

**THE CHANGING ROLE OF THE
MALTESE PROFESSIONAL
ACCOUNTANT IN THE FINANCIAL
SERVICES INDUSTRY**

BY

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A dissertation submitted in partial fulfillment of the requirements
for the award of the Bachelor of Accountancy (Honours) degree in the
Department of Accountancy at the
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ABSTRACT

Purpose The aim of this study is to analyse the changing role of the Maltese professional accountant in the financial services industry. The skills and expertise required in this industry were assessed. Furthermore, the need for education and training was also tackled.

Design The methodology consisted of semi-structured interviews with various experts in the financial services sector. A questionnaire was also sent to professional accountants working in the insurance, banking and funds sector.

Findings The study found that regulatory complexity is one of the fundamental factors that has changed the role of the professional accountant in the financial services industry. Moreover, it was found that there is a greater need for both soft skills and technical skills. Communication skills are also considered amongst the most relevant skills in the financial services industry. The research indicates the importance of educating students on subjects which are related to financial services as well as retaining and training accountants after they qualify.

Conclusions The study concluded that the professional accountants' role in the financial services sector has been altered due to the challenges posed by a continually expanding sector. Shortage of accountants was ascertained since there are skill gaps in funds and insurance sectors including that of an actuary. Areas for improvements with respect to educating those students that intend to become accountants within the financial services sector and providing relevant training to those CPAs in this industry were acknowledged.

Value It is predicted that this study will increase awareness of the ever-changing role of the professional accountant vis-à-vis an expanding financial services industry. Recommendations include greater exposure to subjects concerning the financial services at the UOM, promotional drive to attract more students, enhanced training and redesign of CPE.

Keywords financial services industry, professional accountant, education, training

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FACULTY OF ECONOMICS, MANAGEMENT AND ACCOUNTANCY**

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No portion of this work has been submitted in support of an application for another degree or qualification of this or any other university or institution of learning.

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26th April 2013

Date

Dedicated to my family

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LIST OF ABBREVIATIONS

ACA	Associate of the Institute of Chartered Accountants
ACCA	Association of Chartered Certified Accountants
CBM	Central Bank of Malta
CIMA	Chartered Institute of Management Accounting
CIS	Collective Investment Schemes
CPA	Certified Public Accountant
CPE	Continuing Professional Education
DEEWR	Department of Education, Employment and Workplace Relations
EU	European Union
GDP	Gross Domestic Product
GFCI	Global Financial Centre Index
IBSA	Innovation and business skills Australia
IFAC	International Federation of Accountants
MFSA	Malta Financial Services Authority
MIA	Malta Institute of Accountants
NAV	Net Asset Value
PCC	Protected Cell Companies
UOM	University of Malta

Chapter 1

Introduction

“We can be certain that cities around the world will compete for the jobs that the next revival of the financial services industry will bring”

(Michael Bloomberg, 2009)

1.1. The Accountancy Profession

Accountancy is the product of various elements interacting together. The accountancy profession, as we know it today, has been moulded by a rich combination of a number of factors including the expansion of trade, environmental changes and the introduction of new legislation. In addition to this, the imposition of taxes on income, the development of accountancy education, and the birth of accountancy bodies and audit firms helped to widen the scope of the accounting vocation. All these factors contributed to the development of the profession, especially in the financial services industry. In fact, the Institute of Chartered Accountants Australia noted that the financial services industry is a rapidly growing industry many Chartered Accountants are engaged in (IBSA, 2011).

The profession of the accountant plays a central role in today's challenging environment, be it national or international. Moreover, according to the International Federation of Accountants (IFAC)'s idea, the global accountancy profession is considered a valued leader in the development of strong and sustainable organizations, and in financial markets and economies (ACCA, 2006).

The role of the accountant is a constantly shifting one. Indeed, the Association of Chartered Certified Accountants (ACCA) (2006b) states that:

“The finance professional in 2020 will be faced with a number of challenges and opportunities shaped by the forces of enhanced globalization, changing demographics and significantly increased business complexity such as the widening use of derivative” (ACCA, 2006b, p.4).

1.2. The financial services industry in Malta

The financial services industry has gone through major growth over the recent years. This industry consists of a wide range of areas including the investment services, insurance and banking sectors (FinanceMalta 2012a).

This is in line with studies carried abroad that found that the financial services industry is one of the main industries in Scotland as well as in the United Kingdom (Dewing and Russell, 2005). A recent study carried out by Innovation and business skills Australia (IBSA) in Australia, reported that a 4.8% growth per annum was generated between 1999 and 2009 (IBSA, 2012).

Locally, former finance Minister Mr Tonio Fenech, who is himself a qualified accountant, stated that:

“Malta’s international financial services centre is one of the fastest growing in the world, with the industry expanding by around 30% per annum in the past three years. Indeed, financial services have become a key component of Malta’s economy, contributing some 12% of GDP (Figure 1.1) and employing some 4% of the island’s workforce”.

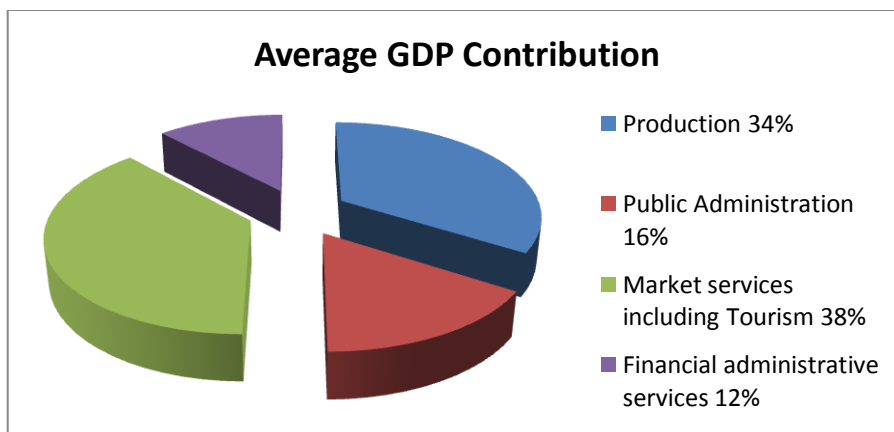


Figure 1.1: Chart showing average gross domestic product contribution

All financial services in Malta are controlled by one regulator: the Malta Financial Services Authority (MFSA) which was established in 1988. The MFSA Act has been amended several times in order to strengthen the role MFSA as the local regulator for all financial services (AngelouEconomics Global Economic Development, (n.d).

The financial services sector is one of the main pillars of the Maltese economy. Malta has established itself as a financial services hub thanks to a reputable jurisdiction which adopts a serious, ethical approach to regulation by embedded flexibility. This ensures an attractive environment for market participants in which to carry on business (Ripard, 2011b). Furthermore, when Malta joined the EU in 2004, Malta bound itself to adhere to European Law and regulations. This helped to attract a number of financial services activity in Malta.

According to AngelouEconomics (2009), over the next five years, the financial services sector in Malta is likely to generate about 1,600 jobs. As shown in Figure 1.2 wages and employment are projected to flourish.

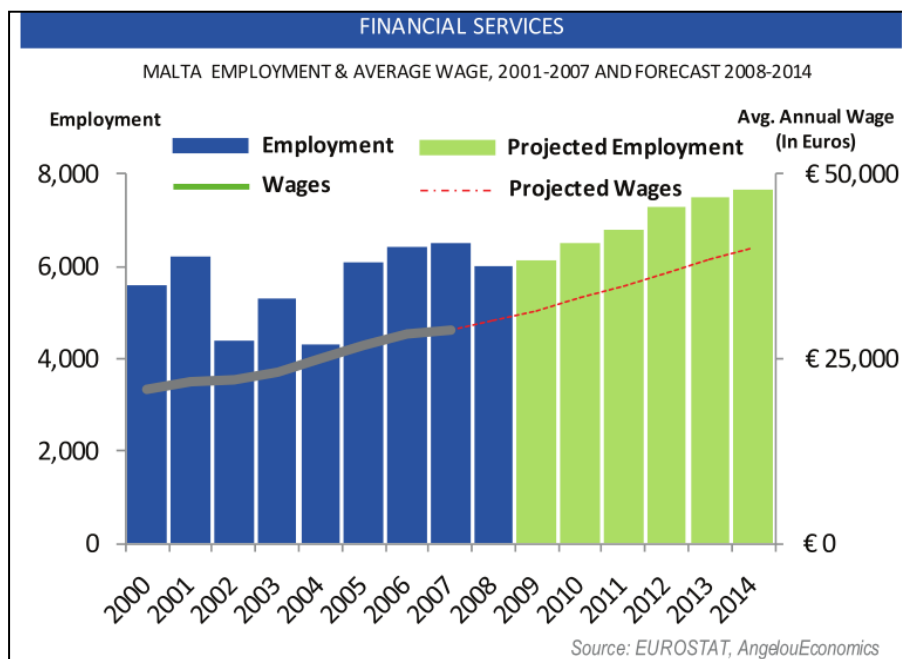


Figure 1.2: Employment & average wage between 2001 and 2014

1.3. The need for such a study in Malta

Finance professionals have had to face massive changes in the firms they are involved. In most situations, the finance function has shifted from the backroom to a proactively leading role. This new role involves finding measures to reduce costs while simultaneously increasing business effectiveness (MIA, 2009). The shift in roles was

also highlighted by Graham *et al.* (2012) who identified a trend towards “value-added” partnering roles. These newly assumed roles entail better commercial and communication skills amongst other competencies.

A survey conducted by the Department of Education, Employment and Workforce relations (IBSA, 2011), found that employers are finding difficulty to fill vacancies in the financial services industry due to shortages in the required skills. The Maltese workforce in the financial services industry mainly consists of skilled personnel and an array of qualified professionals in law, taxation, consultancy and mostly in accounting. In spite of the quality of the workforce, demand outnumbers supply. In support of this, Mr Paul Mercieca, Deloitte Chief Executive Officer (CEO), states that: *“The largest limiting factor of our growth is the scarcity of suitably qualified employees. The demand has far outstripped supply”* (Ripard, 2011a).

2008 and 2009 witnessed considerable turmoil and instability in the global banking and financial services sector (QFinance, 2010). The financial crisis started with the failure of the US bank *Bear Sterns* (June 2007) followed by the collapse of the US investment bank *Lehman Brothers* (2008). As a result, regulators across the world have issued stringent federal regulations. Other new laws affecting the professional accountants include Solvency II which is one of the challenges prevailing in the insurance industry. Another change concerning the banking industry involves the introduction of IFRS 9 instead of IAS 39, which was supposed to come into effect on 1st January 2013. However, this date had to be extended to 2015 because of the complexity of the changes required (IFRS, 2012). New legislation regulating banking includes Basel II has been extended and effectively superseded by Basel III (Deloitte, 2012).

A dissertation by Mallia, J. (2003) sheds light on how the local accountancy profession has changed over the years. The results of this study indicated other areas which could serve as an impetus for further research in a particular industry such as the financial services.

The purpose of the study is to establish the changing roles, if any, performed by a Maltese accounting professional in the financial services industry. In today's environment, due to the increasing demand for accounting professionals in the financial services industry, there is a pressing need for an analysis to understand which competencies and skills are important to the accounting profession and educators. As a result, training and development programmes are continually being developed to meet the constant demand for upskilling and upgrading. The importance of the financial services industry was also emphasized during the 2012 Malta Institute of Accountants (MIA) Biennial Conference.

1.4. Research Objectives

The objectives of this study are:

- To assess the changing role of the accountancy profession in Malta from 2008 to 2012 in relation to the financial services sector;
- To ascertain the resulting changes in skills and expertise that the accountant now has to face in view of his/her changing role in the financial services industry;
- To evaluate any development in professional education and/or training required in order to adapt to the changing role of the accounting profession in the future.

1.5. Research Methodology

The first stage of the research will mainly consist of a questionnaire aimed at identifying the major challenges that the financial services industry has to tackle in relation to the skills of the professional accountants and workforce development, with a particular focus on education and training systems. The survey will also be used to

determine the changes that have taken place in the financial services industry and the skills that will be required in the near future.

In order to validate the results obtained from the questionnaire, the Chief Financial Officer (CFO) from the four major banking and three insurance sectors will be interviewed. Furthermore, an in-depth semi-structured interview will also be held with a manager or director in the MFSA and also with a partner and/or senior manager from the big four audit firms.

1.6. Scope and limitations

This dissertation focuses on the financial services industry, so, its findings cannot be generalized to other industries. The aim is not to gauge the level of knowledge currently held by the accountant working in the financial services industry. Furthermore, the study reflects the changing role of the Maltese professional up to 31st of March 2012.

1.7. Dissertation Overview

Chapter One shows how the dissertation is structured. This chapter presents background information on the accountancy profession and financial services in Malta. It also explains the relevance, as well as the overall aim of the study.

Chapter two includes a review of literature gathered from both local and foreign sources of information on the financial services and on the changing role of the professional accountant, together with major development in this sector.

Chapter three describes the research method used in the study and the way data is analysed.

Chapter four documents the research findings from the questionnaire surveys and interviews carried out during the study.

Chapter five analyses and discusses the results obtained from the research findings.

Chapter six provides a summary of the study together with conclusions and recommendations that emerge from the discussion of the findings.

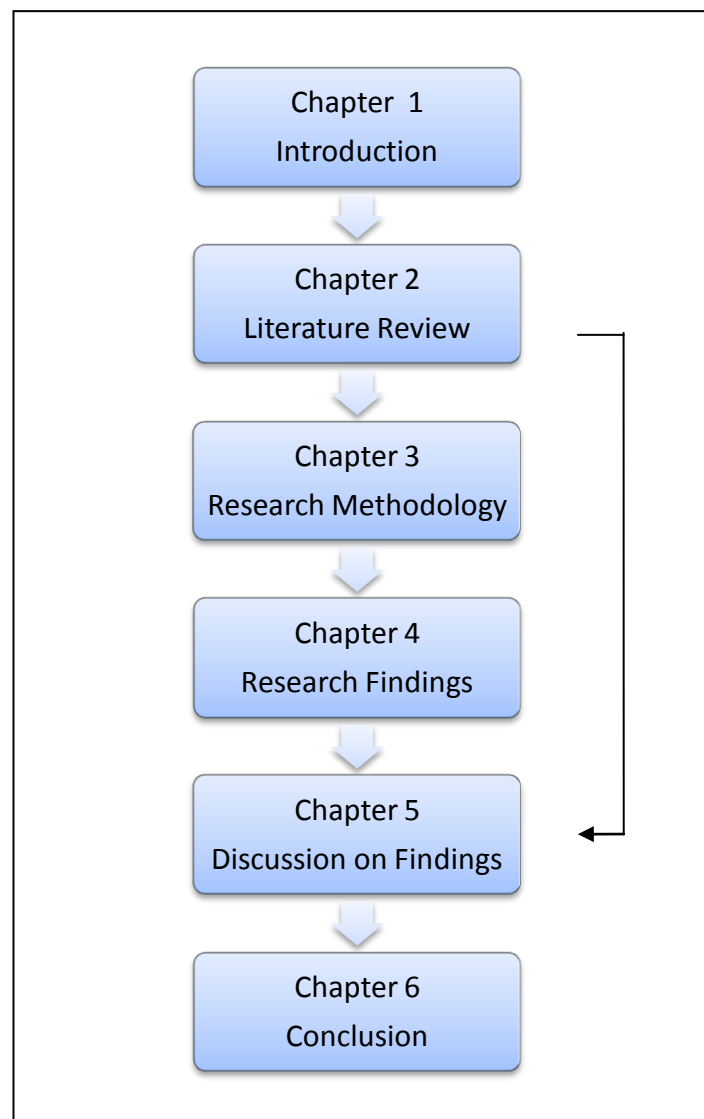


Figure 1.3: Dissertation Outline

Chapter 2

Literature Review

“There is nothing permanent except change”

(Heraclitus, n.d.)

