applicable, at a local level. Training is delivered using blend of learning approaches and performance support to assist auditors on the job.

Mentoring and on the job training

Learning is not confined to a single approach— rich learning experiences are available when needed through coaching and just-in-time learning, available at the click of a mouse and aligned with job specific role profiles and learning paths.

Mentoring and on-the-job experience play key roles in developing the personal qualities important for a successful career in auditing, including professional judgment, technical excellence and instinct.

We support a coaching culture throughout KPMG as part of enabling KPMG professionals to achieve their full potential and instil that every team member is responsible for building the capacity of the team, coaching other team members and sharing experiences.

4.6.2 Licensing and mandatory requirements for IFRS and U.S GAAP engagements

Licensing

All KPMG in Malta professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development requirements in the jurisdiction where they practice. KPMG in Malta policies and procedures are designed to facilitate compliance with licence requirements.

We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience in the local predominant financial reporting framework -IFRS.

We require that all client service professionals maintain accreditation with their professional body and satisfy the continuing professional development requirements of the respective body and, where applicable, that they satisfy the Continuing Professional Education requirements as referred in Directive 1 Accountancy Profession (Continued Professional Education) issued in terms of the Accountancy Profession Act (CAP 281) as holders of the warrant of Certified Public Accountants. Our policies and procedures are designed to ensure that those individuals that require a license to undertake their work are appropriately licensed.

Mandatory requirements – IFRS and U.S. GAAP engagements

In addition, KPMG has specific requirements for partners, managers and Engagement Quality Control (EQC) reviewers working on IFRS engagements in countries where IFRS is not the predominant financial reporting framework.

Similar policies apply to engagements performed outside the U.S. to report on financial statements or financial information prepared in accordance with U.S. GAAP and/or audited in accordance with U.S auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR). These require that at a minimum, all partners, managers and, if appointed,

the EQC reviewers (and for engagements conducted in accordance with US GAAP and/or US auditing standards engagements, the engagement partner, engagement team members and, if appointed the EQCR reviewers) assigned to the engagement have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

4.6.3 Access to specialist networks

KPMG in Malta engagement teams have access to a network of local KPMG specialists – either within their firm or in other KPMG firms.

These specialists receive the training they need to ensure they have the competencies, capabilities and objectivity to appropriately fulfil their role.

The need for specialists to be assigned to an audit engagement in an areas such as information, technology, tax, treasury, actuarial, forensic and valuations is considered as part of the audit engagement acceptance and continuance process , as well as during the conduct of the engagement.

4.6.4 Culture of consultation

Encouraging a culture of consultations

KPMG encourages a strong culture of consultation that supports engagement teams at KPMG firms throughout their decision-making processes and is a fundamental contributor to audit quality. KPMG in Malta promotes a culture in which consultation is recognised as a strength and that encourages all KPMG professionals to consult on difficult or contentious matters.

To help with this, firms are required to have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, the GQRMM includes mandatory consultation requirements on certain matters.

Technical consultation and global resources

Technical auditing and accounting support is available to member firms through the Global Audit Methodology Group (GAMG), KPMG Global Solutions Group (KGSG), the ISG and the PCAOB Standards Group (PSG)

Global Audit Methodology Group (GAMG)

KPMG’s audit methodology is developed and maintained by the Global Audit Methodology Group (GAMG). The GAMG develops our audit methodology based on the requirements of the applicable auditing standards – International Standards on Auditing, PCAOB and AICPA.

KPMG Global Solutions Group (KGSG)

The KGSG and GAMG work collaboratively to support member firms through collaboration, innovation and technology. We have made significant investment in our audit methodology and tools with the core focus of improving audit quality and global consistency.

Key areas of work performed include:

- developing innovative audit capabilities (i.e. technology solutions) and deploying and using advanced audit solutions
- deploying KPMG Clara — our smart audit platform, incorporating advanced technologies, data science, audit automation, data visualization and more
- enhancing KPMG’s audit methodology, workflow and knowledge used by member firms’ audit professionals

With locations, in each of the three KPMG regions (Americas, EMA and ASPAC), the KGSG and GAMG teams comprise professionals with backgrounds in audit, IT, data science, mathematics, statistics and more from around the world, who bring diverse experiences and innovative ways of thinking to further evolve KPMG’s audit capabilities.

International Standards Group (ISG)

The ISG works with Global IFRS topic teams, with geographic representation from around the world, and the IFRS Panel and ISA Panel to promote consistency of interpretation of IFRS and auditing requirements between member firms, identify emerging issues and develop global guidance on a timely basis.

PCAOB Standards Group (PSG)

The PCAOB Standards Group (PSG) comprises a dedicated group of professionals with background in PCAOB auditing standards who promote consistency of interpretation of PCAOB auditing standards applied globally in KPMG firms’ audits of non-US components and foreign private issuers and non-US components of SEC issuers, as defined by SEC regulations. The PSG also provides input into the development of training for auditors who work on PCAOB audit engagements and, where practicable, facilitates delivery of such training.

