

Thank you Sylvie.

Honourable Prime Minister, Mr. President, distinguished guests, fellow accountants, ladies and gentlemen,

On behalf of the Malta Institute of Accountants it gives me great pleasure to welcome you all to Malta. It is indeed an honour and a privilege for me to be addressing this gathering of fellow accountants from across the globe. You are all here today to discuss issues that impact small and medium practices around the world - and that also promise to hit very much close to home for us in Malta.

Allow me, first of all, to congratulate IFAC on the occasion of your thirtieth anniversary and to augur you many more years of sterling work in serving the public interest and in strengthening the accountancy profession worldwide. The Malta Institute of Accountants is proud to have been a founder member of IFAC back in 1977 and is firmly committed to support IFAC's work as fully as possible. Our presence on IFAC's SMP Committee is a tangible sign of this commitment. Our international dimension is also demonstrated by our membership in FEE and by our presence on a number of its committees.

I will try to briefly give you a flavour of the Institute's operations in Malta with particular emphasis on the more burning platforms relevant to SMP's

The Malta Institute of Accountants is today made up of nearly 1,400 members. We operate a joint examination scheme with ACCA that includes local law and tax variants. Our growing member base mainly comes from graduates of this scheme, from BA (Hons) Accountancy graduates at the University of Malta and, albeit to a much lesser extent, from overseas streams such as the ICAEW. Historically practically all our members also qualified through one of these routes although until five years ago we also operated our own examination scheme independently from ACCA.

For a number of years, therefore, International Financial Reporting Standards and International Standards on Auditing have formed the backbone of the educational process undertaken by our members prior to qualifying. They also continue to be the mainstay of their careers. The code of ethics that accountants follow in Malta, issued by our Regulator, the Accountancy Board, is largely styled around the IFAC model.

Many of our members are SMP's. Most of their clients, and indeed a number of clients of the larger firms in Malta, are SME's. Not surprisingly, therefore, the issues currently facing the profession in Malta are not dissimilar to those that you will be debating today.

The increasing complexity of IFRS, for example, is a burden that the profession locally, and SMP's in particular, are finding hard to carry. In Malta, every company, regardless of size or status, is until now obliged to prepare its statutory financial statements in line with IFRS – and to have them audited. The MIA has fuelled a debate on this topic that led to it spearheading, on behalf of the Accountancy Board, an initiative to draw up local GAAP for smaller entities. The Accountancy Board will very soon be launching this GAAP as an exposure draft for comment and we sincerely hope to see it up and running in early 2008. The MIA is extremely proud to have worked over the past eighteen months to develop this product. We feel that there will be major simplifications in measurement and in disclosures contained in financial statements that will make them easier to prepare, more straightforward to understand and above all more relevant to the user. We are very anxious to see the market's reaction to this GAAP and are very confident that this will be positive. It is a robust product that is aimed at entities that satisfy certain quantitative and qualitative characteristics. These entities will form a large part of our SMP's client bases. We acknowledge, and are proud of the fact, that IFRS knowledge is one of the strengths of the Maltese accountant. Whilst we would hope that all practitioners retain this IFRS expertise, we firmly believe that we are making a step in the right direction towards adopting a more sensible approach in the preparation of

financial statements locally that achieves a fair balance between simplicity and the provision of useful financial information.

I mentioned earlier that there is a legal requirement for all companies in Malta to have their statutory financial statements audited. This is something that, locally, has been embedded in the mentality of regulators, the business community and the profession for decades. Indeed an audit is something that is broadly accepted, and in many cases expected, by stakeholders. But even here we must be aware of what is happening around us and take a position that is most relevant to us as accountants and to the market that we serve. This is a matter that is very delicate and that still has to be carefully debated in a mature manner that considers the public interest in its widest sense. The MIA does not yet have a formal position on the matter. Within the Institute there is wide consensus that “an audit is an audit” and that any debate to possibly relax the audit requirement on certain companies will not mean reducing the quality of an audit, when this is performed. Concerns about the increasing difficulties, and risks assumed, in carrying out a fully compliant ISA audit for smaller entities, at an economic cost that makes sense both for the practitioner and for his client, are however growing. On the other hand, issues such as the obligations that limited liability brings with it and fiscal morality considerations cannot be ignored. The Institute is carefully following the development of other products that can be relevant to this debate, such as an alternative assurance service on unaudited financial statements and is very open to considering what options could exist for our smaller entities from this perspective. Just yesterday we had a very interesting presentation from ICAEW in this respect. We are also wary of the potential dangers of having a two tier reporting mechanism and are aware that we would have to be clever to immediately allay any confusion that this could eventually cause in the market. The debate is still warming up and until, and unless, things change the Institute remains committed to support practitioners in carrying out ISA compliant audits in the best manner possible.