2.1. Introduction

This chapter aims at exploring the various role changes of professional accountants in the financial services industry through relevant local and foreign literature. Since the publication of Kaplan and Johnson's book, *Relevance Lost: The Rise and Fall of Management Accounting* (1987), there were numerous attempts to generate a kind of understanding of the role of accountants. This chapter also analyses the changing skills which will affect the education and/or training required. An outline of this chapter is illustrated in Figure 2.1:

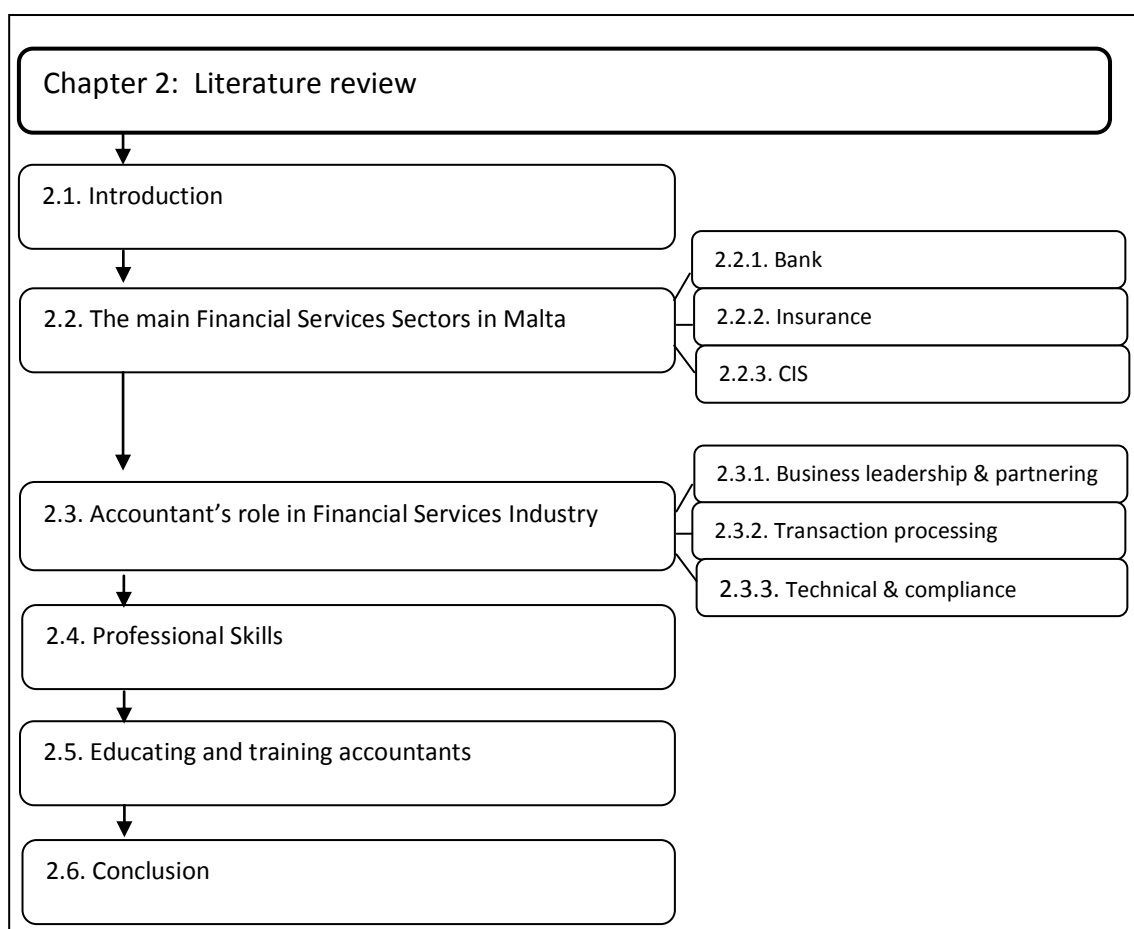


Figure 2.1: Chapter Outline

2.2. The Main Financial Services sectors in Malta

2.2.1. Banking

The international financial system suffered a massive shock in September 2008 when US investment bank 'Lehman Brothers' collapsed. There were justified fears that the world was moving towards a ghastly repeat of the Great Depression of the 1930s (CIMA, n.d). Notwithstanding this, the banking sector in Malta continued to perform strongly, registering 21% growth in assets. Profits also increased though not at the same pace as that recorded in 2009 (MFSA, 2010).

The number of bank branches and offices all over Malta increased from 133 to 136 between 2009 and 2010 (MFSA, 2011). Mr Kenneth Farrugia, the chairman of FinanceMalta, noted that the banking sector represented the largest portion of financial services. It is estimated by the Central Bank of Malta (CBM) that the banking sector holds 83% of a total €18.3 billion in assets, compared to insurance at 11% and funds at 6% (Reitman, 2011).

The Maltese regulatory standards are modelled on EU legislation. It is important for accountants to become flexible in order to be able to adapt rapidly to banking challenges. Some recent developments in accounting standards include IFRS 9 (that has replaced IAS 39), which is likely to have an influential impact on accounting policies and reporting. The objective for the replacement of IAS 39 is *"to improve the usefulness of financial statements for users by simplifying the classification and measurement requirements for financial instruments"* (IFRS, 2012 p.1).

Additionally, Basel III requisites include areas from banks' capital, liquidity and risk management. Basel III implementation has generated challenges related to data availability, completeness, quality and consistency in order to calculate the new ratios (Sharma and Baráybar, 2012; MIA, 2012).

2.2.2. Insurance

The insurance sector has also been expanding over the last decade, growing from a handful of insurance operations to an international industry. This growth brings about a challenge for the professional accountant's role, where specialist knowledge and experience are required in order to accomplish custom-made solutions (Deloitte, 2012).

The insurance sector in Malta has witnessed significant growth since Malta joined the EU in 2004. Towards the end of 2011, 52 insurance vehicles were licensed in Malta, 10 of which are captive insurance companies and seven are Protected Cell Companies (PCCs) as shown in Figure 2.2 (FinanceMalta, 2012b p.14):

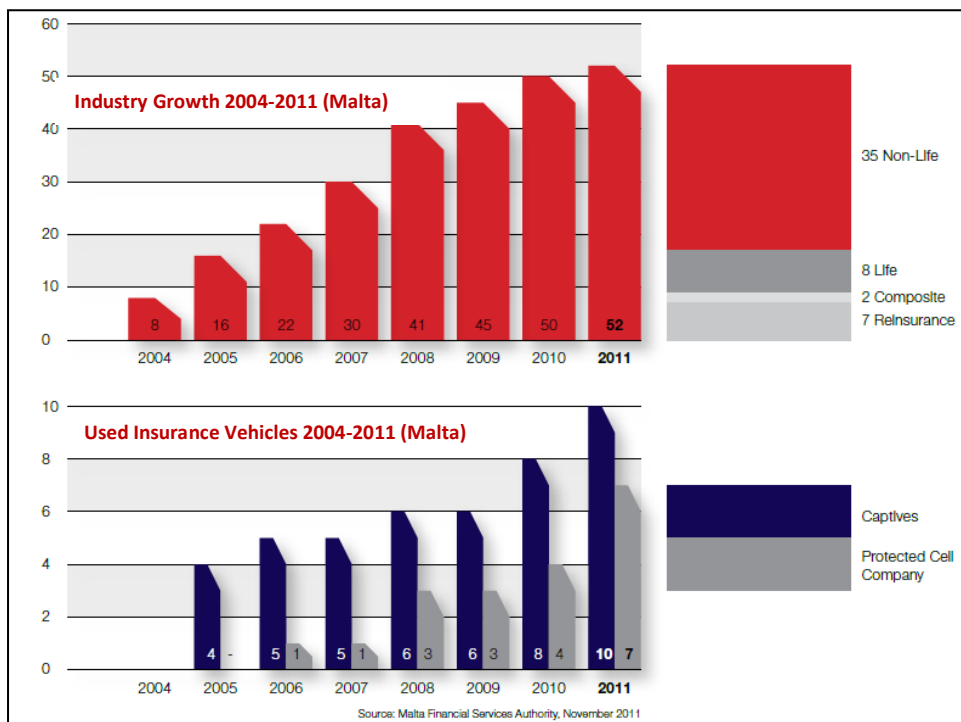


Figure 2.2: Insurance sector growth (top graph); used insurance vehicle (bottom) (2004 – 2011)

Malta has experienced an increase in the number of captive insurance companies. In terms of captives, Malta mainly competes with Luxembourg, Ireland and the Channel Islands (Jersey, Guernsey, Alderney, Herm and Sark).

Currently, accountants in Insurance sector operate under the Solvency I regime and are soon to face the Solvency II legislation, which is projected to come into effect as from 2016. The insurance professionals have to keep up with Solvency II regulations. By its very nature, it will be a major challenge for the financial services industry because it includes Enterprise Risk Management (ERM)¹ (PwC, 2012). There is also IFRS 4 which stipulates requirement for entities that issue insurance and reinsurance contracts (Deloitte 2012). Such challenges were also reported by Ernst & Young:

“Under IFRS 4 Phase I, there were limited changes to statutory accounting rules for insurers. However, the complexity of implementing IFRS 4 Phase II in conjunction with IFRS 9 Financial Instruments is likely to be at the level of a full IFRS conversion or a large Solvency II project, and will significantly impact accounting, processes, systems and people” (Ernst & Young, 2011, p.3).

The MFSA (2008) reported that till 2008 there were 73% hard-to-fill vacancies in the insurance industry, possibly due to scarcity of suitably qualified employees. Specialisation among accountants in insurance, report writing and data analysis was reported to be the highest skill gap in the financial service sector (MFSA, 2008)². As a result, a module on insurance was added as part of the Bachelor of Commerce course at the University of Malta (UOM). Training was similarly upgraded to include insurance issues.

2.2.3. Collective Investment Schemes or funds

Trusts, fund and pensions servicing are fast becoming major contributors in the financial services industry. Such growth can be seen in the number of funds domiciled in Malta that increased by 4% in the first half of 2012 over end 2011. There were 460 Professional Investor Funds as at end June 2012. There was also a surge of 8.5% in the authorized Undertakings for collective Investment in Transferable Securities (UCITS) as depicted in Figure 2.3 (MFSA 2012).

¹ Risk Management is defined as: *“the process whereby organizations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities”* (Institute of Risk Management (IRM), 2002, p.2)

² Vide Appendix 2.1 p.A2.1-1

	2009	2010	2011	June - 2012
PIFs	285	306	442	460
UCITS	45	50	59	64
Retail Non-UCITS	36	30	31	31
Total locally based CISs	366	386	532	555
Foreign Based	26	22	22	21
Recognised Private CIS	3	2	2	2
Total CIS	395	410	556	578

Source: Malta Financial Services Authority.

Figure 2.3: Funds (including sub-funds) domiciled in Malta (2009 – June 2012)

Malta provides a choice of funds for investors, such as Professional Investor Funds (PIF's); Private CISs; CIS; and UCITSs (BDO, 2012). This sector requires the professional accountant to have expertise due to the fast-changing regulation which has developed over the last few years (FinanceMalta, 2012c).

Joseph Camilleri, a partner and asset management leader at PwC says that:

“There’s also been growth in the investment services licenses provided to service the fund growth. We’ve had fund growth. Now, because of the number of funds being registered in Malta you’d expect that the service providers would have increased as well. In 2011 this has started to increase” (Paris, 2012, p.20).

2.3. Accountants’ role in the financial services industry

Having established itself as a small but significant financial centre, Malta has various strengths, including Eurozone membership, relatively low costs, attractive fiscal regime, rich heritage and a highly professional operating environment (FinanceMalta 2012a).

Globally, Malta ranked 72nd out of 77 financial centres according to the Global Financial Centres Index (GFCI 11 March 2012) (refer to Appendix 2.2). Furthermore, the Global Competitiveness Report (GCR) 2012-2013, issued by the World Economic Forum, ranked Malta 15th out of 144 for financial market development, 43rd for business sophistication, and 12th for soundness of banks (GCR 2011-2012). Appendix 2.3 report ranked Malta amongst the most advanced nations for availability of financial services, state-of-the-art technology, and nature of competitive advantage amongst others. In light of such situation, professional accountants have played a leading role in strengthening up this sector and have contributed to the success achieved to date. (FinanceMalta, 2012a p.15).

The Figure below shows Malta's ranking according to various sources (FinanceMalta 2012a p.8).



Figure 2.4: Malta's ranking according to different sources

During the 2008 MIA Biennial Conference Anthony Doublet emphasised the significance of the professional accountant in the financial services industry and he stated that:

“Accountants have played a leading role in building up this industry and have contributed in no small measure to the success achieved to date. The expected growth in the Financial Services industry certainly opens up a number of opportunities for the Profession of the future” (MIA, 2009, p.19).

There is a general consensus in accounting literature that the new type of role for finance professional includes a *modern business-accountant* (Granlund and Lukka, 1998b); *Business partner* (Siegal and Sorenson, 1999); and *internal business consultant* (Burns and Vaivio, 2001) amongst others. Furthermore, Simister (2001) summarized the phases of the changes of the finance professionals as shown in Figure 2.5.

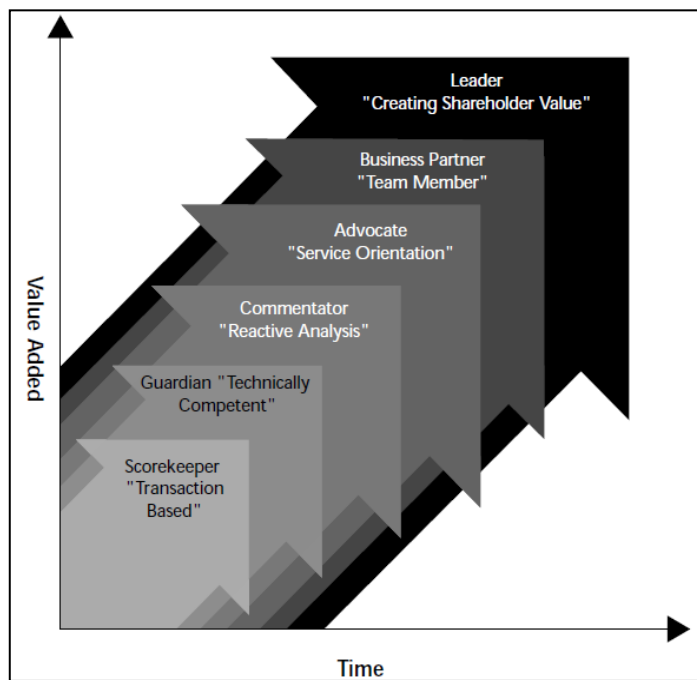


Figure 2.5: Stages in the transformation of finance functions

Simister (2001) highlighted three interlinked roles of the finance professional accountant:

- Business leadership and partnering
- Transaction processing
- Technical and compliance

2.3.1. Business leadership and partnering

Butcher (2009), explains that business partner roles provide an opportunity for accountants to improve their strategic skills. Gould and Fahy (2005) report identified three major challenges which are required to deliver finance business partnering,

namely talent, teamwork and tools. These three areas are significant for professionals in the decision-making process. According Gould and Fahy, (2006) the need for expert services in finance has made the task of recruiting and retaining professionals even more challenging.