Member firm professional practice resource

Member firms provide consultation support on auditing and technical accounting matters to their audit professionals through professional practice resources (referred to as Department of Professional Practice or DPP). This resource also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are required to follow a prescribed escalation protocol for final resolution. KPMG’s International Standards Group and PCAOB Standards Group are also available for consultation support when required.

4.7 Performance of effective and efficient audits

How an audit is conducted is as important as the final result. KPMG in Malta partners and employees are expected to demonstrate certain key behaviours and follow certain policies and procedures in the performance of effective and efficient audits.

4.7.1 Embedding ongoing mentoring, supervision and review

To invest in the building of skills and capabilities of KPMG professionals, KPMG in Malta promotes a continuous learning environment and supports a coaching culture.

Ongoing mentoring, coaching and supervision during an audit involves:

- engagement leader participation in planning discussions

- tracking the progress of the audit engagement
- considering the competence and capabilities of the individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement
- helping engagement team members address any significant matters that arise during the audit, and modifying the planned approach appropriately
- identifying matters for consultation with more experienced team members during the engagement.

A key part of effective mentoring, and supervision is timely review of the work performed so that significant matters are promptly identified, discussed and addressed.

4.7.1.1 Engagement Quality Control (EQC) reviewers

The EQC review is an important part of KPMG’s framework for quality. An EQC reviewer is required to be appointed for audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the Risk Management Partner or country Head of Audit.

An EQC review provides reasonable assurance that the team has appropriately identified significant risks, including fraud risks, and has designed and executed audit procedures to address them. EQC reviewers are required to meet training and experience criteria to perform a quality control review for a particular engagement. Reviewers are independent of the engagement team and audit client and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved, though the engagement partner is ultimately responsible for the resolution of accounting and auditing matters.

KPMG is continually seeking to strengthen and improve the role that the EQC review plays in member firm audits, and have taken a number of actions to reinforce this , including issuing leading practice guidance, incorporating specific review requirements into our audit workflow, and developing policies relating to recognition, nomination and development of EQC reviewers.

4.7.1.2 Reporting

Auditing standards and the requirements of the Companies Act (CAP 386) largely dictate the format and content of the auditors’ report that includes an opinion on the fair presentation of the client’s financial statements in all material respects. Experienced engagement partners form all audit opinions based on the audit performed.

In preparing auditors’ reports, engagement leaders have access to extensive reporting guidance and technical support through consultations with our DPP, especially where there are significant matters to be reported to users of the auditors’ report (e.g. a modification to the opinion or through the inclusion of an ‘emphasis of matter’ or ‘other matter’ paragraph, as well as key audit matters to be communicated).

4.7.1.3 Engagement Documentation

Our audit documentation is completed and assembled according to the timeline established by the global policy, auditing standards and we have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and firm information.

4.7.1.4 Insightful, open and honest two-way communication

Two-way communication with those charged with governance, often identified as the audit committee is key to audit quality and is a key aspect of reporting and service delivery.

At KPMG in Malta, we stress the importance of keeping those charged with governance informed of issues arising throughout the audit. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and when appropriate, ongoing informal discussions with management and members of the audit committee.

IFRS Institute

KPMG's Global IFRS Institute provides information and resources to help Board and Audit Committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial reporting framework.

4.7.2 Client confidentiality, information security and data privacy

We take the issue of client confidentiality very seriously. The importance of maintaining confidentiality is emphasised through a variety of mechanisms including the KPMG Global Code of Conduct, training and the annual affidavit/confirmation processes that all KPMG professionals are required to complete.

We have a formal document retention policy concerning the retention period for audit documentation, and other records relevant to an engagement in accordance with the relevant IESBA requirements as well as other applicable laws, standards and regulations.

We have clear policies on information security and the protection of confidential information which cover a wide range of areas. Data privacy policies are in place governing the handling of personal information, and associated training is required for all KPMG in Malta personnel.

4.8 Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG audits. Integrated quality monitoring and compliance programs enable member firms to identify quality deficiencies, to perform root cause analysis and develop, implement and report remedial action plans both in respect to individual audit engagements and the overall system of quality control.

The quality monitoring and compliance programs (see section 4.8.1 for details) are globally administered and consistent in their approach across all member firms, including the nature and extent of testing and reporting. KPMG in Malta compares the results of internal monitoring programs with the results of those of any external inspection programs and take appropriate action.

