



Transparency Report 2020

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Introduction

This transparency report has been prepared in accordance with the requirements of article 18 of the Maltese Accountancy Profession Act, Cap.281. The act requires that auditors carrying out statutory audits of public interest entities must comply with certain regulations within four months of each calendar year.

The contents of this report explain how **HLB CA Falzon** operates, ensuring that we, as an audit firm, give our clients audits of high standards as expected by the local and international guidelines. This serves as a public statement to the firm's clients, regulators and the general public to provide assurance, compliance services and audit quality to both local and international clients.

This report will describe the policies and procedures adhered to by the firm and that were effective as of 31 December 2020. The information below will better describe the firm's setup and governance structure in more detail, relating to:

- The setup of the firm and its network.
- Governance Structure

On behalf of the firm,



Jozef Wallace Galea
Partner and Compliance Officer

- **The setup of the firm and its network.**

HLB CA Falzon is a civil partnership constituted in Malta. The company is registered as a firm with the Accountancy Board in terms of the Accountancy Profession Act. As of 31 December 2020, the firm is being administered by four partners, three of which hold a practicing certificate in auditing.

The main services that the firm offers are audit & assurance services, consultancy & tax services, accounting & secretarial support, corporate and other related services.

The firm's registered address is Central Office Buildings, Block A, Level 1, Mosta Road, Lija – LJA 9016, Malta.

The structure of HLB CA Falzon comprise of four Partners:



Jozef Wallace Galea
Partner - Audit services & Compliance Officer



Alfred Falzon
Partner - Audit Services



Patrizio Prospero
Partner – Consultancy & Accounting Services



Fiona Buttigieg
Partner – Audit Services

- **Governance Structure**

The partners meet on a regular basis to discuss various current issues including business in general, economic issues, management's issues such as financial and human resources and the future prospects for the firm.

The partners make sure that the firm's goals are reached and make sure that they comply with the terms of the Accountancy Profession Act and in line with the HLB international guidelines.

The body is composed of:

Jozef Wallace Galea – Partner and Compliance Officer

Alfred Falzon – Partner

Patrizio Prospero - Partner and Money Laundering Reporting Officer


Fiona Buttigieg - Partner

- **Quality Control procedures**

HLB CA Falzon has its own internal quality control manual. This contains policies to provide assurance that the firm comply with the relevant ethical standards.

HLB International

HLB CA Falzon is a member of **HLB International, an international network of audit and accounting firms**. HLB International is a non-practicing firm which was formed in 1969; it does not even provide services to the public. The aim of HLB International is to generate business within its member firms. Each member firm carries out its business in its own name and in each country.



HLB members work together globally to serve clients' multinational needs, providing experienced solutions in a wide range of service lines and industry sectors.

- **Countries of audit firms within HLB network (per continent)**

AMERICA

COUNTRY	AUDIT FIRMS
ARGENTINA	HLB ARGENTINA
BAHAMAS	HLB GALANIS & CO
BELIZE	HLB BELIZE
BERMUDA	HLB (BERMUDA)
BRITISH VIRGIN ISLANDS	HLB TRINITY (BVI) LTD.
BOLIVIA	HLB BOLIVIA
BRAZIL	HLB BRAZIL
CANADA	MILLARD, ROUSE & ROSEBRUGH LLP SCHWARTZ LEVITSKY FELDMAN LLP FACET ADVISORS INC.
CAYMAN ISLANDS, B.W.I	HLB BERMAN FISHER
CHILE	HLB SURLATINA CHILE
COLOMBIA	HLB PEÑALOSA CONSULTORES SAS
COSTA RICA	HLB J.C. & ASOCIADOS HLB ESQUIVEL AUDITORES HLB BCR CONSULTORES S.A. HLB DIGITAL HLB GCI HLB J.C. & ASOCIADOS
CUBA	INTERAUDIT. S.A (CUBA)
DOMINICAN REPUBLIC	HLB REPUBLICA DOMINICANA
ECUADOR	HLB ECUADOR
EL SALVADOR	HLB EL SALVADOR
GRENADA	HLB GRENADA
GUATEMALA	HLB BÁMACA MORALES & ASOCIADOS
GUYANA	HLB R. SEEBARRAN & CO
HONDURAS	HLB ALFARO Y ASOCIADOS S DE R.L DE C.V.
JAMAICA	HLB MAIR RUSSELL

MEXICO	HLB MAAT ASESORES, S.C. HLB DIGITAL HLB LEBRIJA, ÁLVAREZ Y CÍA., S.C. HLB C. MONDRAGÓN Y COMPAÑIA CONTADORES PUBLICOS, S.C. HLB OLEA, TRUJILLO Y ASOCIADOS, S.C. HLB ESPINOSA VARGAS GRAF Y CÍA., S.C. HLB VILLARREAL, LÓPEZ, VALDEZ, S.C. HLB JORGE BOLIO CASTELLANOS Y ASOCIADOS, S.C. HLB SANDOVAL, LÓPEZ Y ASOCIADOS, S.C. HLB E. BLACKALLER Y CÍA., S.C. ALEREX, S.C. HLB DESPACHO LUJÁN Y ASOC., S.C. HLB MALDONADO VILLASEÑOR CONSULTORES, SC., HLB LEÓN TELLO GARCÍA Y ASOCIADOS, S.C. HLB E. BLACKALLER Y CÍA., S.C. HLB FFA CONSULTORES, S.C. HLB OLEA, TRUJILLO Y ASOCIADOS, S.C.
MOLDOVA	HLB MOLDOVA
NETHERLANDS ANTILLES	HLB JOURDAIN & PARTNERS
NICARAGUA	HLB NICARAGUA GUADAMUZ RUEDA MARTINEZ & CÍA LTDA
PANAMA	HLB CHENG Y ASOCIADOS
PARAGUAY	HLB PARAGUAY
PERU	HLB ALONSO, HOHAGEN & ASOCIADOS
PUERTO RICO	HLB PUERTO RICO
TRINIDAD AND TOBAGO	HLB MONTGOMERY & CO.
TURKS AND CAICOS ISLANDS	HLB (TCI) LTD.
UNITED STATES OF AMERICA	EIDE BAILLY LLP HLB GROSS COLLINS, P.C. PYA, P.C. BRIGGS & VESELKA MILLER WACHMAN L.L.P. WITHUMSMITH+BROWN BURTON, MCCUMBER & LONGORIA, LLP GHJ HLB USA, INC. HLB GRAVIER, LLP REDPATH AND COMPANY SEILER LLP RHODES & ASSOCIATES, PLLC
URUGUAY	HLB DCA
VENEZUELA	HLB MARAMBIO, RIVILLO, PEREZ, PINEDA. CONTADORES PUBLICOS, SC

