

TRANSPARENCY

REPORT 2023



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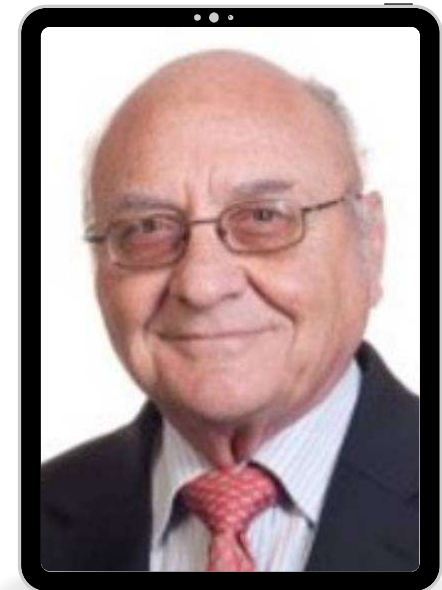
▶ APPRECIATION TO OUR FOUNDING PARTNER

On the 12 December 2023, our founding partner Mr Vincent Curmi suddenly passed away. He originally set up the accountancy firm VCA in 1969 nearly 55 years ago. The VCA partnership is succeeded by Mr. Curmi's three partners and senior management that all have been personally coached and trained by him. His strong principles and positive spirit will be carried on within us.

His visionary leadership and enduring contributions to the firm will be remembered with profound respect.

Mr. Curmi served on the board of Simonds Farsons Cisk P.L.C from 1978 to 2015 and was Vice Chairman between 2003 and 2015. He also served as Vice Chairman of Trident Estates P.L.C since its incorporation.

We will miss him dearly.



Mr. Vincent Curmi

INTRODUCTION

Welcome to the Transparency Report 2023 of VCA for the year ended 31 December 2023. The overall business focus of VCA remains our auditing and accounting business. Although we provide a much wider range of services than just audit and accounting, we are very much dedicated to our foundation. We ensure that our core values of integrity, professionalism and quality imbue all our services. We also appreciate the need to demonstrate such commitment to our many stakeholders and our Transparency Report forms an important part of that communication.

This report is designed to provide an overview of who we are, our values, and the policies and procedures we have in place to ensure the maintenance of audit quality, including compliance with auditing and ethical standards.

Executing high-quality audits continues to be the top priority, and at the heart of our ambition is to serve the public interest by independently assessing risk and identifying opportunities to enhance trust in business and the capital markets, in support of sustainable, long-term value creation.

Auditors play a vital role in the functioning of capital markets by promoting transparency and supporting investor confidence. VCA's reputation is based on and grounded in providing high-quality professional audit services, objectively and ethically, to every company we audit.

The VCA Transparency Report 2023 complies with Article 18 of the Accountancy Profession Act (CAP 281) and of the European Union's Regulation 537/2014 on specific requirements regarding the statutory audit of public interest entities. In this report, you can learn about our commitment to Sustainable Audit Quality (SAQ), including how we instil professional values, the performance of audits and internal quality management, as well as our independence practices and how we are creating long-term value for our people and society.

Our focus on delivering high-quality audits has remained paramount, we remain focused on enhancing audit quality and upholding our independence, informed by several factors, including external and internal inspection results. Continuous improvement of audit quality requires us to challenge approaches to audit execution, and we concentrate on this by evaluating inspection findings and taking responsive actions. The adaption of International Standards on Quality Management (ISQM 1) enhances the robustness of the firm's approach in managing the quality of audit engagement in a proactive manner by monitoring and remediating risks to audit quality and driving improvements in quality management processes. The need for trust and confidence in financial reporting in the capital markets has never been greater, and auditors play an important role.



Michael Curmi
Managing Partner
26 April 2024

FOREWORD FROM THE MANAGING PARTNER



At VCA we continue to aim to do things a little differently; to excel technically and to give our clients a personalized professional service. We are committed to continually provide a professional service always and this is what has earned our respect with our clients and their stake holders, lending institutions and the financial industry at large.

One of our constant priorities is attracting and investing in high calibre and hard-working people while giving them the opportunity to share in the success of the set up. We are strong believers in continuing professional education, and we endeavour to maintain an excellent level of technical know-how by giving our staff the opportunity to further their studies and specialize further in our core services.

Ultimately, quality is at the heart of our business as it underpins our very reputation. VCA operates in an industry where quality, ethics and independence have always been the foundation of its practitioner's credibility. ISQM 1 requires firms to design, implement, monitor, and evaluate the overall system of quality management (SQM) that provides reasonable assurance a firm will meet prescribed quality objectives.