4.8.1. Internal monitoring and compliance programs

KPMG in Malta monitoring programs evaluate both:

- engagement performance in compliance with the applicable standards, applicable laws and regulation and KPMG International key policies and procedures; and
- KPMG in Malta compliance with KPMG International key policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively. These include:

- Quality Performance Reviews (QPR) and Risk Compliance Programs (RCP), which are conducted annually across the Audit, Tax and Advisory functions; and
- A cross functional Global Compliance Review (GCR) program with firms selected for review at various intervals based on identified risk criteria.

The results and lessons from the integrated monitoring programs are communicated internally and appropriate action is taken at local, regional and global levels.

Audit Quality performance reviews (QPRs)

The QPR program assesses engagement level performance and identifies opportunities to improve engagement quality.

Risk-based Approach

Each engagement leader in every KPMG firm is reviewed at least once in a three-year cycle. A risk-based approach is used to select engagements.

KPMG in Malta conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG in Malta level and are monitored regionally and globally. Firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the firm.

Reviewer selection, preparation and process

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the firm under review.

Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be as rigorous as external reviewers.

Evaluations from Audit QPR

Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations.

Audit engagements selected for review are rated as 'Satisfactory', 'Performance Improvement Needed' or 'Unsatisfactory'.

Reporting

Findings from the QPR program are disseminated to firm professionals through written communications, internal training tools, and periodic partner, manager and staff meetings. These areas are also emphasised in subsequent inspection programs to gauge the extent of continuous improvement.

Lead audit engagement leaders are notified of less than satisfactory engagement (defined as 'Performance Improvement Needed' or 'Unsatisfactory') ratings on their respective cross-border engagements. Additionally, lead audit engagement leaders of parent companies / head offices are notified where a subsidiary/ affiliate of their client group is audited by a KPMG firm, where significant quality issues have been identified during the QPR.

Risk Compliance Programme ("RCP")

KPMG International develops and maintains quality control policies and processes that apply to all KPMG firms. These policies and processes, and their related procedures, include the requirements of ISQC 1. During the annual RCP, we perform a robust assessment program consisting of documentation of quality controls and procedures, related compliance testing and reporting of exceptions, action plans and conclusions.

The objectives of the RCP are to:

- document, assess and monitor the extent of compliance of KPMG in Malta system of quality control with Global Quality & Risk Management (GQ&RM) policies and key legal and regulatory requirements relating to the delivery of professional services; and
- provide the basis for KPMG in Malta to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

Where deficiencies are identified, we are required to develop appropriate action plans and monitor the status of each action item.

Global Compliance Review (GCR) programs

Each KPMG firm is subject to a GCR conducted by KPMG International's GCR team, independent of the member firm, at various intervals based on identified risk criteria.

The GCR team performing the reviews is independent of the firm and is objective and knowledgeable of GQ&RM policies. GCRs assess compliance with selected KPMG International policies and procedures and share best practices among member firms.

The GCR provides an independent assessment of:

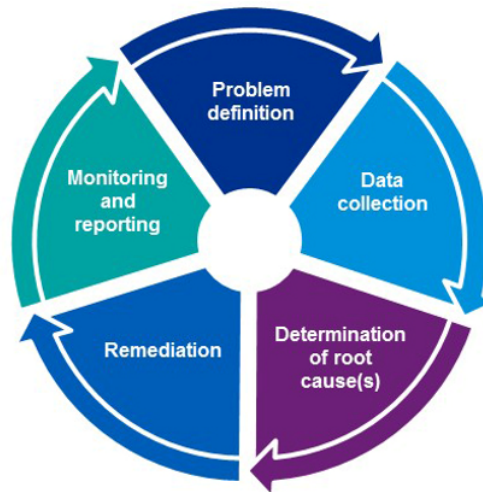
- a firm's commitment to quality and risk management (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment
- a firm's compliance with KPMGI policies and procedures; and
- the robustness with which the member firm performs its own compliance program (RCP).

KPMG in Malta develops action plans to respond to all GCR findings that indicate improvement is required and agree these with the GCR team. Our progress on action plans is monitored by a global GCR central team. Results are reported to the GQ&RM Steering Group, and where necessary, to appropriate KPMG International and regional leadership.

Root Cause Analysis (RCA)

KPMG in Malta performs root cause analysis to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement. In 2020, RCA training based on our Global RCA 5 Step Principles was attended by those individuals at KPMG in Malta who will be performing RCA or directing those performing RCA. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA.

The Global RCA 5 Step Principles are as follows:



It is the responsibility of all KPMG firms to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified.

KPMG in Malta's Head of Audit is responsible for the development and implementation of action plans as a result of RCA including identification of solution owners. Our Risk Management Partner monitors their implementation.

4.8.2 Recommendations for improvements

At a global level, through the Global Audit Quality Council and the GQ&RM Steering Group, KPMG International reviews the results of the quality monitoring programs, reviews firm root causes and planned remedial actions and develops additional global remediation actions as required.