ASIA PACIFIC

COUNTRY	AUDIT FIRMS
AUSTRALIA	LORKIN DELPERO HARRIS THOMAS NOBLE & RUSSELL HLB MANN JUDD CUTCHER & NEALE
BANGLADESH	S F AHMED & CO
CHINA	CAC CPA LLP – BEIJING SICHUAN ZHONGFA CPA CO., LTD. GP CPAS LLP HEXIN LLP BAICHENG TAX CONSULTING SERVICES THINKBRIDGE CONSULTING HLB LIAONING ZHONGHENG CERTIFIED PUBLIC ACCOUNTANTS CO., LTD. CAC CPA LLP – TIANJIN CAC CPA LLP – URUMQI
FIJI ISLANDS	HLB MANN JUDD FIJI
HONG KONG SAR	HLB HODGSON IMPEY CHENG CORPORATE RECOVERY & FORENSIC SERVICES LIMITED HLB HODGSON IMPEY CHENG LIMITED HLB HODGSON IMPEY CHENG TAXATION SERVICES LIMITED
INDIA	MANUBHAI & SHAH LLP GURU AND JANA, CHARTERED ACCOUNTANTS MANUBHAI & SHAH LLP S.S. KOTHARI MEHTA & COMPANY S.S. KOTHARI MEHTA & COMPANY ROY VARGHESE AND ASSOCIATES GURU AND JANA, CHARTERED ACCOUNTANTS KHIMJI KUNVERJI & CO LLP
INDONESIA	HLB HADORI SUGIARTO ADI & REKAN HLB HADORI CONSULTING
JAPAN	KYORITSU AUDIT CORPORATION HLB MEISEI TAKANO SOGO ACCOUNTING FIRM
KAZAKHSTAN	IAC CENTERAUDIT-KAZAKHSTAN LLP HLB SCOPE KAZAKHSTAN IAC CENTERAUDIT-KAZAKHSTAN LLP
KOREA	SHINWOO ACCOUNTING CORPORATION
KYRGYZ REPUBLIC	HLB MARKA AUDIT
MALAYSIA	HLB LER LUM
MONGOLIA	HLB MONGOLIA
NEW ZEALAND	HLB MANN JUDD LIMITED
NEPAL	P.L. SHRESTHA & CO
PAKISTAN	HLB IJAZ TABUSSUM & CO
PHILIPPINES	DIAS MURILLO DALUPAN AND COMPANY
SINGAPORE	HLB ATREDE FOO KON TAN LLP
SRI LANKA	NIHAL HETTIARACHCHI & COMPANY
TAIWAN	CANDOR TAIWAN CPAS
THAILAND	HLB THAILAND

TAJIKISTAN	HLB TAJIKISTAN
UZBEKISTAN	HLB TASHKENT
VIETNAM	AASC LIMITED

EUROPE

COUNTRY	AUDIT FIRMS
ALBANIA	HLB ALBANIA
ARMENIA	AMH AUDIT
AUSTRIA	MOLLATZ REITSAMER + PARTNER GMBH, HLB VORARLBERG GMBH STEUERBERATUNG UND WIRTSCHAFTSPRÜFUNG, ERHARTER WIRTSCHAFTSTREUHAND STEUERBERATUNGSGMBH, HLB PRÜF-TREUHAND GMBH & CO KG STEUERBERATUNG UND WIRTSCHAFTSPRÜFUNG, HFP STEUERBERATUNGS GMBH, HLB INTERCONTROL AUSTRIA GMBH WIRTSCHAFTSPRÜFUNG UND STEUERBERATUNG, HLB PRÜF-TREUHAND GMBH & CO KG STEUERBERATUNG UND WIRTSCHAFTSPRÜFUNG, ERHARTER WIRTSCHAFTSTREUHAND WIRTSCHAFTSPRÜFUNGSGMBH
AZERBAIJAN	HLB AZERBAIJAN
BELARUS	HLB YURISAUDIT
BELGIUM	HLB BELGIUM
BOSNIA AND HERZEGOVINA	HLB REVIK
BULGARIA	HLB BULGARIA
CHANNEL ISLANDS	PRAXISIFM
CROATIA	HLB INZENJERSKI BIRO. HLB REVIDICON HLB ZAGREB
CYPRUS	HLB CYPRUS
CZECH REPUBLIC	HLB PROXY
DENMARK	BEIERHOLM
ESTONIA	HLB EXPERTUS
FINLAND	HLB TIETOTILI
FRANCE	GROUPE MG COGEP GROUPE COFIME INKIPIO DBA
GEORGIA	FINANCIAL MANAGEMENT GROUP