The standard includes more robust requirements for the governance, leadership, and culture of professional accountancy firms, and introduces a risk assessment process for firms to assess risks to achieving quality objectives and design responses that address those risks. It also requires more extensive monitoring of the SQM to identify deficiencies that require corrective actions and to provide the basis for evaluating the overall effectiveness of the SQM. The VCA approach is to design an SQM that is consistently applied to promote consistent engagement quality and operating effectiveness. This is especially important in a global economy, with freer movement of capital, more complex corporate structures and new forms of ownership, transparency and quality management expectations have also increased in both the world of business and society at large.

The turnover of the firm for FY2023 has remained relatively stable at the 1M mark when compared to FY2022. The significant increase in revenue experienced in FY2022 when compared to FY2021 resulted due to a prior sluggish year for Covid pandemic reasons which was not experienced again during FY2023, since audit arrears engagements have now reduced substantially.

Michael Curmi
Managing Partner
26 April 2024

A handwritten signature in black ink, appearing to read 'Michael Curmi'.

LEGAL STRUCTURE AND OWNERSHIP

Founded in 1969, VCA is one of Malta's oldest independent accountancy practices, which delivers audit, accounting and tax compliance services to varied customer environments ranging from public-interest entities to Maltese family-run businesses.

VCA, Certified Public Accountants is a civil partnership as registered with the Accountancy Board, Malta (Registration Number: AB/26/84/46).

The partners of the practice during 2023 were:

- **Vincent Curmi – Founder Partner (deceased Dec 2023)**
- **Michael Curmi- Managing Partner and MLRO**
- **Carol Cassar Torreggiani -Accounting and international client services**
- **Alice Losco - Audit Partner**

All the partners of VCA are Certified Public Accountants and have practicing certificates in Auditing issued by the Accountancy Board.

Other than VCA, the following entities are related to the practice: -

- **CAF Consultancy Limited**

The company CAF Consultancy Limited obtained its CSP Class A license in October 2023 and its sole activity will be to assist clients already serviced by VCA to incorporate additional companies if so required.

We conduct all our business from 1 office in Ta' Xbiex, Malta. Further details of our service offerings can be found on our website at the following link:

www.vca.com.mt





GOVERNANCE AND LEADERSHIP

We believe that the tone at the top of any organisation drives the culture of that firm. We believe that a commitment to quality is the most important of these priorities. We recognise that if we do not provide a quality service then, the success of each one of the other strategic priorities would be jeopardised. The Board of Partners of the Firm took several important initiatives in the last year to further promote the quality agenda within our practice. These initiatives include: -

- ✓ Regular partner meetings to align the strategic orientation of the firm with the present changes in the economic environment.
- ✓ Successful implementation of ISQM 1, with a more proactive and risk-based approach to managing quality at the firm level
- ✓ Operational responsibility for the system of quality management within VCA has been delegated to the Compliance Partner, Michael Curmi.
- ✓ Appointment of external quality control reviewer, as recognized by the Malta Institute of Accountants to carry out reviews and provide technical advice as necessary.

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These measures make it clear that at engagement level risk management and quality management is at the heart of all partners of the audit practice.



**MICHAEL
CURMI**

MANAGING PARTNER AND
COMPLIANCE PRINCIPAL



**ALICE
LOSCO**

AUDIT
PARTNER



**CAROL CASSAR
TORREGGIANI**

ACCOUNTING AND INTERNATIONAL CLIENT
SERVICES

The Board of Partners is responsible for governance and oversight of VCA and is responsible for long-term growth, setting the strategic direction, overseeing its implementation, forecasting the firm's future resource needs, monitoring performance, and their roles include:

- Considering and developing strategy proposals
- Strategic and longer term financial and resource planning
- Ultimate responsibility for the firm's financial performance and risk management
- Being responsible and accountable for quality and ensuring the firm's culture and values are appropriate

In addition, the Board of Partners performs an annual review of the effectiveness of the firm's system of quality management as required by ISQM 1.

INDEPENDENCE

To ensure independence, our partners and the people assigned to each engagement must be free from prohibited financial interests in and prohibited relationships with our audit clients, their management, directors, and significant owners. The firm's policies and procedures are designed to ensure that independence requirements are adhered to. These include:

- **Leadership commitment to quality**

The firm recognises that quality and commitment to ethical standards is essential to its work and the firm's leadership is committed to a quality-oriented internal culture in which we perform work that complies with professional standards and regulatory and legal requirements, and issue reports that are appropriate in the circumstances. The policies and procedures are designed to assist the firm's leadership in developing and maintaining a culture of quality in the firm and ensuring that commercial considerations do not override the firm's commitment to quality in all its engagements. The ultimate responsibility for the firm's ethics and system of quality management rests with the Managing Partner.