Global remediation actions developed by KPMG International are aimed at changing culture and behaviour across the global organisation and at driving consistent engagement team performance within KPMG firms. The remediation actions have been implemented through the development of global training, tools and guidance to drive consistency, ensure the fundamentals are right and that best practice is shared across the global organisation.

4.8.3 External feedback and dialogue

4.8.3.1 Regulators

In Malta The Quality Assurance Oversight Committee forming part of the Accountancy Board within the Ministry for Finance and Employment, has been carrying out independent inspections for a number of years. They completed their work on the 2020 inspection of KPMG in Malta in October 2020 and the final report issued in December 2020. No issues were identified that have a material impact on the conduct of our statutory audits.

KPMG International has regular two-way communication with The International Forum of Independent Audit Regulators (IFIAR) to discuss audit quality findings and actions taken to address such issues across the entire organisation. At a regional level, we also have regular dialogue with representatives of the Committee of European Auditing Oversight Bodies (CEAOB) — formerly

known as the European Audit Inspection Group (EAIG), as well as the ASEAN Audit Regulators Group (AARG).

4.8.3.2 Client feedback

We proactively seek feedback from clients through in-person conversations and third-party surveys to monitor their satisfaction with services delivered. We endeavour to take this feedback and make dynamic changes at both the engagement level and firm level to meet clients' needs.

In addition, we have procedures in place for addressing complaints relating to the quality of our work.

4.8.3.3 Monitoring of Complaints

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work. These procedures are detailed in our contractual agreements.

5. Financial Information

5.1 Revenue

Fee revenue (including disbursements) earned by the firm for services provided during the year ending 30 September 2020 are summarised in the table below.

2020 Revenue		
	2020	
	€'000	
Revenue from audit services¹	9,165	37%
Revenue from tax and advisory services	15,860	63%
	25,025	100%

The total revenue is divided as follows:

	€ '000
Revenues from the statutory audit of annual and consolidated financial statements of public interest entities* and entities belonging to a group of undertakings whose parent undertaking is a public interest entity	2,328
Revenues from the statutory audit of annual and consolidated financial statements of other entities (non-PIEs)	5,065
Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm	3,737
Revenues from non-audit services to other entities	13,895

Revenues are reported gross, inclusive of expenses incurred in the performance of audits.

¹ Revenue earned from the secondment of audit professionals to the audit function of other KPMG member firms as well as other assurance services are included as part of revenue from audit services.

6. Partner remuneration

6.1 Partners' profit share

Partners are remunerated solely out of the whole profits of the firm and are personally responsible for funding pensions and most other benefits.

There are three elements to partner remuneration:

- Base component – a proportion of the firm's budgeted profits are allocated to partners as base component. The amount of base component reflects the role and seniority of each partner
- Performance related remuneration – rewards performance in the year by each partner against individual objectives previously agreed. Our policies for this variable element of partner remuneration take into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and living the KPMG Values. Audit partners are not permitted to have objectives related to, or receive any remuneration from, selling non-audit services to their audit clients. In addition, a part of their performance-related component is based on an assessment of their ability to deliver audit quality
- Residual profit share – the residual profits are shared by the partners in accordance with the terms of the partnership agreement.

There is transparency among partners over the total income allocated to each partner.

6.2 Drawings

During the year, partners receive monthly drawings (the amount being dependent on their level of base component) together with additional distributions of profits from time to time. The timing of the additional distributions of profits is dependent on the firm's working capital requirements.

6.3 Remuneration of directors

Directors are salaried employees of the firm and receive a fixed salary plus performance related bonuses.

7. Network arrangements

7.1 Legal structure

Legal structure for the Financial Year ending 30 September 2020

KPMG in Malta is affiliated with KPMG International Cooperative (“**KPMG International**”). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. Prior to 1 October 2020 it was the coordinating entity for the network and the entity with which all the member firms of the KPMG organization were required to be affiliated with. Further details about KPMG International and its business activities, including our relationship with it for the financial year ending 30 September 2020, are available in the 'Governance and leadership' section of the 2019 report.

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International.

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, including quality standards governing how they operate and how they provide professional services to clients to compete effectively. This includes being professionally and financially stable, having an ownership, governance and management structure that ensures continuity and stability and long term success and being able to comply with policies issued by KPMG International, adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

KPMG International is an entity that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

The name of each audit firm that is a member of the organization and the EU/EEA countries in which each firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available on <https://home.kpmg/xx/en/home/about/governance/list-of-kpmg-eu-eea-audit-firms.html>.

Legal structure from 1 October 2020

On 1 October 2020, KPMG in Malta and all other KPMG firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee. From 1 October 2020, KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

Further detail on the revised legal and governance arrangements for the KPMG global organization from 1 October 2020 can be found in section 'Governance and leadership' of the [2020 KPMG International Transparency Report](#).