A report issued by Freund (2006), found that finance calls for business partners to perform the onerous task of linking financial knowledge with business, communication, risk management and relationship management skills. Unwin (2006) as cited in Freund (2006) says that:

“Business partnering is all about helping with strategic decision support, about creative thinking. It’s about understanding the business and applying financial discipline to that understanding. It requires good communication skills” (Freund, 2006, p.5).

2.3.2. Transaction processing

In comparison to business partnering, back-room transaction processing is about high automation and absolute precision. Gould and Fahy (2005) calculated the percentage of time spent on four tasks of the finance professionals as shown in Figure 2.6. The following chart demonstrates that time is mostly spent on transaction processing. Similarly, an international study carried out by IBM (2005) found the ratio of transaction processing vis-à-vis decision support to be 47% to 24%.

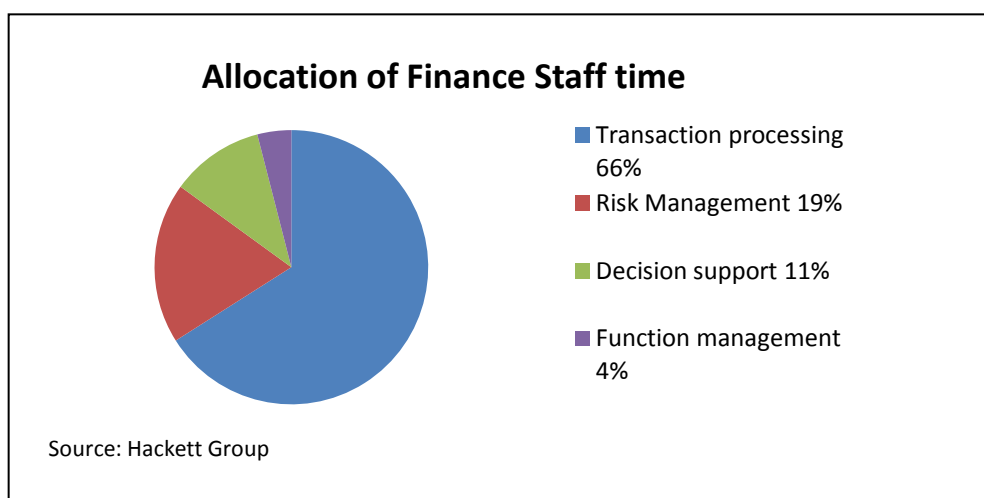


Figure 2.6: Chart showing allocated finance staff time based on various tasks

The normal transaction processing roles include accounts payable, accounts receivable, general ledger, payroll, fixed assets and cash. These processes are standardized throughout any organization (Simister 2001). *“Ten years ago transaction processing outsourcing was talked about; five years ago some were trying it, now it is a credible alternative”* (Simister, 2001, p.12). This statement was made during an interview with Peter Day, who is an Executive General Manager Finance. Outsourcing may have some risks; however determining possible solutions carefully can bring a superior quality, cost-effective result.

In a study carried out by Rouwelaar and Bots (2008); the financial controller is seen to perform two roles, namely those of “support” and “control”. “Support” refers to the financial controller occupation in managerial decision making, while the “control” function it prepares timely and reliable financial accounting information and making sure to comply with applicable regulations.

Due to advances in technology and improved business processes, the finance professionals’ new role in transaction processing has moved to “control” instead of “processing”, thus adding higher value to the firm (Burns and Vaivo, 2001; Rouwelaar and Bots, 2008). Moreover, as indicated in the IBSA (2011) report, both the Health sector and financial services industry have witnessed the biggest changes in the workforce because of new technologies.

2.3.3. Technical and compliance

A variety of authors report that less relative significance is being placed on technical knowledge and traditional skills; however, this does not mean that these skills and knowledge have no place in the new role of the accountant (Burns and Baldvinsdottir, 2007; Parker, 2001). The changing role of the finance professional depends on additional understanding and skills regarding the non-financial information in the accountant’s occupation (Burns and Baldvinsdottir, 2007; Boer, 2000).

Simister (2001) lists some traditional accountants' responsibilities including tax compliance with the aid of IT systems together with capital and funds management whereas the role of the finance professional is to oversee corporate governance. John Norman, CFO of Asia Pacific, BP Australia as cited in Simister (2001), declares that: *"Organisations need finance professionals to speak up when things are not right. They have a key corporate governance role"* (Simister, 2001, p.13).

Some studies have also tried to predict how changes have affected or will affect the prospective financial accounting profession. Siegal *et al.*, (2003) commented on the 1999 Investment Management Association (IMA) report that examined the state of management accounting in the USA at that time. Over a five-year period, they noted a significant shift from traditional accounting to higher value-added activities.

2.4. Professional Skills

In Malta, a survey conducted by MFSA (2008) found that there is a short supply of technical skills within the insurance sector and also a shortage of accountants who specialize in the different sectors of financial services. A new development in the field is the emphasis that is being laid on the acquisition of soft skills to complement the technical skill base (MIA, 2009).

The skills of the finance professional are often listed under two categories – soft (people) skills and hard (technical) skills. As shown in Figure 2.7, the finance professional is expected to work on and hone his or her soft skills since these skills are being increasingly accorded greater importance (Simister, 2001).

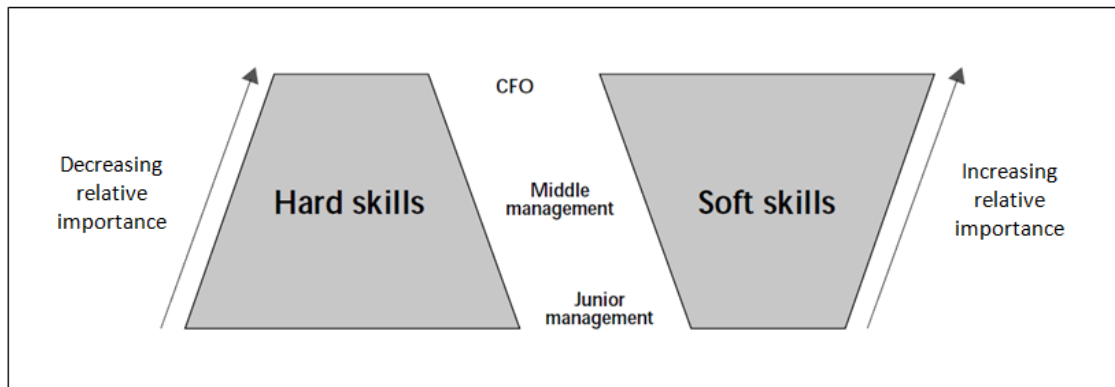


Figure 2.7: Skills pyramids

Indeed, according to Freund (2006), in addition to hard skills, finance staff are urged to display leadership and soft skills, such as the capability to delegate, motivate others, take strategic decisions, and negotiate conflicts. Apart from these skills, communication skills are increasingly being recognized as vital to the efficient running of a finance firm.

New legislation that regulates financial and insurance services has given greater prominence to the issue of compliance, which will have a flow-on effect on the interpretation and implementation standards as well as necessitating improvements in the associated skills. Thus, skills related to these new demands on the profession will acquire greater importance and value (IBSA, 2011; ACCA, 2006a). Furthermore, the Insurance sector has witnessed several changes in compliance regulations brought about by the updates of the Insurance Contract Act, a review of unfair contract terms and privacy (IBSA, 2011). In order to be able to respond promptly and effectively to these and similar amendments in legislation, there has been a greater demand by businesses for specialist skills. Such areas of specialization are increasingly in strong demand in the financial services industry sector (MFSA, 2008).

During the 2010 MIA Conference Tabone highlighted a number of skills that accountants need to develop and work on in order to be effective and efficient in their profession. These skills include communication skills, leadership qualities, mastery of report writing skills and more experience in specific areas including the use of IT and mastery of subjects related to financial services (MIA, 2009).

2.5. Educating and training accountants

Since the early twentieth century, changes in the accounting profession have led to corresponding changes in the provision of an accounting education system (Burnett, 2003). Due to the increasingly challenging role of the accounting profession, a qualified accountant should continue to work on his or her mastery of professional skills beyond first degree level. Indeed, because of frequent changes in legislation, accounting professionals have to continue to upgrade their skills in the course of their career. The performance of different roles within the business raises the need for continued professional development and education. ACCA (2006a) reported that the continuity in professional development is of great importance to all finance professionals for the workforce development and top quality assurance within the industry.

Unfortunately given the importance of high quality training in the field, there has also been widespread criticism that teaching and learning strategies in accounting courses remain conventional and based on transmissive models (William, 1993; Saunders & Christopher, 2003) and, under such circumstances, graduates fail to master the generic competencies, which include critical/analytical thinking skills, considered amongst the most significant practices (Kimmel, 1995; Mohamed & Lashine, 2003).

Various studies indicated that there is increased specialization in the profession and there is a need to improve skills both at University level and at a post-graduate level (Sin & Jones, 2003). In Victoria, Australia, a programme of skills reform was introduced so that organisations in Victoria's financial services sector would be able to gain a huge variety of training choices that could help in sustaining the sectors and vacancies of the future (Victorian Government, 2009).

IBSA (2011) found that the Insurance sector in particular has a greater need for supporting training because of new regulatory legislation. This obliges accounting professionals to attend professional development courses each year. The same applies to the local scenario; during 2008 MIA Biennial Conference, the skills required in the

financial services sectors were discussed. MIA (2009, Winter, p.19) reports that: *“The possibility of more specialized training at University on Insurance accounting, the Fund Industry and banking was suggested. The need for more trained resources at the accounting technician level was also mentioned”*.

The core value of the CPA is to ceaselessly acquire latest knowledge and skills. In late 2006, the MIA amended the regulations in terms of the IFAC’s standards and all members, be they in public practice or not had to undertake 120 hours of (Continuing Professional Education) CPE over three years. The importance of continual upgrading of professional skills was emphasized below:

“The performance of professional accountants will largely depend on their post-qualification training and development and will require a good understanding of an organization and how it generates value for its stakeholders” (Competent and Versatile, IFAC 2011 p.17).

In Malta, MIA signed an agreement with ICAEW, in order to enhance the professional accountant’s role and improve development skills. Financial services are one of the six specialist faculties, which are provided by ICAEW. This is an opportunity for the accountants to improve their skills in the financial sector including banking, insurance, and investment management (Chaplin, 2012).

2.6. Conclusion

In view of the continual changes in legislation that impinge on the role of professional accountants, it can be concluded that the topic is still highly challenging, raising various issues related to the changing professional accountants’ roles and skills requirements. Besides, there is the pressing need to provide education and training required in the financial services sector. The following chapter outlines the research methodology used for this study.

Chapter 3

Research Methodology

*“Research is to see what everybody else has seen and
to think what nobody else has thought”*

(Albert Szent-Gyorgyi, n.d.)

3.1. Introduction

This chapter outlines the methodology required to carry out the study in order to achieve the main aim of the dissertation as referred to in chapter 1. Figure 3.1 depicts the outline of this chapter.

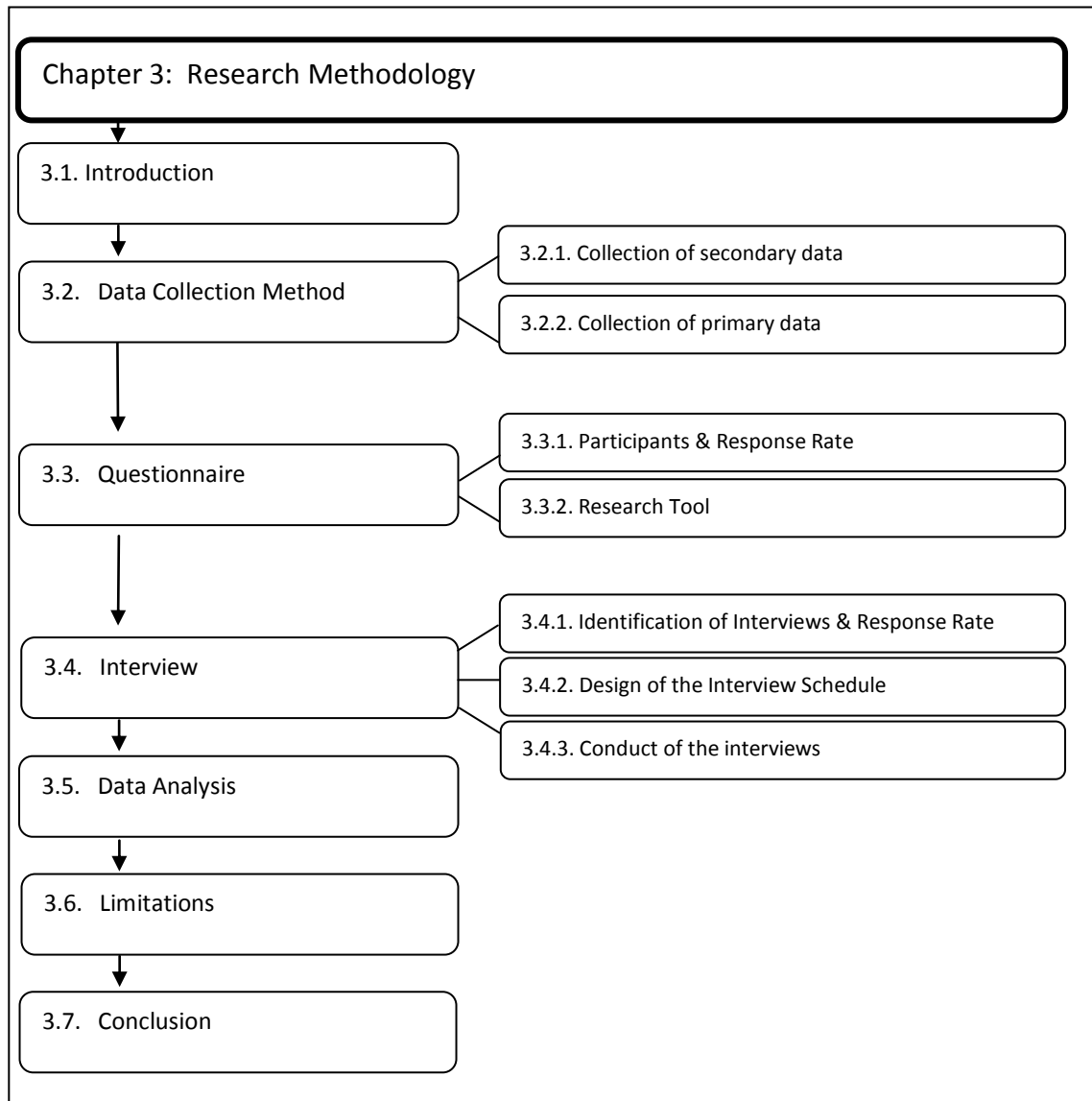


Figure 3.1: Outline of Chapter 3

3.2. Data Collection Method

The methodology undertaken for the purpose of this study includes both primary and secondary data sources. In order to gather secondary information which is relevant on the topic, various data sources were consulted, and information was gathered before any primary data from the research process was collected.

3.2.1. Collection of Secondary Data

Secondary data was collected through a multitude of existing and supporting literature, both foreign and local, in order to gain insight into the subject. Literature reports, journal articles, books, research papers, online sources, past dissertations as well as surveys relevant to the study were consulted.

3.2.2. Collection of Primary Data

Primary data is data which is directly obtained for the study. This consisted of questionnaires that were distributed to accountants and eleven interviews. Therefore, in this research both qualitative and quantitative methods were used.