GERMANY	HLB AUGSBURG LKC SCHOMERUS WESTPRÜFUNG EMDE HLB TREUMERKUR GMBH & CO. KG HLB AUDIT TEAM DORTMUND VINKEN GÖRTZ LANGE UND PARTNER GANTEFÜHRER HLB DEUTSCHLAND GMBH HLB DIENST & MARTINI NIELSEN, WIEBE & PARTNER DR. DIENST, ZERFASS & KOLLEGEN GAR WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT WESTPRÜFUNG EMDE LÜDERS WARNEBOLDT & PARTNER DR. DIENST & PARTNER HLB SCHUMACHER LOEBA TREUHAND GMBH RTG REVISIONS UND TREUHAND GMBH DR. BÖHMER UND PARTNER PROF. DR. SCHMORLEIZ PROF. DR. SCHNEIDER & KOLLEGEN GMBH & CO. KG ABSTOß & WOLTERS LINN GOPPOLD HLB HUSSMANN TREUHAND HLB KLEIN MÖNSTERMANN HLB STÜCKMANN HLB TREUMERKUR HLB FÖRDERER, KEIL & PARTNER
GIBRALTAR	GIBRO GROUP
GREECE	HLB HELLAS
HUNGARY	HLB HUNGARY
IRELAND	HLB RYAN & CO. HLB SHEEHAN QUINN HLB MCKEOGH GALLAGHER RYAN
ISLE OF MAN	AFFINITY (ISLE OF MAN)
ITALY	FIDITAL REVISIONE SRL HLB TAXLEX HLB ANALISI HLB BM&P STUDIO PEROTTA & PARTNERS STUDIO TRIBERTI COLOMBO & ASSOCIATI LIMATOLA AVVOCATI STUDIO TOSCANO CARBOGNANI S.R.L. STUDIO MARCHIONNI & PARTNERS HLB ANALISI STUDIO IMPRESA
LATVIA	SANDRA DZERELE UN PARTNERIS SIA
LITHUANIA	HLB PROVISUS

LUXEMBOURG	FIDUCIAIRE FERNAND FABER HLB AUMEA & PARTNER
MACEDONIA	RAFAJLOVSKI AUDIT DOO
MALTA	HLB MALTA LTD
MONTENEGRO	HLB MONT AUDIT
NETHERLANDS	HLB AMSTERDAM HLB VAN DAAL HLB DEN HARTOG ACCOUNTANTS & CONSULTANTS HLB NANNEN HLB NEDERLAND HLB BLÖMER HLB DEN HARTOG ACCOUNTANTS & CONSULTANTS
NORTHERN IRELAND	HLB MCGUIRE + FARRY
NORWAY	REVISORKOLLEGIET AS GLOCAL TAX & PAYROLL AS
POLAND	HLB M2 GETSIX GROUP AVANTA AUDIT SP. Z O.O. SP.K.
PORTUGAL	APPM, SROC, LDA CONCEITO VICTOR JOSÉ & ASSOCIADOS, SROC, LDA. HLB SVTM
ROMANIA	HLB ROMANIA
RUSSIA	HLB ENERGY CONSULTING HLB PACC AUDIT HLB UNIVERS-AUDIT HLB VNESHAUDIT NEO CENTRE PRIME ADVICE, AUDIT AND CONSULTING GROUP
SAN MARINO	HLB SAN MARINO
SERBIA	HLB T&M CONSULTING D.O.O HLB DST-REVIZIJA D.O.O.
SLOVAKIA	HLB MANDAT
SLOVENIA	AUDIT - IN D.O.O. (SLOVENIA) AUDIT & CO D.O.O. (SLOVENIA)
SPAIN	BOVÉ MONTERO Y ASOCIADOS CONSULTORES SAYMA, S.A. LUJÁN AUDITORES, S.L. THM EDUARDO MOLINA & ASOCIADOS ABOGADOS-ASESORES-AUDITORES
SWEDEN	WE AUDIT HLB REVISORSGRUPPEN HLB AUDITORIET
SWITZERLAND	BEAU HLB VECO GROUP OSTSCHWEIZERISCHE TREUHAND ZÜRICH AG
TURKEY	VEZIN HLB IST HLB MEHMETKOC
UKRAINE	HLB UKRAINE