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International Limited or any of its related entities have any such authority to obligate or bind any member firm.

Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements*

Aggregated revenues generated by KPMG firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.8 billion during the fiscal year ending 30th September 2020. The EU/EEA aggregated statutory audit revenue figures are presented to the best extent calculable and translated at the average exchange rate prevailing in the 12 months ended 30th September 2020.

**The financial information set forth represents combined information of the separate KPMG firms from EU and EEA Member States that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.*

7.2 Responsibilities and obligations of member firms

Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and is able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

Each KPMG firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG Values.

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the firms. A firm's status, as a KPMG member firm and its participation in the KPMG global organization may be terminated if, among other things, it has not complied with the policies set by KPMG International or any of its other obligations owed to KPMG International.

7.3 Professional Indemnity Insurance

Insurance cover is maintained in respect to professional negligence claims. The cover provides a territorial coverage on a worldwide basis and is principally written through a captive insurer that is available to all KPMG member firms.

7.4 Governance structure

The key governance and management bodies of KPMG International are the Global Council, the Global Board, and the Global Management Team.

Global Council

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms.

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 61 KPMG firms that are "members" of KPMG International as a matter of Swiss law. Sublicensee firms¹ are generally indirectly represented by a member.

Global Board

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include approving global strategy, protecting and enhancing the KPMG brand and reputation, overseeing the Global Management Team and approving policies with which KPMG firms are required to comply.

The Global Board includes the Global Chairman, the Chairman of each of the three regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)) and a number of senior partners of member firms.

¹ Unless otherwise stated, the words 'member firm' or 'KPMG member firm' when used in this Transparency Report include the following:

- Those entities that are members of KPMG International as a matter of Swiss law because KPMG International is a Swiss cooperative (i.e. similar to shareholders, albeit KPMG International has no share capital and, therefore, only has members not shareholders).
- Those entities ('sublicensees') that are not members of KPMG International as a matter of Swiss law but have still entered into legal agreements with KPMG International and also an entity that is a 'member'.

It is led by the Global Chairman and also includes the Chairman of each of the regions and a number of other member firm senior partners. The list of current Global Board members is set out in the [KPMG Global Review](#) and at <https://home.kpmg/xx/en/home/about/who-we-are/our-leadership.html>.

One of the other Global Board members is elected as the lead director by those Global Board members who are not also members of the Executive Committee of the Global Board (“nonexecutive” members). A key role of the lead director is to act as liaison between the Global Chairman and the “non-executive” Global Board members.

Global Management Team

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing the global strategy by working together with the Executive Committee, and jointly recommending the global strategy to the Global Board for its approval. The Global Management Team also supports the member firms in their execution of the global strategy and is responsible for holding them accountable against their commitments.

It is led by the Global Chairman and includes the Global Chief Operating Officer, Global Chief Administrative Officer, global function and infrastructure heads, the Global Head of Quality, Risk and Regulatory and the General Counsel.

The list of current Global Management Team members is available in the KPMG Global Review.

Global Steering Groups

There is a Global Steering Group for each key function and infrastructure area, chaired by the relevant member of the Global Management Team, and, together they assist the Global Management Team in discharging its responsibilities. In particular the Global Audit Steering Group and Global Quality & Risk Management Steering Group work closely with regional and member firm leadership to:

- establish and ensure communication of, appropriate audit and quality/risk management policies;
- establish and support effective and efficient risk processes to promote audit quality;
- promote and support strategy implementation in member firms’ audit functions, including standards of audit quality; and
- assess and monitor audit quality issues, including those arising from quality performance and regulatory reviews, and focus on best practices that reduce audit quality findings.

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section ‘Governance and leadership’ of the [2019 KPMG International Transparency Report](#)

Each firm is part of one of three regions (the Americas, ASPAC, and EMA). Each region has a Regional Board comprising a regional chairman, regional chief operating officer, representation from any sub-regions, and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in the implementation of KPMG International’s policies and processes within the region.

Further details about KPMG International including the governance arrangements for the year ending 30 September 2020, can be found in section 'Governance and leadership' of the [2019 KPMG International Transparency Report](#).

7.5 Area Quality and Risk Management Leaders

The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders (ARL) who serve a regular and ongoing monitoring and consultation function to assess the effectiveness of a member firm's efforts and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand. Significant activities of the ARL, including member firm issues identified and related member firm response/remediation, are reported to GQ&RM leadership. The objectives of the ARL role are to:

- assist GQ&RM leadership in the monitoring of member firms' quality and risk activity;
- work with GQ&RM leadership and the International Office of General Counsel (IOGC) when significant brand and legal risk issues occur to assist in ensuring that matters are properly handled; and
- assist in monitoring the effectiveness of firm remediation of significant issues, including identification of the root cause(s) of serious quality incidents.