- **Audit partner and senior personnel rotation**

Audit engagement partners cease their participation in the statutory audit of a public interest entity after having served seven consecutive years in an engagement role with respect to the audit of that public interest entity. They do not participate again in the statutory audit of that audited entity before that required cooling-off period has been completed.

Other than audit engagement partners, in assigning the most senior personnel to audit engagements of public interest entities, attention is paid to ensure that a gradual rotation mechanism on the basis of individuals rather than of the entire engagement team is implemented.

The rotation of the engagement partner, members of the audit team and of the engagement quality control reviewer on public interest entities is monitored by the Compliance Partner.

- **Annual confirmations**

Each year, members and staff at VCA sign a written confirmation to identify any potential threats to independence and to evaluate whether one complied with the fundamental principles as identified in the Accountancy Profession Act. All personnel are required to confirm that they do not hold any financial interests in any of the firm's clients which are prohibited by the firm's policies and standards. They are also required to confirm that they do not have any relationships, nor entered into any transactions, with the firm's audit clients that are prohibited by the firm's ethical policies. These confirmations are made upon joining the firm and thereafter on an annual basis.

The declarations also require staff to inform a partner about details of any conflicts of interest between themselves and clients or between clients of which they are aware, or confirmation that they are not aware of any such conflicts of interest situations.

INDEPENDENCE

- **Provision of other non-audit services**

We have policies and procedures to restrict the scope of services that can be provided to audit clients. These require consideration by the audit engagement partner of the threats arising from the provision of non-audit services and the safeguards available to address those threats, thus preventing the provision of non-permitted services to audit clients.

An independence review is carried out annually on every audit both at planning and completion stages to ensure independence at all times. Matters considered include independence of the firm, partner, manager, and all staff involved on the audit.

In addition, at the planning and completion stages of every audit, the engagement team is required to determine whether there are any conflicts of interest which would have an impact on the team's, or the firm's, ability to accept the (re)appointment as auditors and to assess whether this impact can be mitigated by the implementation of suitable safeguards. This review includes a robust assessment of the impact of non-audit services and length of service.

- **Monitoring and Remediation**

Professionals are responsible for making appropriate enquiries to ensure that they do not have any personal financial interests which are prohibited. As part of its annual internal quality management process the firm inspects for compliance with the firm's independence policies and procedures and staff annually sign independence confirmations. Our Compliance Principal monitor compliance with certain policies and procedures, with the findings reported to the Board of Partners.

Our independence is reviewed each year, which includes a review of audit files and consideration of the outcomes of our compliance reviews and cold file reviews. These inform our annual review of policies and monitoring processes.

Instances of non-compliance with quality standards result in remedial actions, which may include performance evaluation, compensation adjustment, additional training, additional supervision or reassignment. A pattern of non-compliance or particularly serious non-compliance may result in actions that include separation from VCA.

- **Root Cause Analysis**

Root cause analysis is a central part of the VCA quality improvement commitment, providing an in-depth assessment of the root causes that underlie an audit's favourable or unfavourable inspection outcome. This enables the identification of the key factors that can impact audit quality and the taking of responsive actions.

VCA's audit practice identifies and evaluates the causal factors when a root cause analysis is performed. Analysing this research enables a better understanding of the drivers behind both positive and negative inspection outcomes. Responsive action plans are developed to address the root causes for significant engagement-related findings. VCA's audit practice reviews the nature and prevalence of root causes to determine if systemic issues exist and if so, further action plans are developed.



OUR PEOPLE

One of the key drivers of quality is ensuring that we have the right engagement leaders and staff members assigned to an engagement. Our people management system encompasses the following core areas:

- Recruitment
- Staff development and training
- Engagement assignment
- Performance evaluation and compensation

The Firm has a professional team that is made up of experienced staff as well as young bright, dynamic and motivated Certified Chartered Accountants and Bachelor of Arts (Hons) graduates. The Firm's policy is to attract and invest in high calibre and hard-working employees with the opportunity to share in the success of the set up.

Recruitment

The firm has a comprehensive recruitment procedure, and references are always obtained for new staff. The firm conducts an annual assessment of all staff employed on audits. This is carried out by completion of questionnaires and skill assessments. The firm considers training a part of the skills assessment review and the appointment process and decide on appropriate training programs based on this.