3.3. Questionnaire

The questionnaire tool was chosen since it is the most cost effective and a simple way to allow extraction of data for statistical interpretation. This is a self-completion questionnaire in which respondents themselves complete the survey (Zikmund, 2003). Such a method guarantees anonymity, which in turn encourages participants respond honestly (Oppenheim, 1992). More significant however, is the fact that on-line surveys are specifically known for leading to inadequate levels of participation and response rate (Witmer *et al*, 1996, cited in Jones Ed., 1999).

3.3.1. Participants and the response rate

Since the study conducted focused on the financial services industry, the targeted population is qualified accountants in this sector, which can be classified in three categories - insurance, banking and collective investment scheme sectors. The CFOs of the banks and insurance companies were contacted by searching the online members' directory of FinanceMalta and MFSA, as it contains a list of all its members.

A pilot study was carried out with one of the professional accountants working in the financial services industry to ensure that the questions in the questionnaire were clear and understandable. The time needed to complete the questionnaire was also determined.

3.3.2. Research tool

The questionnaire is made up of a combination of 18 closed-ended and open-ended questions divided into four sections. It was distributed and circulated to a sample from the population. The four sections were designed in an appropriate way to address the objectives of the study highlighted in chapter 1.

A covering letter, which was sent with every questionnaire, was drawn up and signed by the supervisor (Appendix 3.1). The survey was sent to all professional accountants in the financial services industry on 15 January 2013 via electronic mail. A reminder email was sent to those respondents who had not completed the survey. A copy of the distributed questionnaire can be found in Appendix 3.2.

3.4. Interview

3.4.1. Identification of Interviews and Response Rate

The other method used to collect data and responses was that of the semi-structured interview. In these interviews researchers have a number of questions to ask, but the interviewee can be flexible in his answers (Bryman & Bell, 2007).

For the interview, various experts were chosen with different backgrounds related to the financial services industry. The experts that were interviewed to investigate their view were:

- member of MFSA;
- partners or managers from all the Big4 firms;
- the CFOs from four major banks
- the CFOs from three major insurance companies

All interviewees were first contacted by email to explain the objectives of this study and ultimately, to fix a meeting for the interview.

3.4.2. Design of the Interview Schedule

The design of the interview was mainly based on the research objectives and relevant literature found. The interview schedule consisted of open-ended questions. A copy of the interview questions can be found in Appendix 3.3.

A draft version of the interview questions was reviewed by an accountant for any errors, which were corrected once they were identified. Moreover, a pilot study was conducted to examine whether the interview schedule addressed the relevant issues and whether the objectives of the study were to be reached.

3.4.3. Conduct of the Interviews

The questions tackled in the interview were given to the interviewees beforehand. The interviews, which took less than one hour each, were mainly conducted face-to-face at the interviewee's office. Participants were each presented with a covering letter which was signed by the dissertation supervisor (Appendix 3.4). When the interviews were conducted, interviewees were asked to sign a Research Interview Consent Form as shown in Appendix 3.5. Interviews were carried out between January and February. Whenever permission was granted, the interviews were voice recorded and then properly transcribed.

3.5. Data Analysis

When all the interviews and questionnaires had been conducted, the data obtained was then analysed. Common themes were found as soon as each interview was finished. Various themes that emerged from the interviews were combined into common categories.

With the help of Dr L. Camilleri, simple statistical tests were used to analyse the data obtained from the closed-ended questions included in the questionnaire. For this analysis SPSS version 21 for MS Windows was used. Tables and graphs were used where applicable. The chi-squared test was used to determine whether there exists a significant association between two categorical variables. The Friedman test was used for ranking questions. A broad description of each test is presented in Appendix 3.6.

3.6. Limitations

Due to their nature, interviews may be based on participants' personal judgements and the data analysis is based on the researcher's interpretation of the changing role of the Maltese professional accountant in the financial services industry. This may be susceptible to subjectivity, bias and faulty judgement.

In the analysis of all responses received, it was observed that some of the questionnaires were not fully completed. Indeed, there were a number of questions in the questionnaires which were left uncompleted.

3.7. Conclusion

This chapter highlighted the research methodology adopted for the purpose of collecting sufficient data to assess the changing role of the Maltese professional accountants in the financial services industry. Research findings will be presented in the following chapter.

Chapter 4

Research Findings

“In the middle of difficulty lies opportunity”

(Albert Einstein, n.d.)

4.1. Introduction

This chapter presents the findings of both the questionnaires and the interviews. This study is underpinned by three objectives that are being analysed in the research findings and discussion. Questionnaire respondents are referred to as ‘respondents’ and interviewees as ‘experts’ or ‘participants’. Figure 4.1 outlines the chapter.

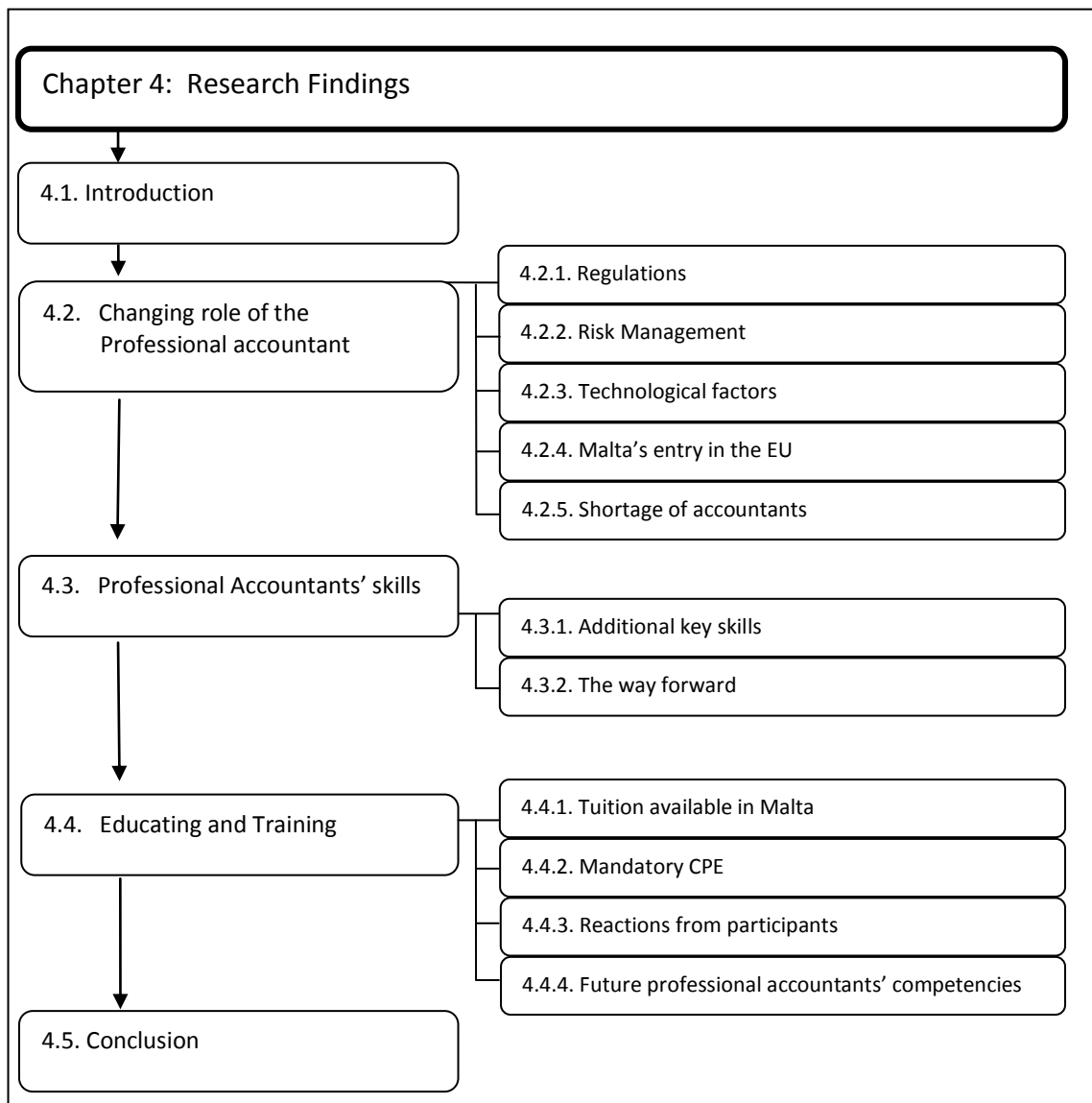


Figure 4.1: Outline of Chapter 4

4.2. Changing role of the professional accountant

Experts were asked³ to give their opinion of the main challenges that the profession has faced in the past vis-à-vis the present time. Contrasting views were expressed about the challenges facing the professional accountant. Most of the participants (10/12) claimed that in the past changes in legislation and job descriptions were not as radical, wide-ranging and sudden as they are now. One of the experts specified that scandals that rocked the 'Enron' company had a major impact on the profession. People's perceptions were altered and every single project was scrutinized even more. This created new pressing issues, in the sense that since the 'Enron' scandal everything had to be double checked, new regulations came into effect and new IFRSs were introduced.

Few experts (5/12) pointed out that at one time, those who graduated as accountants were afraid they would not find a job. Today the situation is opposite as students are encouraged to choose accountancy at a tertiary level. They are even guaranteed a job as early as from their first or second year of their accountancy course at University. However, there is no room for complacency. Indeed, some experts (4/12) declared that the challenge today is to maintain the high standards of education that prevail in the course in accountancy at the University of Malta. One expert declared that there should not be any relaxation of these standards in order to entice more students to opt for a course in accountancy. All the experts commented that Certified Public Accountants (CPAs) must keep abreast of the changing environment in order to meet future challenges. Indeed, an expert stated that *"the need for the people in the profession to be constantly aware of the changes that are going on is a must"*.

The next question⁴ posed to all the experts focused on whether they agreed that opportunity and growth would still be maintained with regards to the statement shown in Figure 4.2.

³ Vide Qn2 p.A3.3-1

⁴ Vide Qn3 p.A3.3-1

“Financial services are now a pillar of the Maltese economy, and accountants have played a critical role in making this happen”.

Figure 4.2: Do you think that this will continue to be an area of opportunity and growth?

The majority (8/12) agreed with the above statement, as they believed that the Maltese economy has moved irrevocably from manufacturing to services industry. One expert argued that one of the reasons for his endorsement of the above statement was that in Malta the only natural resources are the people who enjoy a high level of education.

Whilst voicing moderate optimism, the other experts (4/12) stated that it is difficult to forecast the future of financial services. Presently, Malta is doing very well in the financial services industry as foreign financial institutions are attracted to setting up their business in Malta because of the ideal location, the fiscal and economic stability that Malta enjoys and the strongly-regulated legislation when compared to other countries.

4.2.1. Regulations

Experts were asked⁵ if and how they were affected by the changes in standards and regulations such as IFRS 4 Phase II, Solvency II, Basel III and IFRS 9. It appeared that the majority of experts were directly affected, with 80% of them saying that they had managed to partially meet the new requirements. This is due to the fact that the implementation activities of some of the aforementioned standards and regulations are being held back. All the experts believe that there has been a number of developments in accounting standards, more stringent applications in compliance and increased disclosure requirements.

The majority of experts stated that Basel III which covers financial institutions and IFRS 4 Phase II have registered an increase in the amount of regulations imposed due to the financial crisis that have destabilized the world economy. Experts also mentioned the stringent draconian regulations as far as capital requirements are concerned, as well as

⁵ Vide Qn5 p.A3.3-1

the liquidity requirements. The challenge that accountants are facing is that they have to cope with their normal reporting issues and at the same time try to cope with changes in regulations.

Experts in the insurance industry are affected by IFRS 4 Phase II and Solvency II. All the experts in the insurance industry highlighted the importance of being more proactive by participating and giving input in the making of regulatory developments.

Respondents were asked to answer a question⁶ in which they had to identify the top factors that are currently driving change in the accountancy profession. A Friedman test was carried out to analyse their responses. As displayed in Table 4.1, the mean ranking scores for keeping current with increased regulatory complexity (4.59) was the highest. This indicates that this item was the most important factor that drives change in the accountancy profession. This is followed by complex financial products (3.51), complex risk management (2.67) and technological factors (1.92). The p-value (approximately 0) is less than the 0.05 level of significance. Therefore, the results are statistically significant and can be relied on.

The 95% confidence interval provides a range of value for the actual mean ranking score provided for a particular statement if the whole population of accountants had to be included in the study.

When two confidence intervals overlap considerably, this implies that the mean ranking scores for the corresponding statements are comparable and do not differ significantly. However, when two confidence intervals are disjointed or overlap slightly, this indicates that the mean ranking scores for corresponding statements differ significantly. For example, in the case of the first two bars of Figure 4.3, being technological factors and increased regulatory complexity, the difference is statistically significant.

⁶ Vide Qn8 p.A3.2-2

	Mean	Std. Deviation	Minimum	Maximum
Technological factors	1.92	1.109	1	4
Increased regulatory complexity	4.59	.677	3	5
Complex financial products	3.51	1.073	1	5
Complex risk management	2.67	1.177	1	5
Valuation of financial products	2.31	1.173	1	5

$\chi^2 = 70.831, v = 4, p < 0.0005$

Table 4.1: Factors driving change in the accountancy profession

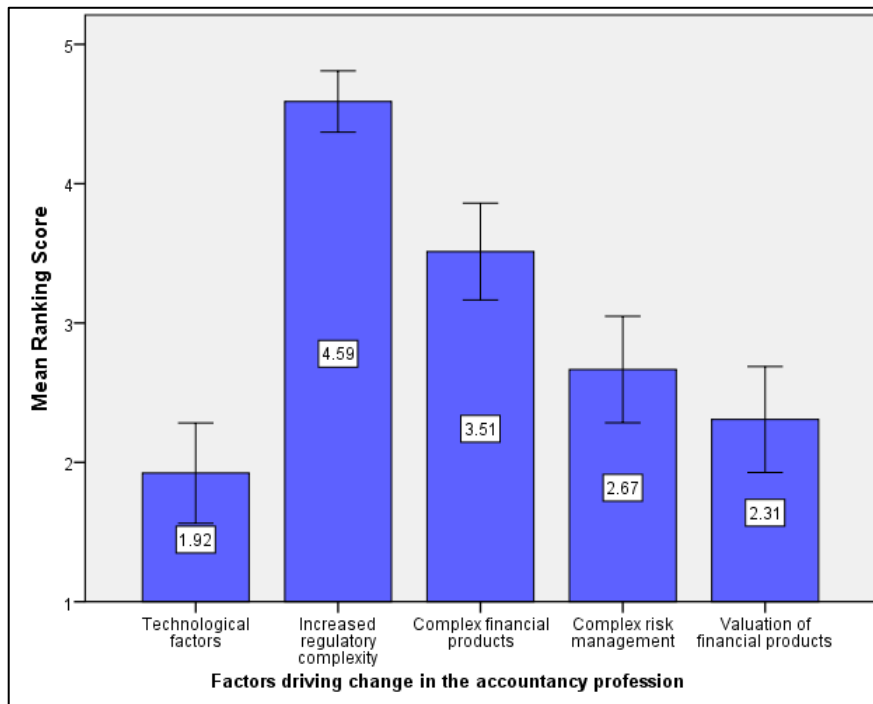


Figure 4.3: Factors driving change in the accountancy profession

4.2.2. Risk Management

The majority of the experts (10/12) believed that risk management would be seen not only from a compliance and regulatory perspective but would also be aligned with influencing profits, improving services to customers and creating a competitive advantage.