8. Statement by the Partnership Board of KPMG in Malta on the effectiveness of quality controls and independence

The measures and procedures that serve as the basis for the system of quality control for KPMG in Malta outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by our firm comply with the applicable laws and regulations. Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that noncompliance with relevant laws and regulations would be prevented or detected.

The Partnership Board of KPMG in Malta has considered:

- the design and operation of the quality control systems as described in this report;
- the findings from the various compliance programs operated by our firm (including the KPMG International Review Programs (as described in section 4.8.1) and our local compliance monitoring programs); and
- findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of this evidence together, the Partnership Board of KPMG in Malta confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year ending 30 September 2020.

Further, the Partnership Board of KPMG in Malta confirms that an internal review of independence compliance within our firm has been conducted in the year ending 30 September 2020.

Pieta, 30 January 2021

9. Public interest entities (PIEs)

The list of public interest entity audit clients for which KPMG in Malta has signed an audit opinion in the year ending 30 September 2020 is given below. The definition of public interest for this purpose is that given under the provisions of the Accountancy Profession Act (cap. 281) issued by the Accountancy Board. In accordance with this definition, public interest entities comprise (a) those entities whose transferable securities are admitted to trading on a regulated market of any Member State; (b) credit institutions; (c) insurance undertakings; and (d) any other entity as may be prescribed by the Accountancy Board (the Accountancy Board has to date not specified any such additional entities). In addition, the firm carries out audits for several other entities, which though not PIEs by definition are nevertheless entities of significant public interest.

List of PIE audit clients						
Name	Audit Report issued from October 2019 to September 2020	Listed Equities	Listed Bonds	Listed Funds	Credit Institutions	Insurance Companies
ACL Fund SICAV p.l.c.	√			√		
Alpha Quest Funds SICAV p.l.c.	√		√			
Bank of Valletta p.l.c.	√	√	√		√	
ECCM Bank Plc	√				√	
FIMBank p.l.c.	√	√			√	
Grand Harbour Marina p.l.c.	√	√	√			
Hillwood Limited	√					√
Izola Bank p.l.c.	√		√		√	
Liberty Global Insurance Company Limited	√					√
Mapfre Middlesea p.l.c.	√	√				√
Mapfre MSV Life p.l.c.	√					√
Medserv p.l.c.	√	√	√			
Metatron Capital SICAV plc	√			√		
Munich Re of Malta p.l.c.	√					√
Munich Re PCC Limited	√					√

Platinum Insurance Ltd ^(a)	√					√
Starr Europe Insurance Limited	√					√
Vilhena Funds SICAV plc	√			√		
Gossmann & CIE Insurance PCC Limited ^(b)						√

^(a) Platinum Insurance Ltd is no longer an audit client. We signed off the audit report as at 29 February 2020 on 14 May 2020. The entity surrendered its licence on 28 February 2020 and therefore no longer considered a PIE as from that date. Entity also changed its name from Platinum Insurance Limited to Platinum Operations Limited as from 9 June 2020 and it is in dissolution.

^(b) First audit report will be issued in 2021.

We are also the auditors of the Central Bank of Malta.

Appendix - Partners & Directors as at 1 January 2021

Partners



Hermione Arciola
Partner, Advisory Services

Hermione was appointed Partner with effect from 1 October 2019. She focuses principally on corporate finance and transaction services. She joined the Deal Advisory team in 2007 and was appointed director in January 2014.



Juanita Brockdorff
Partner, Tax Services

Juanita, a lawyer, is a partner in the tax function and focuses on international and European taxation. She is a council member of the Institute of Financial Services Practitioners.



David Caruana
Partner, Advisory Services
Risk Management and Ethics and Independence Partner
Member of the EMC
Compliance Principal

David, a partner for 18 years, is the firm's Risk Management and Ethics and Independence Partner. David is the Compliance Principal in terms of the Accountancy Profession Act (CAP 281) as well as the firm's Money Laundering Reporting Officer (MLRO).



Clifford Delia
Partner, Accounting Support Services

Clifford was appointed Partner with effect from 1 October 2019. He currently leads the firm's accounting and payroll support service lines. Clifford joined the Accountancy Support Services team in 2008 following a number of years working within the Audit function in Malta and Ireland.



Jonathan Dingli
Partner, Advisory Services

Jonathan was appointed Director with effect from 1 January 2015 and Partner with effect from 1 October 2018. He leads a team of professionals within the Accounting Advisory Services (AAS) Team at KPMG in Malta.



Claude Ellul
Partner, Audit Services

Claude was appointed Partner with effect from 1 October 2019. He joined the audit function in 2003. He is specialised in the financial services sector.



John Ellul Sullivan
Partner, Tax Services

John has been appointed Partner with effect from 1 January 2017. John advises a variety of multinationals and high net worth individuals on their international corporate structures, as well as focuses on advising retirement scheme administrators on their operations in Malta. He has been employed with the firm since 2007.