STAFF DEVELOPMENT AND TRAINING

Our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements particularly Directive 1 Accountancy Profession Act (Continued Professional Education), Chapter 281 of the Laws of Malta. About continuous learning, we provide opportunities to help our professionals meet their continuing professional development requirements as well as their own personal development goals. Individual specific training requirements are assessed and monitored during job feedback and appraisal meetings. We also collect feedback from the audit department on areas where they believe they would benefit from further training. This is then used to drive upcoming training sessions to ensure that development needs are being met.

Continuing education is the key to maintaining the highest of standards and this is done by:

- Organising structured in-house training courses which are mandatory and
- Staff and partners are continually updating themselves by attending Malta institute of
- Accountants and other professional bodies structured CPE courses.
- Also, all audit warrant holders are required by VCA to undertake training, in particular, according to Directive Number 1 issued in terms of the Accountancy Profession Act (Cap. 281) and of the Accountancy Profession Regulations 2009, whereby all warrant holders must spend at least twenty-five (25) hours per calendar year on structured CPE Activities.



ENGAGEMENT ASSIGNMENT

The firm's policy is to ensure an Engagement Partner is assigned to each job and their name and role is communicated to the client. The Engagement Partner must have the necessary skills and competence and time to undertake the role. The firm's policy is to ensure appropriately competent individuals are assigned to each job so that each job can be performed to the necessary standard. People are assigned to engagements based on several factors including their skill set, relevant professional and industry experience, and the nature of the assignment or engagement.

Engagement partners are required to obtain and assess information about the nature and circumstances of the engagement and the integrity and ethical values of the client before accepting or continuing.

PERFORMANCE EVALUATION

All qualified staff undergo annual goal-setting and performance evaluations conducted by partners who are familiar with the individuals' performance. Everyone is evaluated on his or her attainment of agreed-upon goals, demonstration of skills/ behaviours, and adherence to our values.

Individual specific training requirements are assessed and monitored during job feedback and appraisal meetings. We also collect feedback from the audit department on areas where they believe they would benefit from further training. This is then used to drive upcoming training sessions to ensure that development needs are being met.

OUR STAFF EVENTS

Our quarterly social events are an opportunity for partners and staff to interact outside working hours which provide them with the opportunity to socialise outside our normal working environment.



OUR CLIENTS

Whenever a potential client approaches VCA, a proposal containing an understanding of the nature and scope of the service, description of the practice's responsibilities, description of the company's responsibilities, description of the report and fees are sent to the client shortly following the preliminary meeting.

At the commencement of each new audit engagement, VCA decides and evaluates whether the practice should accept the engagement. The procedures for acceptance and continuance of clients and engagements provide the firm with reasonable assurance that it will only undertake or continue relationships and engagements where it:

- a) has considered the integrity of the client and does not have information that would lead it to conclude that the client lacks
- b) integrity.
- c) is competent to perform the engagement and has the capabilities, time and resources to do so; and can comply with ethical requirements.

Depending on the overall risk assessment made, additional safeguards might be introduced into our audit procedures to help mitigate any identified risk factors. These rigorous client acceptance and continuance policies are vitally important to our firm's ability to provide high-quality professional services.

In 2023, our procedures for all audit engagements were refined and we started to review all of our existing audit engagements to consider inherent risks of each engagement, both to better allocate appropriate and sufficient resources, and to ensure that these risks do not compromise audit quality. Where such risks were identified, we considered what mitigating actions should be taken including disengaging when considered necessary.

The quality and clarity of our audit reports, and communications with those charged with governance, represent the product of our work.



OUR QUALITY MANAGEMENT PROCEDURES

The audit firm applies the internal quality management system established by VCA. The system includes policies and procedures addressing quality management systems within the audit firm, ethical requirements, client and engagement acceptance and continuance, human resources, engagement performance and monitoring. The firm encourages consultation with experienced partners and other specialists where appropriate. The firm has a process in place for audit partners and teams to follow when consulting and seeking the firm's opinion, support on a client issue, judgement or risk. The firm is committed to following the requirements of ISQM 1 and of promoting a culture of quality throughout its organisation. We confirm our policy is:

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

We have our own audit approach to document the procedures carried out, and accompanying methodologies which provide a structure for the planning, carrying out the fieldwork and completion of our audit work to ensure compliance with the International Standards on Auditing (ISAs) and other applicable regulations. Partners are involved at all stages of the audit and their expertise and knowledge, particularly of their specialist sectors and industries, is incorporated into our audits and included throughout the audit file.