MFSA pointed out the importance of risk management and introduced a foundation course in risk management in collaboration with an English risk management association. This course is offered by MITC (Malta International training centre) which falls under the remit of MFSA.

4.2.3. Technological factors

A minority of the experts ^(2/12) believed that the environment of the profession had changed a lot in terms of technology infrastructure. One of the experts stated that since the means of communication had become more sophisticated, people had higher expectations for an immediate response.

4.2.4. Malta's entry in the EU

One of the experts, a partners of the Big4 audit firms stated that life had been much more simple twenty to thirty years ago and elaborated on how things had changed drastically: *"Now we have international clients, the taxation legislation changed enormously as well"*. Moreover, another expert believed that financial services were now a pillar of the Maltese economy because of various advantages such as passporting rights.

4.2.5. Shortage of accountants

Another question⁷ asked to the experts was focused on how the shortage of accountants in the financial services industry might be mitigated. Most experts ^(8/12) emphasized that local accountants could widen their knowledge and experience by going abroad and working for a number of years with foreign firms. It was noted that a number of foreign accountants have come to work in Malta to gain experience and hone their skills. A minority of experts ^(4/12) referred to the fact that importing labour could be the solution to getting the requisite resources and maintain high standards in the sector. However, one of the experts believed that local companies or smaller companies, especially family run businesses would be reluctant to hire foreign employees.

MFSA has been working hard to address the shortage of accountants. It is doing so by increasing awareness of employment opportunities in the financial services sector through its Education Consultation Council. These include job shadowing programmes

⁷ Vide Qn4a p.A3.3-1

for Form IV and Form V students set up in collaboration with the industry, active engagement with students during career conventions and the setting up of a careers website and other promotional tools. This point was emphasized by a number of experts. Indeed, one of them stated that *“the solution might be marketing and creating more awareness”*.

In addition to these initiatives, the MFSA also regularly sponsors programmes for the return of female professionals to the workforce aimed at updating their accountancy skills and familiarizing them with certain compliance-related aspects of financial services.

4.3. Professional Accountants’ skills

Participants were asked⁸ whether they thought that if there would be enough, adequately trained accountants to service the projected growth in the financial services industry. The majority (8/12) believed that there would be sufficient accountants, as a substantial number graduate both from UOM or ACCA. There is also the ACA route (organized by ICAEW) which adds to the accounting profession an average of about 30 qualified professionals a year. Therefore, in total there should be over 300 potential accountants per annum. Another participant in the insurance sector believed that although the numbers were there, whether or not the accountants would be adequately trained for the insurance industry was questionable as insurance is a highly specialized sector.

Two of the experts in the insurance and banking sector justified doubts about whether there were enough, adequately trained accountants by stating:

“University students are taken up immediately within their first or second year by the audit firms and this is causing a big problem because companies like us will not find it easy to find a newly qualified accountant”.

⁸ Vide Qn4 p.A3.3-1

Another expert believed that there would always be some tension between the stock of demand and stock of supply. This would not be imperfect balance but will follow a natural link at the end.

Experts from the Big4 audit firms insisted that most of the accountants graduating from University and even from ACCA had to get at least one year on-the-job training to start acquiring insights into the complexity of financial services. There was a general consensus that accountants graduating from University inevitably lacked the practical experience of their profession even if they were academically trained. Another expert in the insurance sector strongly believed that one needs to have a mixture of both University and ACCA graduates since whereas the University of Malta was more theory-oriented rather than practical, ACCA focused more on technical knowledge and skills.

Respondents were asked⁹ about what they considered to be the main causes for failing to find the appropriate applicant in the financial services industry. It is statistically proven that the majority believed that the reason was shortage of skills the sector demands (44.74%) as clearly shown in Figure 4.4. One of the respondents commented that accountants tended to be focused on local industries, whilst the financial services sector needs people who were willing to look outside Malta, who had international experience and who possessed excellent soft skills as well as good enough technical skills.

⁹ Vide Qn12 p.A3.2-4

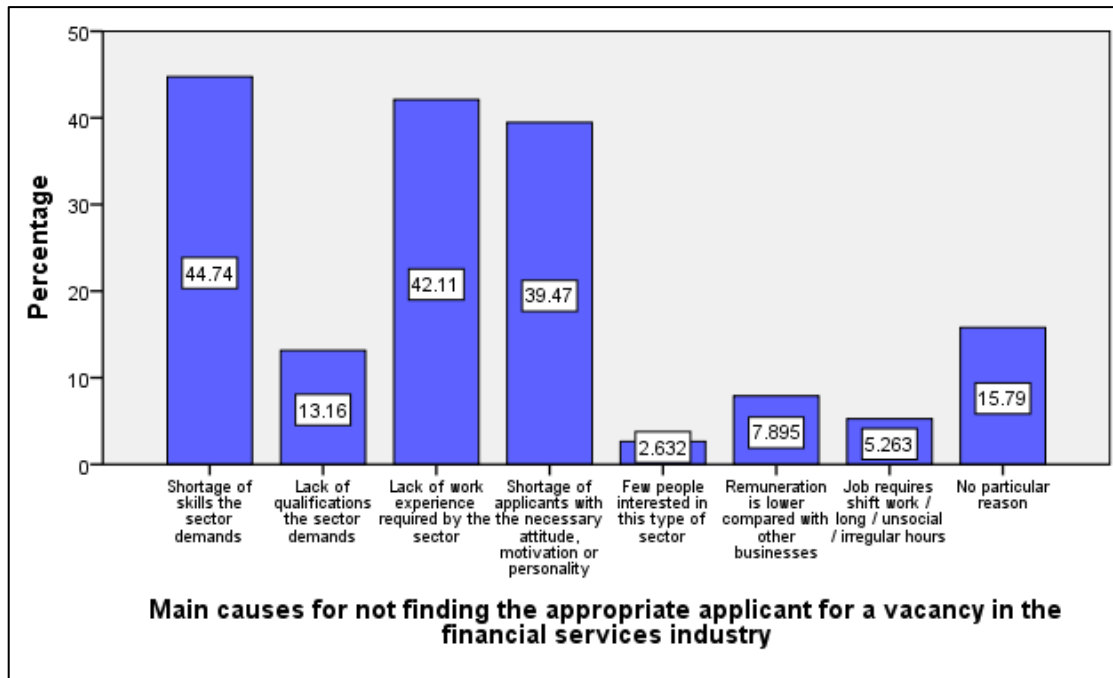


Figure 4.4: Main causes for not finding the appropriate applicant for a vacancy in the financial services industry

4.3.1. Additional key skills

Responses to the next question¹⁰ provided a mix of views about the additional key skills that would be needed in the financial services industry. A number of experts (8/12) acknowledged the importance of actuarial skills. Despite a lingering recession, demand for actuaries continued to grow as the insurance company was seeking better means of managing and mitigating its risks. Experts in the Big4audit firms also stated that there were some skill shortages due to complex financial services products. Some of the experts (5/12) mentioned the necessity of upskilling in Hedge funds accounting. Four experts in the audit industry highlighted the continuous growth within the fund industry, resulting in an increased demand for fund administration roles which require specific qualifications and skills.

Another skill pinpointed by the majority of the experts was risk management, that they considered a vital skill in the financial services industry. A number of experts also mentioned the necessity of being knowledgeable about the legislation of the financial services sector.

¹⁰ Vide Qn4b p.A3.3-1

Apart from academic skills and report writing skills, a significant number of experts identified a shortage of “soft” skills such as delivery skills, presentation skills and communication skills.

Respondents were asked¹¹ to express their opinion of the most relevant skills in the financial services industry. Table 4.2 illustrates that the majority thought that both technical and soft skills are relevant.

	Frequency	Percentage
Technical skills	5	13.2
Soft skills	2	5.3
Both	31	81.6

Table 4.2: The most relevant skills in the financial services industry

The subsequent question asked¹² respondents to indicate which of the soft skills they were finding difficult to acquire. As can be seen from Table 4.3, communication skills and negotiating skills are found to be both equally important (37.3%) whereas customer handling skills were recognized as the least important skill (17.1%).

	Frequency	Percentage	
Which of the following soft skills are you finding difficult to obtain?	Communication skills	13	37.1%
	Customer handling skills	6	17.1%
	Team building skills	9	25.7%
	Negotiating	13	37.1%
	Management skills	12	34.3%

Table 4.3: Soft skills which are found most difficult to obtain

An expert identified a gap in skills that needed to be addressed urgently. It is important to attract people in financial services industry and encourage them to go abroad in order to obtain more knowledge and experience.

Few experts (3/12) totally disagreed about the need for additional skills in the financial services industry. In fact, one expert said that he started off working as an accountant in a manufacturing industry, then moved to the UK working in audit and then into

¹¹ Vide Qn10 p.A3.2-3

¹² Vide Qn11 p.A3.2-3

another manufacturing company as a project finance manager. Back in Malta, he worked in the back office services for a gaming company. He is currently a CFO of an insurance company. He clearly believed that the shift from manufacturing to a broader financial services role was a natural evolution, which did not require any additional skills. This expert had high hopes that *“good people will adapt”*.

4.3.2. The way forward

There is a gap that needs to be addressed and some of the experts came up with a variety of proposals on how the situation could be dealt with and improved. These included possible changes to the UOM syllabus, ones which adopted a more practical approach rather than just a theoretical one. Moreover, a minority (4/12) of the experts suggested that University should give students the opportunity to choose subjects related to the financial services sector. A module that focused on financial services legislation could be included by the University.

At the end of the questionnaire, the respondents were asked¹³ to identify which measures should be taken to overcome the lack of skills. As shown in Figure 4.5 the majority of the respondents felt that more training/development for the current employees (87.18%) was the most important element that could make up for the shortage of skills; the need for expanded on-the-job trainee programmes and off-the-job training was a distant second (25.64). Only one respondent thought that no measures were necessary to overcome the lack of skills.

¹³ Vide Qn18 p.A3.2-5

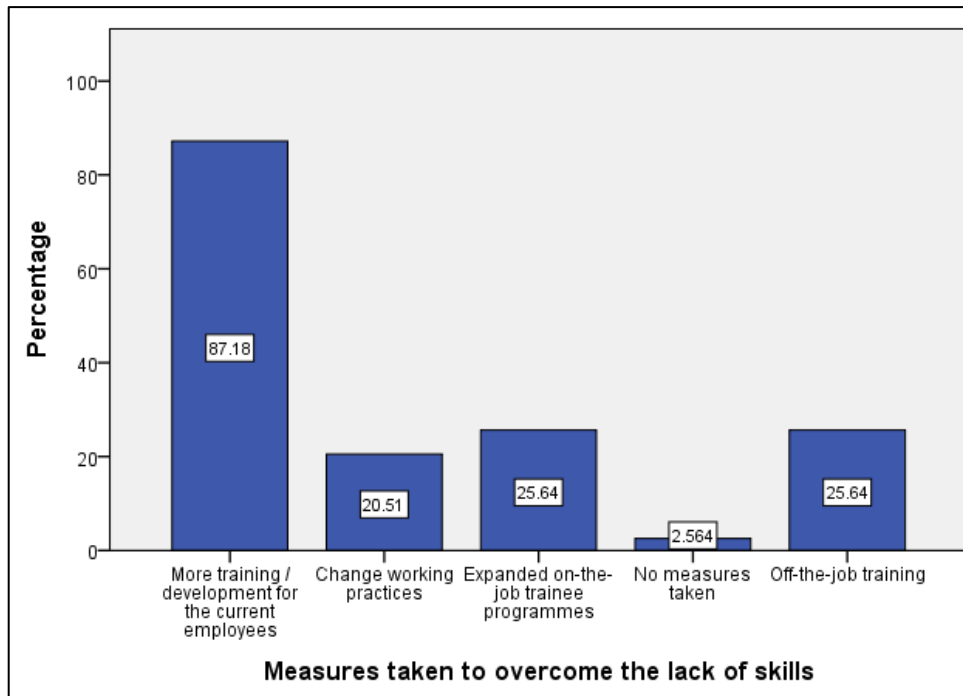


Figure 4.5: Measures taken to overcome the lack of skilled workers

4.4. Education and Training

The following question¹⁴ related to the educational system. The majority (10/12) of the experts emphasized the value of education and believed that the basic training for an accountant should be the IFRSs. The possibility of more specialized training on Insurance accounting, on the Fund industry and banking within the University was suggested. Some of the experts also recommended that the University should create a course for accountants who wished to focus on financial services in their studies. It was pointed out that apart from the educational system there are vast training resources such as PwC academy and MIA accountancy CPE training sessions.

Respondents were also asked¹⁵ to specify whether the subjects studied were put into practice in their work. One of the respondents fully disagreed, 30.8% indicated that subjects were fully applied in their work while the remaining respondents indicated a

¹⁴ Vide Qn4c p.A3.3-1

¹⁵ Vide Qn13 p.A3.2-4

partial applicability. A chi-squared test was conducted in order to investigate whether there is an association between the current employment sector and the respondents' opinion on the application of subjects studied in their work. This is shown in Table 4.3 and Figure 4.6.

The test produced interesting readings. Only one participant thought that the subjects studied were not applied in his work. One person out of a total of 38 respondents is relatively negligible; however, the fact that he came from the Banking sector provides food for thought. Meanwhile the majority, which amounts to 25 pax, thought that subjects studied at University were applied up to a certain extent. And finally, around a third of the sample size was fully satisfied that subjects studied were put into practice in their work. In addition, it was noted that the three fully satisfied respondents who come from the Banking sector amount to 16.7% in their category, while the two fully satisfied respondents, who came from the CIS sector amounted to 50% of their category. This is shown in Table 4.3 and Figure 4.6.

			Do you think that the subjects studied are applied in your work?			Total
			Yes fully	Only up to a certain extent	No	
What is your current employment sector?	Banking sector	Count	3	14	1	18
		Percentage	16.7%	77.8%	5.6%	100.0%
	Insurance sector	Count	7	9	0	16
		Percentage	43.8%	56.3%	0.0%	100.0%
	CIS sector	Count	2	2	0	4
		Percentage	50.0%	50.0%	0.0%	100.0%
Total	Count	12	25	1	38	
	Percentage	31.6%	65.8%	2.6%	100.0%	

$\chi^2 = 4.325$, $v = 4$, $p = 0.364$

Table 4.4: Association between current employment sector and the respondents opinion on the application of subjects studied

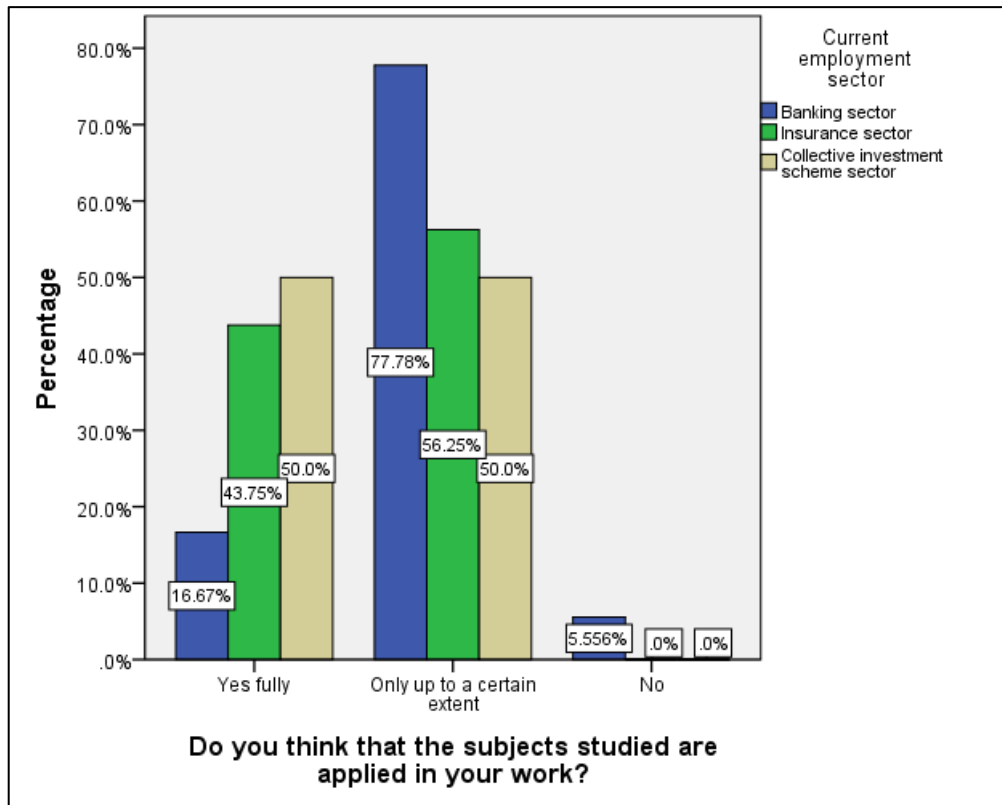


Figure 4.6: Subjects studied by employment sector

Two experts fully disagreed that such specialized training should be incorporated in the educational system. They believed that University provides generic professional background which empowered them to acquire any further specialization within the financial services. They had no doubts that specialization would be gained once the accountant was employed in a particular sector.