Doreen Fenech
Partner, Tax Services &
Member of the Emc
PPC Partner

Doreen was appointed partner with effect from 1 January 2015. She has 22 years of experience in domestic and international tax.



Hilary Galea-Lauri
Head of Audit – Audit Quality
Member of the EMC

Hilary is an audit partner and the lead technical partner on the KPMG audit methodology. Hilary chairs the firm's Audit Quality Panel and sits on the Quality, Risk & Reputation Committee. He also sits on the EMC. He has been a partner for 22 years.



Noel Mizzi
Head of Audit – Operations
Member of the EMC

Noel is an audit partner specialising in financial services. He forms part of the Audit Quality Panel and sits on the EMC. He has been a partner for 22 years.



Anthony Pace
Partner, Tax Services
Head of Finance
Head of Tax Services (from 1 October 2020)
Member of the EMC

Anthony is a partner in the tax function, particularly specialising in indirect taxation and succession planning for Maltese family business. He has been a partner for 18 years. Anthony became the Head of Tax Services with effect 1 October 2020.



David Pace
Partner, Advisory Services
Head of Advisory Services
Member of the EMC

David was appointed partner with effect from 1 January 2015 within the Deal Advisory team, which he joined in 2002. With effect from 1 October 2018, David has been appointed as the Head of Advisory. He is actively involved in assisting with business negotiations and has a lead role in the firm's Merger and Acquisition service offering.



Giles Schembri
Partner, Audit Services

Giles is a partner in the audit department. Over the past 24 years he has principally practiced within the firm's audit function in Malta and in Milan. He forms part of the firm's PPC (area specialist).



Marco J. Vassallo

Partner, Emerging Technologies

Marco was appointed Director with effect from 21 July 2017 and Partner with effect from 1 October 2018. Marco joined KPMG in 1995 as a software programmer and, over the years, progressively moved into IT Administration, Management, Security and Strategy. He also worked in Information Security for more than 19 years. Marco has now joined the advisory team offering expertise within the software development field across the whole project life cycle to clients.



Simon Xuereb

Partner, Tax Services

Simon was appointed Director with effect from 1 January 2016 and Partner with effect from 1 October 2018. He has been actively involved in the ongoing development and broadcasting of KPMG in Malta's Private client and Global Mobility Services offering and today leads a multi-disciplinary team of professionals. He is also actively involved in the development of this service offering at a global level and currently chairs the High-Net worth Migration working group for KPMG.



André Zarb

Senior Partner (from 1 October 2020) Chairs the EMC (from 1 October 2020)
Head of Tax Services (up to 30 September 2020)
Partner, Tax Services

André assumed responsibility for the tax function in Malta in 1993, followed by making partner in 1994. André was the Head of Tax Services till 30 September and appointed Senior Partner of the Firm with effect 1 October 2020.



Tonio Zarb

Senior Partner (up to 30 September 2020)
Partner, Advisory services

Tonio is a Partner within the Advisory function. He was the firm's Senior Partner from October 2012 till September 2020. He has been a partner for 32 years.

Directors



Justin Axiq
Director, Audit Services

Justin was appointed Director with effect from 16 October 2019. He manages audits of a diverse portfolio of local and international clients and listed clients operating in various industries including software banking, logistic services, consumer products, retail and manufacturing.



Alex Azzopardi
Director, Advisory Services

Alex was appointed director with effect from 1 January 2016. He currently leads the firm's provision of Internal Audit Services to a diversified portfolio of local and international clients. He is also involved in the provision of regulatory advisory services to a number of banking and insurance clients. Alex serves as secretary to the committee of the Malta Forum for Internal Auditors.



Christopher Azzopardi
Director, Audit Services

Christopher was appointed Director with effect from 1 October 2019. He leads the IT assurance team within the Audit function, a service line he has been instrumental in developing. He also leads KPMG's Systems Audit services.



Sean Azzopardi
Director, Audit Services

Sean was appointed Director with effect from 1 October 2019. He forms part of the Banking and Asset Management cluster within the Audit function whereby he manages the audit of some of the firm's largest clients in this segment. Sean also leads the Coaching initiative which aims at maintaining and enhancing quality and ensuring consistency and efficiency across the audit function.



Robert Bianco
Director, Advisory Services

Robert was appointed Director with effect from 1 October 2019. He has accumulated a wealth of experience through his involvement in a large number of Deal Advisory engagements. He has assisted local and international clients cutting across various sectors in achieving their strategic objectives through the delivery of valuation, mergers and acquisitions, due diligence and financing related mandates. He has also been instrumental in developing KPMG's Real Estate and Hospitality service offering.