We are also committed to continue to update and improve our audit systems, methodologies, and procedures to ensure that audits comply with auditing standards.

We have also made good progress in adapting the firm's culture to one that encourages the challenge of management and expects and supports the exercise of professional scepticism.

The firm's policy is that our system of quality management procedures will be subject to a robust review on an annual basis. This review will be conducted by the signing partners and will include a sample of file reviews. All deficiencies arising from this review and any associated file reviews will be acted upon and any corrective action to the system made.

QUALITY CONTROL REVIEWS

Like most companies with quality review programmes, we identify areas for continuous improvement and disseminate our findings to our staff 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.

The firm is subject to reviews by the Quality Assurance Unit, set up within the Accountancy Board, which forms part of the Ministry of Finance, the Economy and Investment. The most recent review by the Quality Assurance Unit was carried out in 2023.

The firm also has its own internal quality management monitoring program whereby reviews of completed audit engagements are carried out to ensure compliance with professional standards, technical considerations and independence and ethical issues amongst others.

No issues have been raised through this continual quality management review programme that we believe have a material impact on the conduct of our statutory audit business.

We also have robust procedures in place for handling complaints received from clients relating to the quality of our work. The firm's policies and procedures are designed to provide it with reasonable assurance that it deals appropriately with complaints and allegations that the work performed by the firm failed to comply with professional standards, and regulatory and legal requirements, and allegations of non-compliance with the firm's system of quality management. All formal complaints are investigated under the authority of a partner.

STATEMENT ON THE EFFECTIVENESS OF THE SYSTEM OF QUALITY MANAGEMENT

For the year ended 31 December 2023

Conclusion

In terms of Section 53 to 54 of ISQM 1, the Board of Partners have evaluated the system of quality management for the year and can conclude that the system of quality management provides reasonable assurance that the objectives of the system of quality management are being achieved for the year ending 31 December 2023.

Basis for Conclusion

The Board of Partners has evaluated the system of quality management, including:

- The design and operation of the system of quality management mandated by International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, including the results of the Risk Assessment Process.
- The monitoring and remediation program operated by the practice including internal reviews carried out on independence practices, confirming that internal review of (i) independence compliance has been conducted and (i) compliance with continued professional education has been maintained in accordance with Directive 1 Accountancy Profession Act (Continued Professional Education), Chapter 281 of the Laws of Malta.
- The findings of the internal and external quality monitoring reviews, including also the latest regulatory visit carried out by the Quality Assurance of the Accountancy Board during 2023 have been adequately addressed and that remedial action been taken, following the conduct of a root-cause analysis.

Taking all this evidence together, we believe that we have obtained sufficient and appropriate basis for our conclusion. By order of the Board of Partners dated 26 April 2024



Michael Curmi



Carol Cassar Torreggiani



Alice
Losco

AUDITS OF PUBLIC INTEREST ENTITIES

VCA issued statutory audit reports during the year ending 31 December 2023, for the following entities that fell within the definition of Public Interest Entities

- ▶ Eden Finance p.l.c (C-26843) – 31 December 2022, date of audit report 25 April 2023
- ▶ SP Finance p.l.c (C-89462) – 31 December 2022, date of audit report 28 April 2023
- ▶ The Ona p.l.c (C-101370) - 31 December 2022, date of audit report 28 April 2023

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

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

The Accountancy Board may from time-to-time designate other entities as Public Interest Entities

FINANCIAL INFORMATION

VCA is committed to promoting a culture of quality throughout its organisation. Our goal has never been to become the largest accountancy practice but to be big where it matters – on giving a personalised professional service.

Personnel

During the year ending 31 December 2023, the average number of personnel employed by VCA amounted to 12 (in full time equivalents).



1 OFFICE



3 PARTNERS



**12 FULL-TIME
EQUIVALENTS**



**€ 1 M
TURNOVER**



**10% DECREASE
ON PRIOR YEAR**

Partner remuneration

The partners do not have any predetermined level of remuneration. They are entitled to their share of the firm's total profits which are allocated according to the partners' respective equity interest.

FINANCIAL INFORMATION

Service	Revenue
	2023
Statutory audit (PIEs or PIE subsidiaries)	€ 44,850
Statutory audit (non-PIEs or non-PIE subsidiaries)	€ 530,398
Non-audit services (audited clients)	€ 199,595
Non-audit services (other entities)	€ 251,752
	€ 1,026,595

Revenue
The numbers above numbers

represent revenues for the year ended 31 December 2023 segmented by category as required by Article 18(k) of the Accountancy Profession Act (Cap. 281).