UNITED KINGDOM	BEEVER AND STRUTHERS, CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS LOVEWELL BLAKE LLP HAZLEWOODS LLP HAWSONS FRENCH DUNCAN MENZIES LLP
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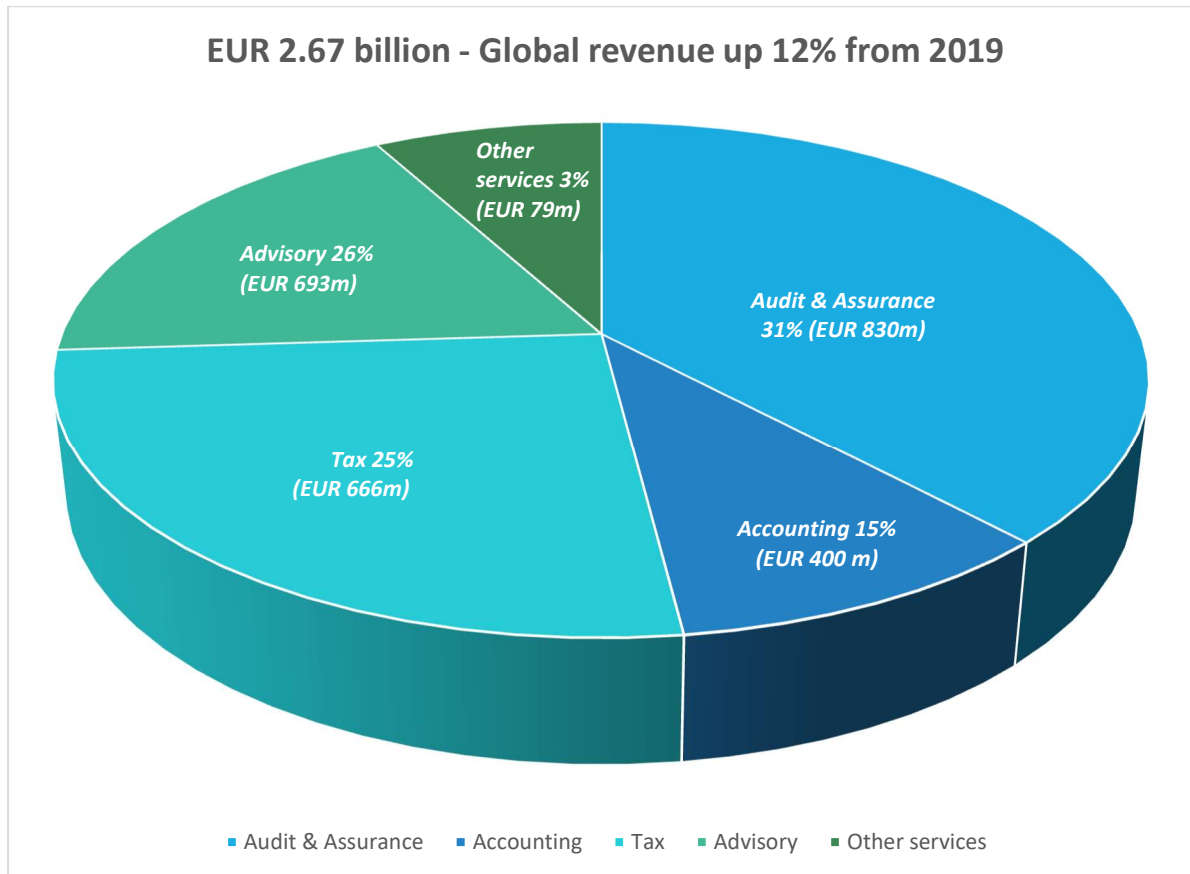
MIDDLE EAST AND AFRICA

COUNTRY	AUDIT FIRMS
ALGERIA	HLB GAAP EXPERT CORP
ANGOLA	ANGOCONTAS LTD
BAHRAIN	ELYAA AUDIT AND CONSULTING
BENIN	HLB KMC WEST AFRICA
BURKINA FASO	HLB KMC WEST AFRICA
CAMEROON	HLB ACP CENTRAL AFRICA
CENTRAL AFRICAN REPUBLIC	HLB ACP CENTRAL AFRICA
CONGO, DEMOCRATIC REPUBLIC	HLB ACP CENTRAL AFRICA
DJIBOUTI	HLB DJIBOUTI
EGYPT	HLB AMGAD FATHY KAMEL, HLB MAKARY CONSULTING SAFWAT EBEID & CO.
EQUATORIAL GUINEA	HLB BER
ETHIOPIA	TMS PLUS PLC
ERITREA	HLB ABRAHAM ISAAC & COMPANY
GABON	HLB PREMUS
GHANA	MORRISON & ASSOCIATES
GUINEA-BISSAU	HLB KMC WEST AFRICA
IRAN	HLB MODABERAN- RAZDAR AUDIT FIRM
ISRAEL	HLB GAI, GOFFER, YAHAV, GUILMAN, UDEM & ASSOC
IVORY COAST	HLB CÔTE D'IVOIRE
JORDAN	HLB MICHEL SINDAHA & CO
KENYA	HLB CEZAM HLB DIGITAL
KUWAIT	HLB KUWAITI ACCOUNTANT AUDITING
LEBANON	HLB FIDUCIA
MADAGASCAR	AUDITEURS ASSOCIES CGA
MALAWI	HLB MALAWI
MALI	HLB KMC WEST AFRICA
MAURITIUS	HLB MAURITIUS
MOROCCO	HLB MOROCCO
MOZAMBIQUE	HLB MOZAMBIQUE
NIGER	HLB KMC WEST AFRICA
NIGERIA	HLB Z. O. OSOSANYA & CO.
OMAN	HLB CA GROUP
PALESTINIAN RULED TERRITORIES	HLB PALESTIA
QATAR	ANTONIO GHALEB & PARTNERS

REUNION	EXPERTISE COMPTABLE CONSEILS HLB ATECTAM & PARTNERS
RWANDA	HLB MN
SAUDI ARABIA	HLB SAUDI ARABIA INTERNATIONAL ACCOUNTANTS
SENEGAL	HLB SENEGAL
SYRIA	HLB SYRIA
SOUTH AFRICA	HLB CMA SOUTH AFRICA PRAXISIFM HLB BARNETT CHOWN INC.
SOUTH SUDAN	HLB ORYEM
TANZANIA	HLB TANZANIA
TOGO	HLB KMC WEST AFRICA
TUNISIA	HLB TUNISIA
UGANDA	JIM ROBERTS & ASSOCIATES
UNITED ARAB EMIRATES	HLB HAMT FIDUCIA BUSINESS ADVISORS DWC LLC
YEMEN	HLB YEMEN
ZAMBIA	HLB ZAMBIA
ZIMBABWE	HLB ZIMBABWE

Global annual review 2020

Total global turnover achieved resulting from statutory audit of annual and consolidated financial statements for year 2020:



**12% Growth
from 2019**

**159 Total number
of countries**

**32,839 Total number
of people**

General Policy Statement

It is the firm's objective to establish, implement, maintain, monitor and enforce a quality control system that provides reasonable assurance that the partners and staff members of the firm comply with the International Standard on Quality Control ("ISQC") 1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and that the firm's engagement reports are appropriate for the circumstances.