One of the MFSA members pointed out that the increased sophistication in local financial services as well as their international character would naturally lead to more sophisticated programmes being provided locally, not only at second degree level. Institutions like the MITC and the Institute for Financial Services were constantly adding to their portfolio of training opportunities.

4.4.1. Tuition available in Malta

Participants were further asked¹⁶ whether practice was changing at a faster pace than the tuition available in Malta. The majority (10/12) agreed that educators had to make an extra effort to ensure that what was being taught was in line with what is happening today.

A number of experts said that if one wished to take up accountancy through the system, be it ACCA or University, and opted to go into financial services, there were enough events, seminars and workshops available in order to help the professional keep up to date with changes and developments. There are various educational institutions including the Institute of Financial Services which offers the possibility for people to follow a specific specialised course.

4.4.2. Mandatory CPE

Mixed views¹⁷ were expressed with respect to whether the mandatory CPE for the professional accountants made a better profession that is more prepared to face tomorrow's challenges. One expert stated:

“tax is not the area of my professional career but I still have to attend in order to get CPE hours. Basically I attend the seminar and nod off while the lecture is being delivered; on paper CPE requirements are reached but in substance I got nothing”.

All the experts believed in the concept of the CPE, based on keeping up to date with the inevitable changes, though not all necessarily agreed with the way that it was being administered.

4.4.3. Reactions from participants

One expert suggested that webinars should be introduced which would replace attending CPE sessions. Webinar is a web-based conferencing service that is transmitted over the web. The main feature of a webinar is the interactive element,

¹⁶ Vide Qn7 p.A3.3-1

¹⁷ Vide Qn8 p.A3.3-1

which is the ability to give, receive and discuss information. Another expert suggested that it would be of great benefit if various practising certificates are provided to the professional accountant based on the areas of specialization. These include practising certificate for tax, practising certificate for internal auditing and most importantly practising certificate for financial services.

An expert from the insurance sector pointed out that financial services industry was not yet considered a core competency in terms of the present applicable CPE regulations¹⁸. It was suggested that something comparable to CPE requirement of the ICAEW may be established. In Britain, the professional as a member determines what CPE he needs to be provided with for his current job. There is no distinction between core and professional CPE.

Only few of the participants thought that a proper CPE programme needed to be better developed. However, some of the experts from the insurance industry suggested that MIA should organize more CPE session related to the insurance sector.

4.4.4. Future professional accountants' competencies

Responses to another question¹⁹ indicated that a number of experts (8/12) agreed that the future professional accountants' competencies were being properly developed at the present time. However, they believed that there was still room for improvement. Reference was made to changes in the courses in the UOM with special reference to the shift from Bachelor of Accountancy (Honours) to a Masters level in Accountancy. This change was implemented to promote the Accountancy profession and to attract more students to choose this career.

Furthermore, all the questionnaire respondents agreed that today's prospective accountants had better opportunities for obtaining the required qualifications²⁰. Various reasons were identified for such an agreement, such as the availability of a range of colleges even online and different work experiences on the market.

¹⁸ Vide Appendix 4.1 p.A4.1-1

¹⁹ Vide Qn6 p.A3.3-1

²⁰ Vide Qn14 p.A3.2-4

Respondents were also asked²¹ to pinpoint the top challenges for accountants in the foreseeable future in the financial services industry. As shown in Figure 4.7 the mean ranking scores for keeping abreast of regulatory complexity (4.974) was the highest, indicating that this factor was for most of the respondents the most important challenge in the future. This was followed by risk management (4.359), economic downturn and business sustainability (both 3.154), retaining staff (2.872) and finding staff (2.487). The p-value (approximately 0) is less than the 0.05 level of significance, implying that some factors are significantly more important than others in predicting change in the accountancy profession.

	Mean	Std. Deviation	Minimum	Maximum
Risk management	4.36	1.442	1	6
Retaining staff	2.87	1.341	1	5
Finding staff	2.49	1.449	1	6
Keeping current with regulatory complexity	4.97	1.662	1	6
Economic downturn	3.15	1.598	1	6
Business sustainability	3.15	1.406	1	5

$\chi^2 = 50.941, v = 5, p < 0.0005$

Table 4.5: Top challenges for accountants in the foreseeable future

²¹ Vide Qn9 p.A3.2-3

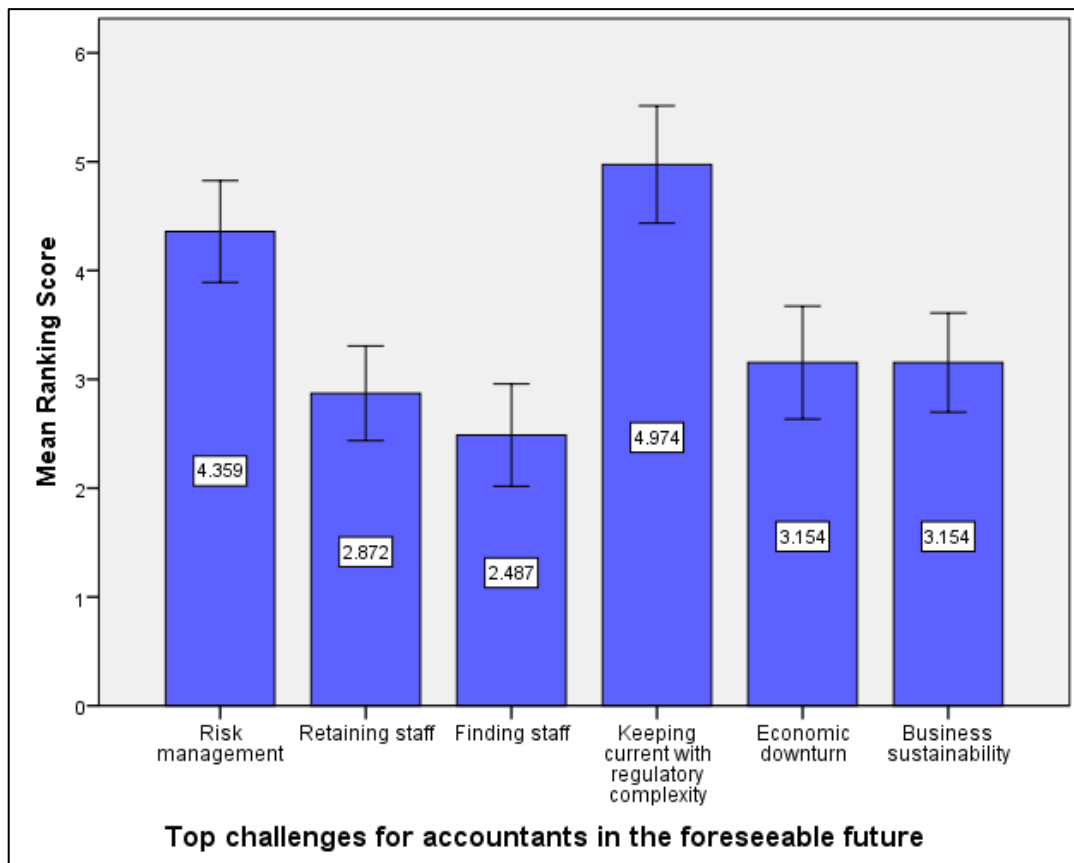


Figure 4.7: Top challenges for accountants in the foreseeable future

4.5. Conclusion

This chapter presented the findings of the survey and the interviews obtained from the responses given by Maltese accountants. The following chapter provides a discussion of these findings.

Chapter 5

Discussion on Findings

“Change brings opportunity”

(Nido Qubein, n.d.)

5.1. Introduction

This chapter aims at discussing the key findings derived from the data collected, including the questionnaires and interviews presented in the previous chapter. The layout of this chapter is shown in Figure 5.1.

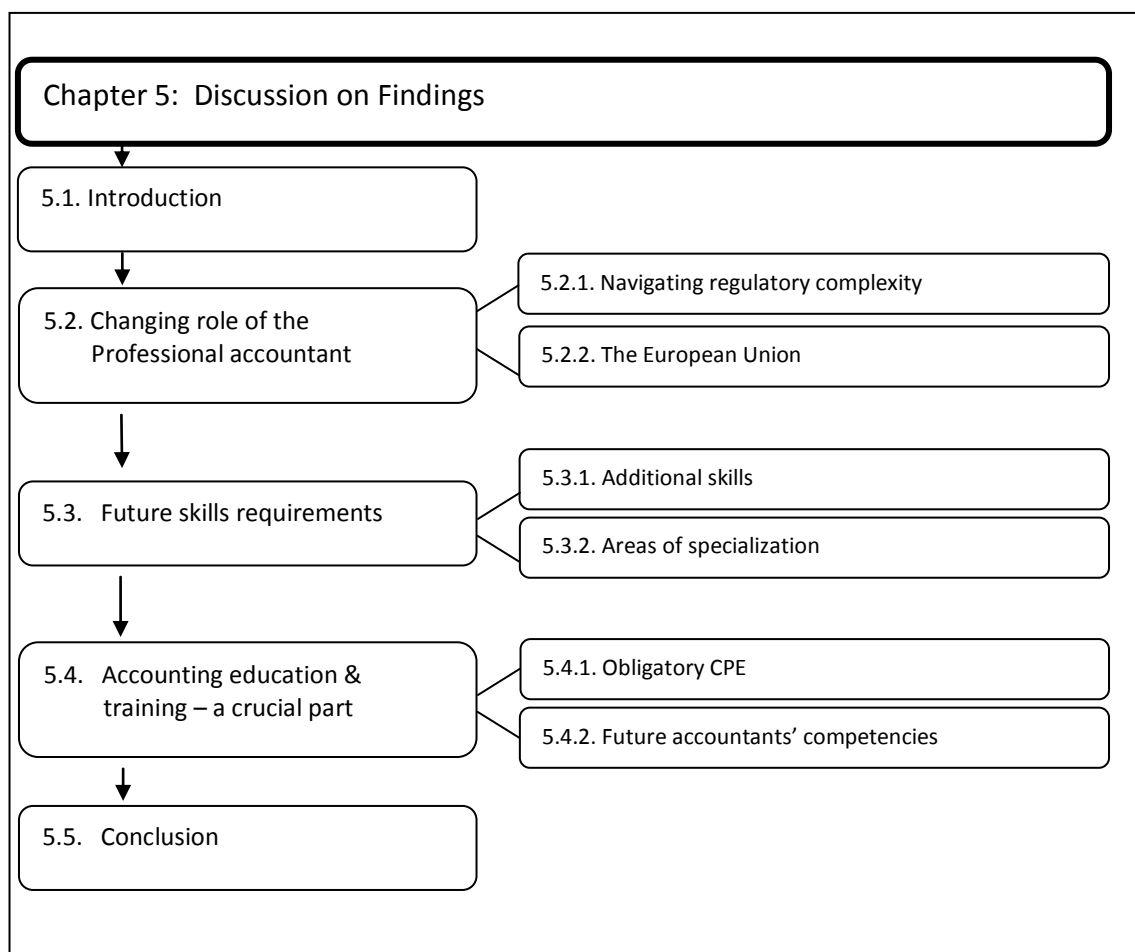


Figure 5.1: Outline of Chapter 5

5.2. Changing role of the Maltese professional accountant

The data collected proves that accountants considered the financial services as one of the pillars of the Malta's economy. Indeed, a number of experts identified the leading

role accountants have played in what has become a flourishing industry²². Some experts pointed out that the expected growth within the financial services industry has opened up various opportunities for the profession in the future. What emerged from the responses is the prospect of new opportunities together with the challenges these opportunities have presented to the profession.

5.2.1. Navigating regulatory complexity

The increased regulatory complexity was ranked as the top factor which drives change in the accountancy profession²³. The wider range of products and services provided by today's financial services sector was increasing the volume and complexity of regulatory and compliance risks confronting these firms. Meanwhile, some of the standards and regulations have not yet been implemented. This study found that it is fundamental²⁴ for the accountancy profession to be proactive rather than reactive.

It is important that emphasis is placed on planning in advance for effective preparation, particularly under IFRS Phase I and Solvency II accounting rules. This was very much in evidence in 'IFRS Insight', a report by Ernst & Young (2012) where planning was emphasized in order to avoid "*digging up the same ground twice*".

5.2.2. The European Union

As mentioned in the literature review²⁵, the steady growth of the financial services sector was evident in the number of new licenses granted in banking, insurance, fund management and investment services over the past few years. This expansion, which stemmed from the various advantages gained when Malta became a member of the European Union, has created the need for more accountants and auditors. In order to keep investment rising, Malta should upgrade its local characteristics in order to prevent companies from relocating to other EU companies.

²² Vide Section 4.2 p.31

²³ Vide Figure 4.3 p.34

²⁴ Vide Section 4.2.1 p.32

²⁵ Vide Section 2.2 p.11

5.3. Future skills requirements

5.3.1. Additional skills

As stated in the previous chapter, school leavers and graduates were likely to have skill gaps in the financial services industry. They often lacked appropriate industry and product knowledge, which, however, could be acquired on the job.

Results revealed that communication skills along with negotiating skills were the most difficult 'soft skills' to acquire²⁶. The results showed that it was very likely that there would be a pressing need for specialization in the future and the enforced shift of more accountants towards financial services sector. Furthermore, a balance in technical skills and communicating skills would have to be struck. In addition, there should be a greater drive to market the accountancy profession in order to attract more persons to such industry.

5.3.2. Areas of specialization within the financial services industry

Amongst the key findings, the highest lack of skilled staff was identified among the accountants in the insurance industry and in the Fund industry. One may consider the possibility of further training that could be provided to specific sectors of the financial services. The firms would possibly require the role of an actuary in the insurance sector and the role of the fund administrator in the funds sector.

The findings of this study revealed that the hiring of foreign labour was the only alternative for filling a specific vacancy in the financial services industry due to lack of technical skills. As highlighted by one of the experts, it would be beneficial if financial services firms were to hire foreign professionals who can share international practices with local Maltese accountants.