Giselle Borg
Director, Advisory Services

Giselle was appointed director with effect from 16 December 2017. She is currently working with the Risk Consulting Insurance Advisory Services team. She assists insurance clients from establishing an insurance set-up in Malta to ongoing regulatory and compliance matters, including Solvency II services. Giselle has experience in the insurance market through her previous role as a director in KPMG Malta's audit department.



Vanessa Borg
Director, Advisory Services

Vanessa joined KPMG in Malta as director within Advisory function with effect from 1st October 2018. Vanessa has been active within the international management field for over 21 years.



Claudine Borg Azzopardi
Director, Advisory Services

Claudine Borg Azzopardi is a Director within the People & Change Advisory. She is a counselling psychologist and executive coach with a business and commercial orientation. She has significant experience in supporting leaders through personal and organisational change, and of personality and developmental profiling. Her professional career started in 1999 working within the NHS in the UK and moving to Leadership Consultancy and Executive coaching. She has worked extensively in the area of transformational change and personality and development profiling with diverse nationalities and across industries and geographies



Norbert Bugeja
Director, Audit Services

Norbert has been a director in the audit department since 2010 specialising in financial services and forms part of the firm's PPC (area specialist). He has been employed with the firm since 1989.



Thomas Galea
Director, Audit Services

Thomas was appointed director with effect from 1 October 2017. He joined the audit function in 2005. During the past 13 years, other than in Malta, Thomas has also worked within the audit function of the Irish and US KPMG offices gaining experience in a number of industries, particularly Banking and Middle-Market.



Curt Gauci
Director, Advisory Services

Curt Gauci was appointed Director within the Digital Solution Advisory with effect from 1 October 2020. He has been working in the ICT industry in excess of 25 years. Throughout his career he has been involved in a variety of projects in the private and public sectors. He assisted local and foreign organisations coming from different industries in gaining operational efficiencies and competitive advantage through the leveraging of ICT. In the last few years Curt has been focused on assisting organisations on their digital transformation journeys specifically with adopting cloud and leveraging technologies, tools and methodologies to facilitate the transformation process and allow for faster return on investment.



Darren Govus
Director, Audit Services

Darren is a director in the financial services audit department. He forms part of the firm's PPC (area specialist) and provides accounting training, particularly in relation to financial instruments. Darren has been with the firm for 23 years.



Thane Micallef
Director, Audit Services

Thane was appointed Director with effect from 1 October 2019. He co-leads the insurance cluster within KPMG's audit function. He was instrumental in the setting up of this cluster following the re-organisation of the audit department, and is heavily involved in its day-to-day management.



Kevin Mifsud
Director, Audit Services

Kevin is a director in the audit department, with expertise in financial services, telecommunications and software development and forms part of the firm's PPC (area specialist). He has been employed with the firm since 1998.



Russell Mifsud
Director, Gaming Services

Russell was appointed Director with effect from 1 October 2019. He leads KPMG's Gaming efforts across functions, providing insight on the industry externalities and commercial strategy. He is a founder member of a core group of professionals that specialise in gaming within the KPMG network globally and co-leads the KPMG 70+ Global Gaming team alongside the UK's Global Head of Leisure. He sits on the board of the Malta Remote Gaming Council (MRGC) and is a Silicon Valletta board member. Russell plays a key role in the organisation of the KPMG Malta eSummit and the KPMG Gaming Faculty.



Malcolm Pace Debono
Director, Advisory Services

Malcolm was appointed director with effect from 1 January 2017. He has over 12 years of experience in recruitment and talent management. In 2010 Malcolm established P5+ Management, a consultancy firm specialising in Talent Management, Recruitment Consultancy, Management Consulting and Project Management Services. P5+ Management is based upon the P5+ core values that include Passion, Perseverance, Positivity, Performance and Pride.



Paul Pace Ross
Director, Tax Services

Paul was appointed Director with effect from 1 January 2015, forming part of the firm's Tax services. Over the years he led numerous cross-border engagements and he now leads a multi-disciplinary team of professionals advising clients on corporate restructuring, mergers, continuations, exit strategies and other reorganisation projects. He has been employed with the firm since 2002.



Lisa Zarb Mizzi
Director, Tax Services

Lisa advises a variety of multinationals and high net worth individuals intending to structure a presence in Malta, on international corporate tax and cross-border tax planning, as well as focuses on advising financial services companies on their operations in Malta. Lisa is also actively involved in the automatic exchange of information service offering of the firm. Lisa regularly delivers tax presentations and training both internally and externally.



Mark Curmi who was appointed a director in Advisory services in October 2018, terminated employment with the firm on 1 January 2021.

KPMG

92, Marina Street,
Pieta PTA 9044,
Malta

Tel: +356 2563 1000

Email: kpmg@kpmg.com.mt

Follow KPMG in Malta:



© 2021 KPMG, a Maltese civil partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.