Mission Statement

Our mission is to:

- Promote a profitable and sustainable business activity.
- Provide an exceptional service to our clients through our remarkable service.
- Produce work within reasonable timeframes and adhere to deadlines.
- Provide a professional and ethical service aiming for work uniformity and good practices throughout the firm.
- All partners and staff are, responsible for implementing the firm's quality control policies and procedures.

Leadership Responsibilities for Quality within the Firm

The firm's partners decide on all key matters regarding the firm and its professional practice. The partners accept responsibility for leading and promoting a quality assurance culture within the firm and for providing and maintaining the manual and all other necessary practical aids and guidance to support engagement quality.

Partners may serve in more than one role if all personnel have a clear understanding of each partner's responsibilities. These roles are defined as follows:

The CP (Compliance Partner) is responsible for monitoring the effectiveness of work performed and for all complaint and allegation matters. The CP is also required to consult and respond on all matters related to ethics, including independence, conflict of interest, privacy and confidentiality. The HR (Human Resources) partner is responsible for all human resource functions, including recordkeeping with respect to professional duties such as fees and continuing professional development (CPE).

The QCR (Quality Control Reviewer) is any professional performing the function of engagement quality control review.

Relevant Ethical Requirements

The objective is to provide reasonable assurance that the firm and its personnel comply with the relevant ethical and independence requirements. The Code of Ethics establishes fundamental principles which are to be followed by the firm and include:

- Integrity.
- Objectivity.
- Professional competence and due care.
- Confidentiality; and
- Professional behaviour.

1. Independence

The partners and all staff must be independent both in mind and appearance of their assurance, clients and engagements.

Independence of mind permits the provision of an opinion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity and exercise objectivity and professional scepticism.

Independence in appearance involves the avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information would reasonably conclude that the firm's or a member of the engagement team's integrity, objectivity or professional scepticism have been compromised.

Independence is maintained throughout the engagement period for all assurance engagements as set forth in and by the International Federation of Accountants, *Code of Ethics for Professional Accountants* (IFAC Code), specifically Section 290, ISQC 1 and International Standard on Auditing (ISA) 220, "*Quality Control for an Audit of Financial Statements.*"

The firm is responsible for the development, implementation, monitoring and enforcement of policies and procedures designed to assist all partners and staff in understanding, identifying, documenting and managing independence threats and for the resolution of independence issues that arise prior to or during engagements.

The Compliance Partner is ultimately responsible on the firm's behalf and, therefore (after consultation with other partners), has the final decision on any independence threat resolution, including:

- Resignation from a specific engagement or client relationship.
- Determining and imposing specified safeguards, actions and procedures to manage threats and potential threats appropriately.

- Hearing and investigating unresolved independence compliance concerns raised by members of the engagement team (or by other partners and staff).
- Ensuring appropriate documentation of the process and resolution of each significant independence issue.
- Invoking sanctions for non-compliance.
- Initiating and participating in pre-emptive planning measures to help avoid and manage potential independence concerns; and
- Arranging additional consultation, if needed.

When threats to independence that are not at an acceptable level are identified, and the firm decides to accept or continue the assurance engagement, the decision shall be documented. The documentation should include a description of threats identified and the safeguards applied to eliminate or reduce the threats to an acceptable level.

The firm shall maintain a database which provides a listing of all clients for whom independence is required and a list of prohibited investments in these clients which is easily accessible by all members of the firm.

2. Responsibilities – Partners and Staff

All partners and staff are required to be aware of and understand the IESBA Code Section 290 and Section 291, ISQC 1.20 - .25 and ISA 220.11. The firm's independence policy requires all members of the engagement team to meet these provisions for all assurance engagements and reports issued.

At least annually, the firm will obtain from all partners and staff, who are required to be independent by relevant ethical requirements, a written confirmation that they understand and have complied with the firm's independence policies and procedures.

Acceptance and Continuance

An important aspect of making sure that the firm delivers high quality engagements is to take the right clients and engagements. The firm only accepts or continues an assignment if it has concluded that:

- the appropriate due diligence is in place.
- the client does not lack integrity.
- the firm is competent to perform the services required.
- the client can comply with Ethical Standards.
- addressing the relevant independence and conflict of interest issues; and
- ensure to allocate the appropriately experienced and skilled staff

The engagement letter is part of the client engagement acceptance process. An engagement letter shall be issued every year.

The firm also implements policies and procedures to ensure confidentiality in the client's personal information.

New Client Proposals

An evaluation of a prospective client and authorized approval shall precede issuance of any client proposal. For each new engagement client, a review process is undertaken and documented before the firm can accept the engagement. This process will include an assessment of the risks associated with the client. The engagement partner must approve and sign off on the decision to accept or continue an engagement. Several due diligence documents are requested before a new client is accepted.