²⁶ Vide Table 4.3 p.39

5.4. Accounting education and training – a crucial part

Accountancy students have numerous opportunities to obtain training in accountancy. However, the majority of experts stressed that there were still areas for improvement in order to develop the level of knowledge and skills required by the financial services industry. Many participants opined that UOM accountancy graduates were short of practical experience. Therefore, modifying UOM courses to take into account the need for on-the-job experience should be taken into consideration. Respondents believe that it was vital for accounting education to be in line with the changes that are currently impacting for better or worse the working environment of accountants.

Indeed Simon Flynn stated that:

“When gearing up for the future and looking ahead we cannot bury our heads in the sand and ignore all that is happening around us” (MIA, 2009, p.12).

The majority of the experts interviewed recognized that one of the challenges for the accounting profession was that of attracting the best talent to serve the public interest. However, some of the firms in the financial services sector encountered difficulties in finding the right qualified people. This is mainly due to competition from other finance firms and Big 4 audit firms. Big 4 audit firms recruit students from first or second year at University. Such keen competition may be an indication of a healthy industry, but if the right quantity and quality of workers is not available, the resultant shortage of employees and price inflation for the accountancy services could force business away from Malta and start a vicious circle.

5.4.1. Obligatory CPE

This study helped in identifying the key issue of CPE. In general it is understood that CPE requirements continue to make the accountancy profession one of the leading professions in Malta. This brings about a bigger focus on issues related to the financial services; having said that, financial services was not yet considered a core competency

in terms of currently applicable CPE Regulations²⁷. The majority of experts spoke favourably about and highly recommended the relevance and adequacy of current CPE programmes for accountants working in the financial services industry. In this regard, one of the respondents in the banking sector commented that CPE was compulsory but not related to his line of work. Probably, a CPE system similar to ICAEW route could be considered, in which there is no difference between professional development competencies and the core competencies.

Another possible solution may be the application of Webinars by the MIA to provide CPE, which may be of great benefit for the professional accountants. A webinar is a training session accessible live on the internet. A professional accountant can follow an online conference at his office or at any place, which is both time-effective and user-friendly.

5.4.2. Future professional competencies

With regards to the future professional accountants' competencies, various suggestions were proposed in order to ensure that a generic understanding of financial services accounting. This may involve the possibility of altering the present curriculum; this could involve giving an alternative option to those University students who are interested in specializing in the financial services industry.

5.5. Conclusion

This chapter reviewed the key findings of the study and outlined the opinions and views of professional accountants in the financial services sector, the accountants within the Big4 audit firms and a member from the MFSA. The areas that require further improvement were also mentioned. The subsequent chapter summarizes and concludes this study.

²⁷ Vide Appendix 4.1

Chapter 6

Summary, Conclusion and Recommendations

“If you have a positive attitude and constantly strive to give your best effort, eventually you will overcome your immediate problems and find you are ready for greater challenges”

(Pat Riley, n.d.)

6.1. Summary

The objective of this study was to investigate the changing role of the professional accountant within the financial services industry throughout the recent years. This study aimed at identifying, examining and exploring the changes in skills and expertise which have become increasingly challenging. In addition, the need for continuous professional education and/or any necessary training were also addressed.

The objectives were reached by carrying out of semi-structured interviews with a representative of the MFSA, partners or managers from all the Big4 audit firms and the CFOs of three insurance firms and four banking companies. A questionnaire was also sent to accountants working in the financial services sector. Mixed views on several issues were articulated by the experts and respondents working in this sector.

The study revealed that the role of the professional accountants has changed in unforeseen ways. Many of these transformations stemmed from increasingly complex regulations. Additionally, the expanding demand for more specialized roles in the funds, insurance and banking sector were recognized. In this respect, shortage of labour within this industry was identified as a challenge.

With respect to skills requirements, accountants expressed different perceptions about what they considered to be the most demanding skills within the ambit of the financial services sector. The survey found that a combination of 'soft skills' and technical skills was crucial. Some experts believed that good accountants were capable of adapting and so did not require any additional skills.

As stated in the previous chapters, the experts stressed the importance of including financial services content in the curricula, thus enhancing the educational system. Meanwhile, a number of experts highlighted some areas for improvements within the financial services sector that need to be addressed with respect to the mandatory CPE.

6.2. Conclusion

This study concludes that if the financial services sector were to keep growing as more international operators seek to set up business in Malta, the demand for accountants and auditors will continue to increase. Enhancing the current educational system and the obligatory CPE may lead to more importance accorded to the financial services industry. Furthermore, CPAs must become flexible and be more proactive in this continually changing and increasingly challenging financial environment.

6.3. Recommendations

This section outlines some recommendations. These include the following:

(A) Redesigning of the UOM syllabus

In the last few years UOM have made some modifications in the course in order to bring it in line with the current changing environments. Moreover, the financial services content could be further expanded by giving students the possibility to choose subjects related to financial services. This can be especially designed for those students who are keen on working in this industry.

(B) Promotion to attract more students to the financial services industry.

Focused career advice and awareness are essential in making students familiar with the opportunities available in the industry. Currently, great emphasis is being laid on this area; however, more structured initiative have to be taken in order to cover all schools and training institutes at an earlier stage.

(C) Include more conferences related to the financial services sector

One of the most significant recommendations that emerged from the study was that obligatory CPE could be revised to include more conferences related to the financial services industry. A system similar to the UK CPE in which training focuses on present accountant's job requirements may be more effective.

(D) More training

In order to make up for the lack of skilled workers in Malta, training programmes should be upgraded and revamped in order to provide and equip trainees with the required skills. As identified in the report, 'soft skills' and technical skills should be improved by having extended on-the-job training programs and training delivered away from the current work place.

6.4. Areas for further research

When this study was carried out, other topics which could serve as an impetus for further research were identified as follows:

(A) Education and training within the financial services industry

This study can focus on how the current educational system can be improved for would-be accountants who wish to specialize within the financial services sector. Therefore, the study could aim on identifying how certain subjects related to financial services may be included in the educational curricula.

(B) Demanding skills in the financial services industry

There are certain specializations in the financial services sector, particularly in the funds and insurance sectors. These are currently experiencing a shortage of skilled workers, including that of an actuary since at the moment foreign workers are being hired to do job. The study may aid in identifying the specific skills required to upgrade and upskill local employees.

(C) Financial services industry in Malta: a forty year comparison

A quantitative research can be conducted to assess the growth of the financial services industry and the increasing demand for accountants and auditors over the same period. The reasons for the expansion in this particular sector may be established.

6.5. Concluding Remarks

The financial services industry is considered crucial for the growth of the Maltese economy. Indeed, the professional accountant should continue to keep abreast of the changes occurring in this industry in order to maintain a high level of expertise that is in touch with the latest development and legislation. This can be achieved by appropriate education and training. Furthermore, promotion of this profession is instrumental in attracting more people to the financial services industry. The MFSA chairman, Prof. J.V. Bannister put the current situation in the financial services sector in a nutshell when he stated:

“Helping Malta win means, more than ever, ensuring that we have the right skills and the right ethos and attitudes to continue to be an EU location of choice for the best financial services businesses” (MFSA, 2008, p.8).

Appendices

Appendix 2.1: Main Skills which are lacking

Sales skills
Customer service skills
Insurance skills (especially people qualified in insurance with work experience)
Lack of knowledge of the financial services industry
Technical insurance skills
Report writing
Management skills
Personal development skills
The right qualifications with the right experience
Lack of knowledge/skills in captive insurance, insurance management and cells
Mixture of accounting and insurance skills is require for posts in insurance

Source: MFSA 2008 p. 52

Appendix 2.2: GFCI Ratings

The Global Financial Centre Index (GFCI) presents its ratings, rankings and profiles based on instrumental factors (external indices) which include people, business environment, infrastructure, market structure and general competitiveness. GFCI uses responses on an online survey which were carried out by international services professionals.

	GFCI 9 Rank	GFCI 9 Rating	GFCI 8 Rank	GFCI 8 Rating	Change in Rank	Change in Rating
Copenhagen	=46	571	=44	573	▼ 2	▼ 2
Glasgow	=46	571	46	572	-	▼ 1
Rome	48	568	=50	563	▲ 2	▲ 5
Bahrain	49	566	42	578	▼ 7	▼ 12
Rio de Janeiro	50	563	52	561	▲ 2	▲ 2
Monaco	51	562	49	567	▼ 2	▼ 5
Mexico City	52	561	=50	563	▼ 2	▼ 2
Oslo	53	560	53	557	-	▲ 3
Johannesburg	54	551	54	555	-	▼ 4
Prague	55	547	59	543	▲ 4	▲ 4
Gibraltar	=56	546	=55	554	▼ 1	▼ 8
Helsinki	=56	546	58	549	▲ 2	▼ 3
Mumbai	58	541	57	550	▼ 1	▼ 9
Warsaw	=59	538	67	517	▲ 8	▲ 21
Malta	=59	538	=55	554	▼ 4	▼ 16
Bangkok	61	536	60	537	▼ 1	▼ 1
Mauritius	62	533	61	535	▼ 1	▼ 2
Jakarta	63	532	=62	534	▼ 1	▼ 2

Source: Global Financial Centre Index 9 (March 2011) p.5

In the GFCI 9 (March 2011) Malta has been ranked 59th Financial Centre; a fall from 55th place in the previous ranking. Also, figure 2 shows that in GFCI (September 2011), Malta has been downgraded to the 70th rank.

Monaco	59	583	51	562	▼ 8	▲ 21
Lisbon	60	582	64	525	▲ 4	▲ 57
Moscow	61	581	68	506	▲ 7	▲ 75
Istanbul	62	580	71	494	▲ 9	▲ 86
Buenos Aires	63	579	64	525	▲ 1	▲ 54
Mumbai	64	578	58	541	▼ 6	▲ 37
Jakarta	65	577	63	532	▼ 2	▲ 45
Riyadh	66	575	70	500	▲ 4	▲ 75
Tallinn	67	574	74	456	▲ 7	▲ 118
Mauritius	68	571	62	533	▼ 6	▲ 38
Manila	69	570	66	519	▼ 3	▲ 51
Malta	70	568	59	538	▼ 11	▲ 30
St Petersburg	71	554	69	504	▼ 2	▲ 50
Bahamas	72	545	67	517	▼ 5	▲ 28
Budapest	73	543	72	468	▼ 1	▲ 75
Reykjavik	74	491	75	436	▲ 1	▲ 55
Athens	75	477	73	457	▼ 2	▲ 20

Source: Global Financial Centre Index 10 (September 2011) p.

In the GFCI 11 (March 2011), Malta suffered a further drop from 70th down to 72nd place.

Mumbai	64	584	64	578	–	▲ 6
Moscow	65	583	61	581	▼ -4	▲ 2
Mauritius	66	578	68	571	▲ 2	▲ 7
Buenos Aires	67	577	63	579	▼ -4	▼ -2
Lisbon	68	575	60	582	▼ -8	▼ -7
Manila	69	573	69	570	–	▲ 3
Riyadh	70	572	66	575	▼ -4	▼ -3
Tallinn	71	570	67	574	▼ -4	▼ -4
Malta	72	568	70	568	▼ -2	–
St. Petersburg	73	567	71	554	▼ -2	▲ 13
Budapest	74	552	73	543	▼ -1	▲ 9
Bahamas	75	550	72	545	▼ -3	▲ 5
Reykjavik	76	517	74	491	▼ -2	▲ 26
Athens	77	468	75	477	▼ -2	▼ -9

Source: Global Financial Centre Index 11 (March 2012) p.7

Appendix 2.3: GCR Ratings

Country/Economy	EFFICIENCY ENHANCERS		PILLARS											
	Rank	Score	5. Higher education and training		6. Goods market efficiency		7. Labor market efficiency		8. Financial market development		9. Technological readiness		10. Market size	
Lesotho	137	3.05	135	2.65	102	3.97	116	3.92	122	3.36	136	2.53	136	1.86
Liberia	121	3.36	114	3.30	40	4.54	61	4.45	74	4.03	132	2.62	144	1.24
Libya	131	3.19	103	3.56	137	3.45	137	3.46	140	2.68	110	3.11	102	2.86
Lithuania	46	4.38	26	5.15	56	4.36	65	4.41	87	3.86	33	5.00	74	3.53
Luxembourg	24	4.87	44	4.74	4	5.32	37	4.65	12	5.21	2	6.21	92	3.07
Macedonia, FYR	84	3.85	81	4.04	68	4.28	94	4.13	79	3.97	71	3.81	104	2.85
Madagascar	132	3.18	133	2.67	115	3.84	54	4.50	138	2.88	135	2.54	113	2.66
Malawi	120	3.37	129	2.81	112	3.86	43	4.58	75	4.00	134	2.54	123	2.41
Malaysia	23	4.89	39	4.83	11	5.16	24	4.82	6	5.44	51	4.31	28	4.78
Mali	127	3.26	130	2.77	111	3.87	118	3.89	113	3.53	119	2.99	118	2.57
Malta	40	4.46	35	4.93	34	4.62	92	4.14	15	5.11	21	5.59	125	2.38
Mauritania	142	2.88	142	2.23	135	3.58	131	3.60	136	3.04	123	2.75	131	2.07
Mauritius	62	4.14	65	4.29	27	4.80	70	4.38	35	4.65	63	3.98	109	2.74
Mexico	53	4.31	77	4.11	79	4.20	102	4.01	61	4.15	72	3.80	12	5.58
Moldova	99	3.71	88	3.96	100	3.98	81	4.26	104	3.65	65	3.91	121	2.51
Mongolia	96	3.76	83	3.99	85	4.17	33	4.69	127	3.33	70	3.82	116	2.60
Montenegro	74	3.99	51	4.63	48	4.42	93	4.14	40	4.49	56	4.15	130	2.08
Morocco	79	3.94	101	3.58	69	4.27	122	3.84	63	4.12	75	3.71	57	4.11
Mozambique	133	3.10	138	2.39	124	3.77	128	3.72	134	3.09	121	2.80	101	2.86
Namibia	105	3.64	119	3.14	87	4.16	74	4.33	48	4.44	104	3.23	120	2.57
Nepal	126	3.30	128	2.84	121	3.78	125	3.75	91	3.81	129	2.63	95	2.98
Netherlands	7	5.35	6	5.79	6	5.29	17	4.99	20	4.96	9	5.98	20	5.11
New Zealand	14	5.16	10	5.66	3	5.35	9	5.19	5	5.48	23	5.47	63	3.82
Nicaragua	119	3.38	110	3.32	119	3.79	109	3.98	116	3.48	116	2.95	108	2.76
Nigeria	78	3.96	113	3.31	88	4.16	55	4.50	68	4.07	112	3.08	33	4.63
Nonway	16	5.15	12	5.61	28	4.79	18	4.98	7	5.42	13	5.78	50	4.31

Source: Global Competitiveness Report 2012-2013 p.19

Country/Economy	INNOVATION AND SOPHISTICATION FACTORS		PILLARS			
	Rank	Score	11. Business sophistication		12. Innovation	
Lesotho	137	2.72	135	3.11	138	2.33
Liberia	59	3.67	62	3.99	54	3.34
Libya	127	2.92	116	3.35	129	2.50
Lithuania	47	3.83	56	4.16	43	3.51
Luxembourg	19	4.89	23	4.96	18	4.82
Macedonia, FYR	110	3.13	111	3.44	110	2.83
Madagascar	115	3.08	122	3.28	106	2.88
Malawi	109	3.16	115	3.38	99	2.94
Malaysia	23	4.70	20	5.02	25	4.38
Mali	114	3.11	126	3.22	88	2.99
Malta	46	3.85	43	4.27	48	3.43
Mauritania	118	3.01	117	3.35	121	2.68
Mauritius	63	3.63	41	4.30	98	2.95
Mexico	49	3.79	44	4.26	56	3.33
Moldova	131	2.85	120	3.30	135	2.40
Mongolia	112	3.11	121	3.30	100	2.93
Montenegro	69	3.57	76	3.83	60	3.31