One of the most tangible ways in which the Institute supports its members is through the organisation of CPE events. I firmly believe that one of the pillars

of the Institute is education. This ranges from the education of our students, which I have already referred to, through to the education of our members. For students, we are joint venture partners with BPP from the UK and provide comprehensive courses leading to all ACCA papers that our students sit for. We are also very active in providing CPE activities for our members and are always endeavouring to improve both the quantity and the quality of the service that we provide.

In 2007 we revised our CPE guidelines increasing the number of CPE hours required by members, eliminating the differences that existed between CPE requirements for members in public practice and other members and introducing measures to ensure that CPE undertaken is as relevant as possible. Our education committee carried out some very valid work in this respect including performing a comparative analysis of our requirements with those in other countries. Our CPE guidelines are fully compliant with IES 7.

The challenge that we have in front of us all the time is to present a robust and varied CPE programme that enables us to give as many members as possible a service that is relevant to the practice of their profession. Evidence shows that SMP's are amongst the highest takers of our CPE events, for obvious reasons. Our CPE programme has traditionally largely been carried out with the invaluable help of volunteers who are all busy people but who are many times authoritative experts in their field. This is one of the advantages of being a small and closely knit community which we must not lose. We also have, however, recognised, and responded, to the need, to hold longer seminars and workshops for smaller groups that are run on a more structured basis.

CPE has also assumed an added dimension as practitioners are now also facing the novelty of external quality assurance reviews that were introduced for the first time in Malta by the Accountancy Board in 2007. As an Institute we cannot but welcome the advent of a serious system of Quality Assurance and we definitely see it as a measure that will help the profession to grow. We immediately responded to the obvious need of our members to better

prepare themselves for QA and, also with the help of external tutors, ran a number of very well attended conferences and small focussed workshops on relevant issues in this respect. We also linked up with ACCA to provide sample documentation and materials for members and made appropriate contacts to offer members the opportunity of having their practices reviewed on a “dry run basis” prior to the actual visit by the external QA reviewers. We acknowledge that this last service is somewhat expensive for our SMP's to take up and will work towards trying to find a local solution to this problem. This is a matter that however has several implications including resources, expertise and risk management issues. We will nevertheless continue to support members in this very important area and have other initiatives planned in this respect.

A major reason why we are able to take many of the initiatives that I have mentioned is because of the hard work of our technical department, adequately supported of course by our administrative set-up. Our technical department is very small but equally effective. It is very difficult to attract the right resources to the Institute to ensure that our technical capabilities, which of course ultimately translate in more support to members, are sustained and enhanced. Growing our technical department is probably the largest challenge facing our Institute today. Having said this we have stepped up our work in this area significantly over the past few years and this is not only evidenced by the development of the local GAAP I spoke about earlier and by the increased and more varied CPE events that we are now organising. We have also, for example, published a number of guidance notes on various matters, mainly of local relevance. The Institute would not be able to carry out all these initiatives without the help of a number of members who voluntarily contribute their time and energy for the betterment of their profession. This extends beyond my fellow Officers and members of Council to the numerous committees that are at the heart of the Institute's operations. Allow me to single out today the invaluable work carried out by our Small and Medium Practices Advisory Committee which constantly, and I believe successfully, ensures that the small practitioner's point of view is taken into account in the decision making processes of the Institute.

In conclusion, I believe that the Malta Institute of Accountants is well placed to face up and to respond to what the future holds. The positive impact that Malta's accession to the EU just three years ago has already had on the profession and our country's commitment to making financial services an even stronger pillar of Malta's economy means that there are exciting and challenging times ahead. No doubt the future will also bring new regulation, new interpretations, new work practices and new ideas. As an Institute our commitment is to help our members to handle the necessary change management processes that will be required. The Institute, and indeed the profession in Malta, has a long history of managing change and of not being afraid to embrace it. Accountants in Malta have always worked hard to ensure that we have established ourselves as a respected and trusted profession locally.

It is with great interest, therefore, that we will be hearing what all the speakers have to say today. We are, as always, keen to learn from the experiences of others who may have had more, or different, exposure to certain matters. We are equally keen to share with you our own experiences from within our small but we believe very relevant perspective.

I sincerely wish you a successful forum and an enjoyable stay in Malta.

Thank you.

*Simon Flynn*

*President – Malta Institute of Accountants*

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