Human Resources

The firm recognizes the value and authority of the HR in all human resource matters. The HR has responsibility for:

- Maintenance of human resource policies.
- Identification of required policy changes resulting from labour laws and regulations, and to remain competitive in the marketplace.
- The provision, guidance and consultation on human resource related matters.
- Maintenance of performance evaluation appraisal systems.
- The recommendation of specific actions or procedures appropriate to the circumstance where applicable.
- The scheduling of in-house professional development.
- Maintenance of personnel files (including annual declarations of independence, acknowledgement of confidentiality, and continuing professional development reports); and
- Development and delivery of orientation training.

a. Continuing Professional Development

Partners and staff must meet the minimum Continuing Professional Education (“CPE”) requirements as defined in the regulations issued by the Malta Institute of Accountants under Section 2.17 of the Institute Statute, which regulations shall be followed by all the Institute’s Members in the maintenance and improvement of their professional competence and skills. CPE is the time spent by a member in assimilating knowledge and increasing competence in technical, professional, managerial and other subjects relevant to the conduct of his or her work. Such CPEs can take various forms, but all share one common objective, that of increasing one’s knowledge and capabilities.

The minimum requirements that the firm’s staff is required to meet for the CPE requirements is of at least 120 hours of CPE over a period of three consecutive years; with a minimum of 25 hours every year (a minimum of 10 hours Core competence).

Every year, the staff must ensure that they complete a confirmation form that the CPE requirements have been met. The firm regularly monitors and ensures that these requirements are being met.

In order to keep up with the relevant laws and regulations, HLB CA Falzon performs in house training by providing seminars by its partners, staff and hires qualified speakers to deliver training to all the staff.

b. Assignment of Engagement Teams

Through its policies and procedures, the firm ensures the assignment of appropriate partners and staff to each engagement. Such engagement assignments are done by a simple discussion among the partners and audit managers considering the competencies of the individual and the complexities of the assignment.

The firm is responsible for ensuring that the engagement partner assigned to each engagement has the necessary competences and enough time to assume overall responsibility for performing the engagement according to professional standards and applicable regulatory and legal requirements.

Rewarding Compliance

The firm reinforces and stresses its commitment to a strong and effective quality control system through positive reinforcement and recognition of compliance, leadership, innovation, training, development and co-operation.

Engagement Performance

Through established policies and procedures and its quality control system, the firm requires that engagements are performed according to professional standards and applicable regulatory and legal requirements. The firm's overall systems are designed to provide reasonable assurance that the firm, its partners and staff adequately and properly plan, supervise, and review engagements and produce engagement reports that are appropriate in the circumstances.

Role of the Engagement Partner

The engagement partner is responsible for signing the engagement report. As leader of the engagement team, this individual is responsible for:

- The overall quality for each engagement to which the engagement partner is assigned.
- Forming a conclusion on compliance with independence requirements from the client, and, in doing so, obtaining the information required to identify threats to independence, acting to eliminate such threats or reduce them to an acceptable

level by applying appropriate safeguards, and ensuring that appropriate documentation is completed.

- Ensuring that appropriate procedures regarding the acceptance and continuance of client relationships have been followed, and that conclusions reached in this regard are appropriate and have been documented.
- Communicating promptly to the firm any information obtained that would have caused the firm to decline the engagement if that information had been available earlier, so that the firm and the engagement partner can take the necessary action.
- Ensuring that the engagement team collectively has the appropriate capabilities, competence, and time to perform the engagement in accordance with professional standards and regulatory and legal requirements.
- Supervising and/or performing the engagement in compliance with professional standards and regulatory and legal requirements and ensuring that the report issued is appropriate in the circumstances.
- Communicating to key members of the client's management and those charged with governance his or her identity and role as engagement partner.
- Ensuring, through review of the documentation and discussion with the engagement team, that appropriate evidence has been obtained to support the conclusions reached and for the report to be issued.
- Taking responsibility for the engagement team through appropriate consultation (both internal and external) on difficult or contentious matters; and
- Determining when an engagement quality control review should be performed in accordance with professional standards and firm policy; discussing significant matters arising during the engagement and identified during the engagement quality control review with the engagement quality control reviewer; and not dating the report until the review is complete.

Principals' remuneration

The firm's principals' remuneration is assessed on the yearly performance of the firm. The main objective is to deliver quality and excellent client service to clients.

Audit partner rotation

The firm adheres to audit partner rotation in order to safeguard the audit firm's independence, as per IESBA Regulation. For audit of PIEs, the engagement partner, who is responsible for carrying out a statutory audit, shall cease his participation in the statutory audit of the audited not more than seven years from the date of their engagement. The engagement partner shall not participate in the statutory audit of the audited entity before three years have elapsed following that termination.

Consultation

The firm encourages consultation amongst the engagement team and, for significant matters, with others inside and, with authorization, outside the firm. Internal consultation uses the firm's collective experience and technical expertise to reduce the risk of error and improve the quality of engagement performance. A consultative environment improves the partner or staff's learning and development process and adds strength to the firm's collective knowledge base, quality control system, and professional capabilities.

Engagement Quality Control Review ("*EQCR*")

All engagements must be assessed against the firm's established criteria (see below) to determine whether an EQCR shall be performed. This assessment should be made, in the case of a new client relationship, before the engagement is accepted, and in the case of continuing client, during the planning phase of the engagement.

The EQCR shall include, as a minimum:

- A discussion of significant matters with the engagement partner.
- A review of the financial statements or other subject matter information and the proposed report.
- Consideration of whether the proposed report is appropriate in the circumstances; and
- A review of selected working paper file documentation relating to the significant judgments the engagement team made and the conclusions it reached.