Source: Global Competitiveness Report 2012-2013 p.20

The Global Competitiveness Index in detail

INDICATOR	VALUE	RANK/144
1st pillar: Institutions		
1.01 Property rights	5.6	21
1.02 Intellectual property protection	4.7	35
1.03 Diversion of public funds	4.1	43
1.04 Public trust in politicians	3.2	49
1.05 Irregular payments and bribes	4.5	49
1.06 Judicial independence	5.0	35
1.07 Favoritism in decisions of government officials	3.0	76
1.08 Wastefulness of government spending	3.6	44
1.09 Burden of government regulation	3.0	104
1.10 Efficiency of legal framework in settling disputes	3.9	58
1.11 Efficiency of legal framework in challenging regs.	3.7	68
1.12 Transparency of government policymaking	4.4	57
1.13 Gov't services for improved business performance	4.1	39
1.14 Business costs of terrorism	5.9	51
1.15 Business costs of crime and violence	5.9	14
1.16 Organized crime	6.4	15
1.17 Reliability of police services	5.0	42
1.18 Ethical behavior of firms	4.5	42
1.19 Strength of auditing and reporting standards	5.8	16
1.20 Efficacy of corporate boards	4.4	84
1.21 Protection of minority shareholders' interests	5.2	17
1.22 Strength of investor protection, 0–10 (best)*	n/a	n/a
2nd pillar: Infrastructure		
2.01 Quality of overall infrastructure	5.2	35
2.02 Quality of roads	3.1	105
2.03 Quality of railroad infrastructure	n/appl.	n/a
2.04 Quality of port infrastructure	5.7	15
2.05 Quality of air transport infrastructure	5.9	25
2.06 Available airline seat kms/week, millions*	65.9	88
2.07 Quality of electricity supply	4.8	72
2.08 Mobile telephone subscriptions/100 pop.*	124.9	39
2.09 Fixed telephone lines/100 pop.*	54.9	8
3rd pillar: Macroeconomic environment		
3.01 Government budget balance, % GDP*	-3.0	72

INDICATOR	VALUE	RANK/144
6th pillar: Goods market efficiency		
6.01 Intensity of local competition	5.8	10
6.02 Extent of market dominance	3.8	60
6.03 Effectiveness of anti-monopoly policy	4.6	36
6.04 Extent and effect of taxation	3.7	53
6.05 Total tax rate, % profits*	n/a	n/a
6.06 No. procedures to start a business*	n/a	n/a
6.07 No. days to start a business*	n/a	n/a
6.08 Agricultural policy costs	4.4	26
6.09 Prevalence of trade barriers	5.2	18
6.10 Trade tariffs, % duty*	0.9	6
6.11 Prevalence of foreign ownership	4.7	70
6.12 Business impact of rules on FDI	5.4	16
6.13 Burden of customs procedures	4.9	26
6.14 Imports as a percentage of GDP*	98.4	7
6.15 Degree of customer orientation	4.5	79
6.16 Buyer sophistication	3.6	60
7th pillar: Labor market efficiency		
7.01 Cooperation in labor-employer relations	4.8	33
7.02 Flexibility of wage determination	4.9	83
7.03 Hiring and firing practices	3.6	92
7.04 Redundancy costs, weeks of salary*	n/a	n/a
7.05 Pay and productivity	4.2	51
7.06 Reliance on professional management	4.0	88
7.07 Brain drain	4.1	37
7.08 Women in labor force, ratio to men*	0.55	123
8th pillar: Financial market development		
8.01 Availability of financial services	5.3	34
8.02 Affordability of financial services	4.9	32
8.03 Financing through local equity market	4.4	24
8.04 Ease of access to loans	3.9	17
8.05 Venture capital availability	3.1	36
8.06 Soundness of banks	6.2	13
8.07 Regulation of securities exchanges	5.6	12
8.08 Legal rights index, 0–10 (best)*	n/a	n/a

Appendix 3.1: Covering letter – Questionnaire

L-UNIVERSITÀ TA' MALTA
Msida MSD 2080 - Malta
DIPARTIMENT TA' L-ACCOUNTANCY



UNIVERSITY OF MALTA
Msida MSD 2080 - Malta
DEPARTMENT OF ACCOUNTANCY

21st December 2012

Dear Madam/Sir,

Ms Silvana Zammit is a Bachelor of Accountancy (Hons) student reading through the last year of the degree programme. In the course of her academic studies and assessment she is preparing a dissertation titled "The changing role of the Maltese professional accountant in the financial services industry".

As part of the dissertation project she is required to collect data via questionnaires. In this context you are kindly being asked to assist Ms Zammit by providing her with any information that you can offer.

The Department of Accountancy of the University of Malta would be very pleased with your collaboration. All responses will be used by the student for research purposes only. Furthermore such responses will be treated with the confidentiality that is applicable in the writing of the research project.

Yours sincerely,

A handwritten signature in blue ink, which appears to read "L. Ellul".

Ms Lauren Ellul
Dissertation Supervisor

Appendix 3.2: Copy of the questionnaire**SECTION A: GENERAL**

1. **Gender:** Male Female

2. **Age** (please tick the appropriate age bracket)

Less than 25 years _____

25-34 years _____

35-49 years _____

50-59 years _____

60 years or more _____

3. **What accountancy related qualifications do you hold? (you may tick more than one)**

Bachelor of Accountancy (Hons) _____

ACCA/ACA/CIMA _____

MIA _____

Master's degree _____

Ph.D.degree _____

Others (please specify) _____

4. **Accounting experience:** Yes No

5. **If yes:**

1 - 5 years _____

6 - 10 years _____

11 - 15 years _____

16 years or more _____

6. What is your current employment sector:

Banking sector _____

Insurance sector _____

Collective investment scheme sector _____

Others (please specify)
_____**7. How long have you been in your current occupation?**

1 – 5 years _____

6 – 10 years _____

11 -15 years _____

16 years or more _____

SECTION B: CHANGING ROLE OF THE PROFESSIONAL ACCOUNTANT**8. Which do you think are the top factors driving change in the accountancy profession today? (Please rank the following options on a 5-point scale where 1 corresponds to the least important and 5 corresponds to the most important)**

Technological factors

Increased regulatory complexity

Complex financial products

Complex risk management

Valuation of financial products (e.g. derivatives)

9. **Which do you think will be the top challenges for accountants in the foreseeable future in the Financial Services industry? (Please rank the following options on a 6-point scale where 1 corresponds to the least important)**

Risk Management

Retaining staff

Finding staff

Keeping current with regulatory complexity

Economic downturn

Business sustainability

SECTION C: PROFESSIONAL ACCOUNTANTS' SKILLS

10. **In your opinion which skills are the most relevant in your sector?**

Technical skills _____

Soft skills _____

Both _____

Others _____

11. **Indicate which of the below soft skills you are finding difficult to obtain:**

Communication skills

Customer handling skills

Team building skills

Negotiating

Management skills

Others (please specify)

12. What are the main causes for not finding the appropriate applicant for a vacancy in the financial services industry?

Shortage of skills the sector demands

Lack of qualifications the sector demands

Lack of work experience required by the sector

Shortage of applicants with the necessary attitude, motivation or personality

Few people interested in this type of sector

Remuneration is lower compared with other businesses

Job requires shift work/long/unsocial/irregular hours

No particular reason

Others (please specify) _____

SECTION D: EDUCATION AND TRAINING

13. Do you think that the subjects studied are applied in your work?

Yes fully _____

Only up to a certain extent _____

No _____

Other comments _____

14. Do you think that today's prospective accountants have better opportunities for obtaining their qualifications?

Yes

No

Please state reasons for your answer _____

15. Did you gain any accounting experience during your studies?

None at all _____

A Great deal _____

Considerable _____

16. Do you attend training courses to improve specific skills?

Yes

No

17. If yes, do you find them useful?

Yes

No

Why:

18. What measures are taken in your sector to overcome the lack of demand of skills?

- a. increased recruitment
 - b. more training/development for the current employees
 - c. changed working practices
 - d. expanded on-the-job trainee programmes
 - e. no measures taken
 - f. off-the-job training (training delivered away from the immediate work position)
 - g. others
-

Appendix 3.3: Interview Questions

1. In what areas were you involved in your professional career?
2. In your opinion, what were the main challenges that the profession was facing in the past and how different are they in the present?
3. Financial services are now a pillar of the Maltese economy, and accountants have played a critical role in making this happen. In your opinion do you think that this will continue to be an area of opportunity and growth?
4. In your opinion do you think that there will be enough, adequately trained, accountants to service the projected growth in this industry?
 - a. If no, how would the shortage of accountants in the financial services industry be mitigated?
 - b. What additional key skills would be needed in the financial services industry?
 - c. Should this need be incorporated in the educational system?
5. How were you affected by the changes in standards and regulations such as IFRS 4 Phase II, Solvency II, Basel III and IFRS 9?
6. Are the future professional accountants in the financial service industry competencies being properly developed today?
7. Is practice changing at a faster pace than the tuition available in Malta?
8. Does the fact that we are the only profession mandating CPE for our members actually make us a better profession that is more prepared to face tomorrow's challenges?
9. In which areas of specialization do you believe further training is required?

Appendix 3.4: Covering Letter – Interview

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Msida MSD 2080 - Malta
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UNIVERSITY OF MALTA
Msida MSD 2080 - Malta
DEPARTMENT OF ACCOUNTANCY

21st December 2012

Dear Madam/Sir,

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The Department of Accountancy of the University of Malta would be very pleased with your collaboration. All responses will be used by the student for research purposes only. Furthermore such responses will be treated with the confidentiality that is applicable in the writing of the research project.

Yours sincerely,

A handwritten signature in blue ink that reads "L. Ellul".

Ms Lauren Ellul
Dissertation Supervisor

Appendix 3.5: Research Interview Consent Form

RESEARCH INTERVIEW PARTICIPATION CONSENT FORM

Name of Student _____

Address _____

Contact numbers _____

Email address _____

Dissertation Title _____

I hereby agree to be interviewed for the purposes of the above research.

I understand that my responses will be used by the researcher for research purposes only.

Name of interviewee _____

Signature of interviewee _____

Date _____

Appendix 3.6: Statistical Tests used

3.6.1 CHI-SQUARED TEST

The Chi-Squared test is used to determine whether there exists an association between two categorical variables. The null hypothesis (H_0) specifies that there is no association between the two categorical variables and is accepted if the p-value exceeds the 0.05 level of significance. The alternative hypothesis (H_1) specifies that there is a significant association between the two categorical variables and is accepted if the p-value is lower than the 0.05 criterion.

3.6.2 FRIEDMAN TEST

The Friedman test is used to compare the mean rating scores between several related statements. The mean rating score for each statement ranges from the smallest score to the higher score with the lowest corresponding to the least important and the highest to the most important.

The null hypothesis (H_0) specifies that the mean ranking scores provided for the statements are comparable and is accepted if the p-value exceeds the 0.05 level of significance. The alternative hypothesis (H_1) specifies that the mean rating scores provided for the variables differ significantly and is accepted if the p-value is lower than the 0.05 criterion.

Appendix 4.1: CPE Regulations 2011

4.14 As training and professional competence in the core areas of accountancy is essential for a professional accountant to exercise his or her profession and provide high quality services to clients, employers and other stakeholders, the MIA requires its Members to undertake a minimum amount of CPE training on Core Competencies. **Core Competency areas** are directly relevant to the exercise of the profession and are therefore given appropriate weighting by these Regulations. The MIA identified the following activities that qualify as Core Competencies in the attainment of one's continuing professional development:

(a) **Audit and Assurance** – including, but not limited to, activities relating to the conduct of an audit, or assurance engagements other than an audit of financial statements. Such activities will normally relate to:

- i. International Standards on Auditing;
- ii. International Standards on Review Engagements;
- iii. International Standards on Assurance Engagements;
- iv. standards and Technical Releases of an audit or assurance nature, that may be issued from time to time by the MIA or the Accountancy Board;
- v. the performance of audit and assurance procedures;
- vi. internal audit;
- vii. the design, implementation and testing of internal controls;
- viii. computer-assisted-audit-techniques (CAATs);
- ix. information systems audit;
- x. laws and regulations relevant to the audit process, not otherwise falling under (i) above;
- xi. duties and responsibilities of members of audit committees.

(b) **Taxation** – including activities that relate to:

- i. the Income Tax Acts;

- ii. the Value Added Tax Act;
- iii. Duty on Documents and Transfers Act;
- iv. other tax legislation and updates thereon;
- v. the provision of tax advice;
- vi. tax planning and structuring;
- vii. tax compliance;
- viii. double taxation treaties;
- ix. relevant case-law.

(c) Financial Accounting – activities mainly dealing with:

- i. financial accounting and reporting standards including International Financial Reporting Standards, International Accounting Standards, - interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the Accounting Profession (General Accounting Principles for Smaller Entities) Regulations (Subsidiary Legislation 281.03 of the Laws of Malta;
- ii. standards or Guidance Notes of a financial accounting nature, that may be issued from time to time by the MIA or the Accountancy Board;
- iii. training on specific areas that fall under the financial accounting umbrella, such as Net Asset Value computations, preparation of consolidated financial statements, impairment provisioning, and similar areas.

(d) Management Accounting –including activities that relate to:

- i. preparation of financial records and reports;
- ii. decision-based reporting, such as project appraisal, feasibility studies and ratio analysis;
- iii. budgeting and variance analysis;
- iv. costing techniques.

(e) **Corporate Finance** – activities that are relevant to business and financial advisory services, including:

- i. management consulting;
- ii. financial management;
- iii. treasury management;
- iv. investment management;
- v. working capital management.

(f) **Professional Regulation and Ethics** – including, but not limited to, activities relating to the following legislation:

- i. the Accountancy Profession Act
- ii. the Accountancy Profession Regulations (Subsidiary Legislation 281.01 of the Laws of Malta);
- iii. Directives that may be issued from time to time by the Accountancy Board.

4.15 Professional Development Competency areas add on to an accountant’s technical skills by delving into matters that are of a professional, ethical or managerial nature, or that enhance an accountant’s general knowledge of affairs surrounding his or her clients or employers. The MIA identified the following activities that qualify as Professional Development Competencies in the attainment of one’s continuing professional development:

(a) Practice management (excluding activities that would fall to be treated under Professional Regulation and Ethics in paragraph 4.14(f) of these Regulations);

(b) Relevant legislation (excluding legislation which is covered under Core Competencies), including:

- i. the Prevention of Money Laundering Act and the Prevention of Money Laundering and Funding of Terrorism Regulations;

- ii. the Financial Services Act;
- iii. the Companies Act;
- iv. the Lotteries and Gaming Act;
- v. the Insurance Business Act and the Insurance Intermediaries Act;
- vi. the Trusts and Trustees Act;
- vii. the Investment Services Act.

(c) Transaction services;

(d) Project planning and appraisal;

(e) Human Resources management;

(f) Information Technology and Management Information Systems (IT&MIS);

(g) Strategic decision-making;

(h) Liquidation and insolvency;

(i) Fiduciary and trustee;

(j) Succession and estate planning;

(k) Wealth management;

(l) Managerial skills.

Source:

http://www.miamalta.org/MediaCenter/PDFs/1_CPE%20Regulations%202011.pdf

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