Monitoring

The quality control policies and procedures are an important part of the firm's internal control system. Monitoring consists primarily of understanding this control system and determining — through interviews, walk-through tests, and file inspections — whether, and to what extent, this control system is operating effectively. It also includes developing recommendations to improve the system, especially if weaknesses are detected or if professional standards and practices have changed.

The firm relies on every partner or staff member at all levels to informally monitor and enforce quality, ethics, and professional and firm standards. This monitoring shall be inherent in every aspect of professional work. Partners and staff who are able to make decisions or oversee the work of others have a greater level of responsibility.

The firm will also consider any feedback received from the Quality Assurance Unit of the Accountancy Board following their cyclical visits to the firm.

Since the setting up of the Quality Assurance Unit, the firm has been reviewed once. The last review took place on 31st July 2015.

Evaluating, Communicating, and Remediating Deficiencies

The firm shall address all deficiencies detected and reported by the compliance reviewer. Structural flaws indicated by deficiencies may require changes to the quality control or documentation system. If deficiencies are determined to be systemic or repetitive, immediate corrective action will be taken. The HR shall review detected deficiencies to determine whether courses or supplementary education could effectively address some of the issues behind the deficiencies.

Complaints and Allegations

The firm is committed to providing a high-quality service to clients and takes all complaints and allegations against the firm very seriously. All complaints of whatever nature are reported to the respective engagement partner for immediate appropriate action. Any complaint received from a client or other third party will be responded to at the earliest practical moment, with an acknowledgement that the matter is being attended to, and that a response will be forthcoming after it has been appropriately investigated. Periodic reports of complaints shall be prepared and circulated to all partners for further advice, training, disciplinary action or internal quality control systems changes.

Documentation

The firm maintains policies and procedures that specify the level and extent of documentation required in all engagements and for general firm's use. It also maintains policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control.

Public interest entities (P.I.E.s)

The Accountancy Profession Act Cap 281 defines public interest entities as those:

- whose transferable securities are admitted to trading on a regulated market of any EU member state;
- credit institutions;
- insurance undertakings; and
- any other entities as may be prescribed by the Accountancy Board.

The firm's clients that are public interest entities were:

- Halmann Vella Group P.L.C.
- Klikk Finance P.L.C.
- Stivala Group Finance P.L.C. – new audit engagement accepted during 2020

Financial information

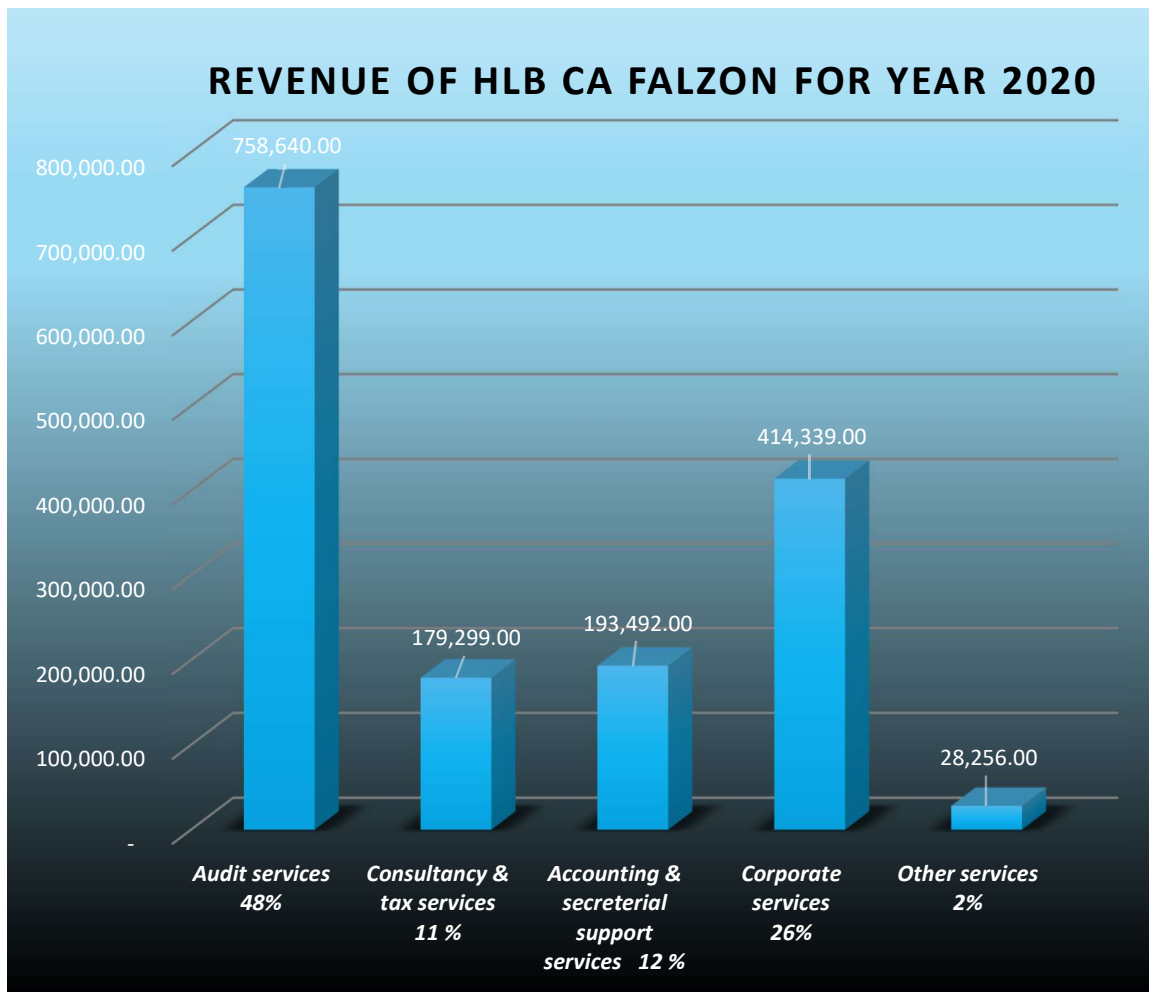
The combined turnover of the firm as of 31st December 2020 amounted to €1,574,026.

Revenue Breakdown

	€
1 Audit services	758,640
2 Consultancy and tax services	179,299
3 Accounting and secretarial support services	193,492
4 Corporate services	414,339
5 Other services	28,256

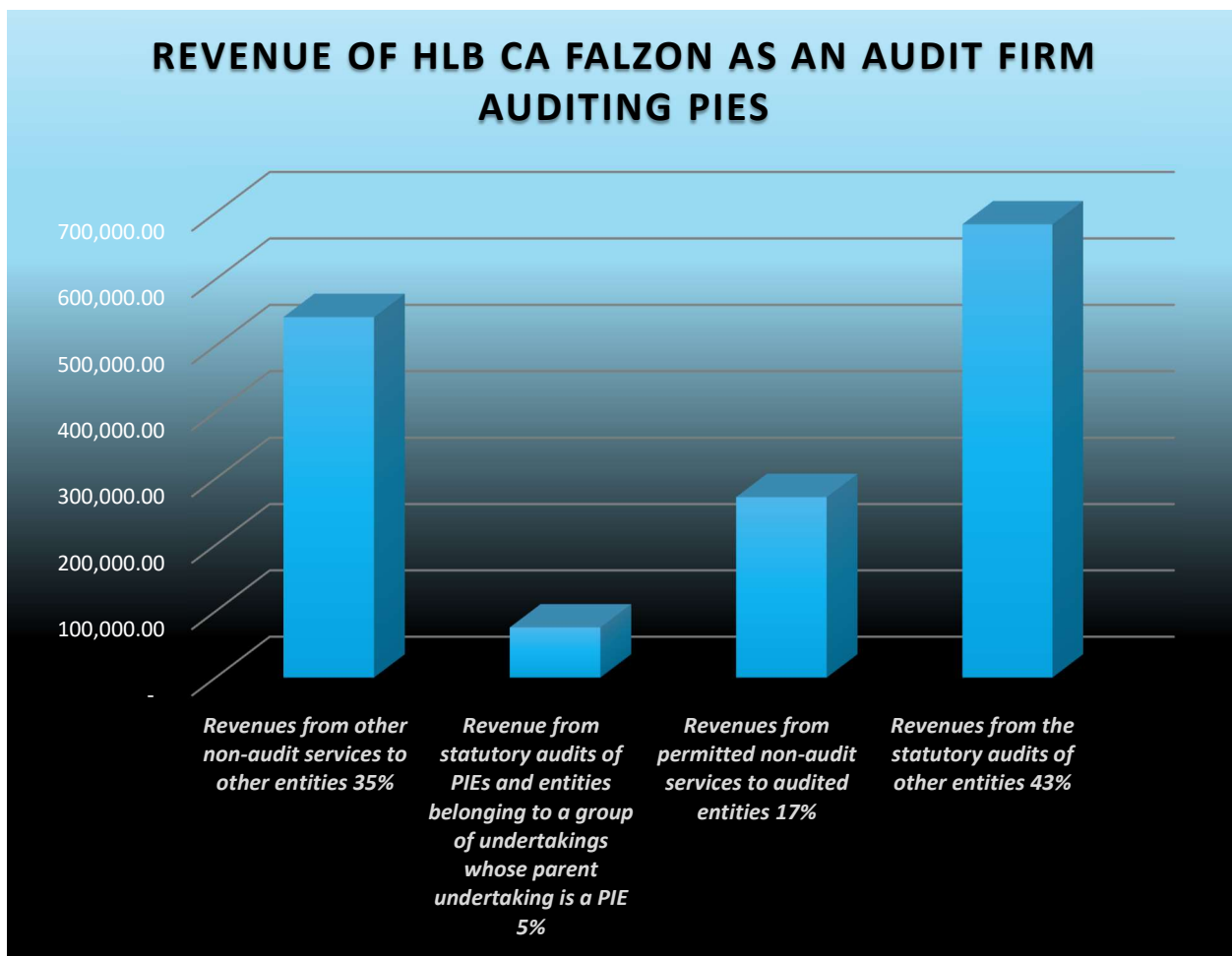
TOTAL REVENUES OF THE AUDIT FIRM

1,574,026



Revenue breakdown as required by Article 18 of the Accountancy Profession Act section 2(k)

	€
1 Revenues from the statutory audits of PIEs and entities belonging to a group of undertakings whose parent undertaking is a PIE	75,764
2 Revenues from the statutory audits of other entities	682,876
3 Revenues from permitted non-audit services to audited entities	272,121
4 Revenues from other non-audit services to other entities	543,265
TOTAL REVENUES OF THE AUDIT FIRM	<u>1,574,026</u>



Covid-19 impact

The Coronavirus outbreak is one of the most significant economic events of the world, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes consequences, with the full range of possible effects unknown.

During the Covid-19 pandemic, HLB CA Falzon continued to operate throughout the year. However, some of its clients that fall in the category of catering and accommodation, such as Hotels, Restaurants and Retail Outlets were affected with the new measures issued by the Government resulting with the closure of these establishments during March 2020.