



Gibraltar Transparency Report 2022

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Navigating this report



Foreword

An update from Stephanie Beavis, Managing Partner.



Transparency Report requirements mapped

An explanation of how we have mapped our required disclosures to specific responses and cross references to our UK Transparency Report.



Quality and risk management

This section gives an update on our Audit Quality Plan and methods to monitor quality. It also sets out the principal risks and uncertainties facing our firm, and the controls and processes in place to manage these risks. It includes a statement by the Board on the effectiveness of the internal controls system.



Financial information

Financial information in respect of Audit and directly related services.



Appendix

UK Transparency Report.

Foreword

At KPMG, our mission continues to be to build a strong, sustainable business supporting Gibraltar's economy.

We have made great progress in 2021/22 through investment in our audit technology, a relentless focus on quality and development of our staff.

We have an exciting and growing business with interesting and stretching opportunities, where people can solve complex problems and help organisations build a more sustainable future.

Audit Quality

Building trust remains a key priority. Audit quality is fundamental to the effective functioning of the capital markets and is key to investor and public trust. That is why delivering sustainable, high quality audits sits at the heart of our strategy as we strive to serve the public interest. Key to this is a seamless delivery model which embraces new technology and creates a culture that empowers our people to excel and apply the highest standards in their work.

We are proud of the improvements we have made to audit quality through our investment and the incredible effort and focus by each and every team member.

Technology in our audits

Increasingly we are a technology business, delivering audits and assurance. KPMG Clara is our proprietary, market leading, cloud-based platform designed to deliver a consistently high standard of audit across the KPMG global network, and we will perform 100% of our audits through this in 2023. KPMG Clara embeds digital technology into the audit allowing us to leverage the power of emerging technology.

Digital audits leverage technology, enabling us to focus our people's skills and experience on investigating anomalies and interpreting the data. We are working right across our global network and created alliances with the world's most innovative technology companies to stay at the forefront of digital transformation.

Many of today's challenges and issues are global in nature so our clients expect a global response. The Gibraltar and UK firm are a core part of the KPMG global network and we are continually looking for ways to collaborate and connect.



Foreword

Continued

A top performing audit practice with the right culture and investment to support sustainable audit quality

At KPMG we are guided by Our Values and doing great work that matters. We're committed to building a culture that is open, safe and inclusive and operates to the highest ethical and quality standards. In 2022, we created a culture plan which was set after taking the views of every member of our team.

In audit, more generally, we have a culture of high challenge, high support. This is about having the courage to challenge ourselves and challenge our audited entities, enabled by strong support, whether that's through wellbeing initiatives, learning opportunities, or a range of channels for speaking up and asking for help.

We want to increase the attractiveness of the audit profession and create awareness of the opportunities it offers. Our team have spent time with the University, Schools and College in Gibraltar to promote this to students. The rise of the digital audit transforms what being an auditor involves and creates broader opportunities as we need to be able to use the tools and interpret the data.

We are committed to our apprenticeship programme as well as our graduate scheme giving wider access.

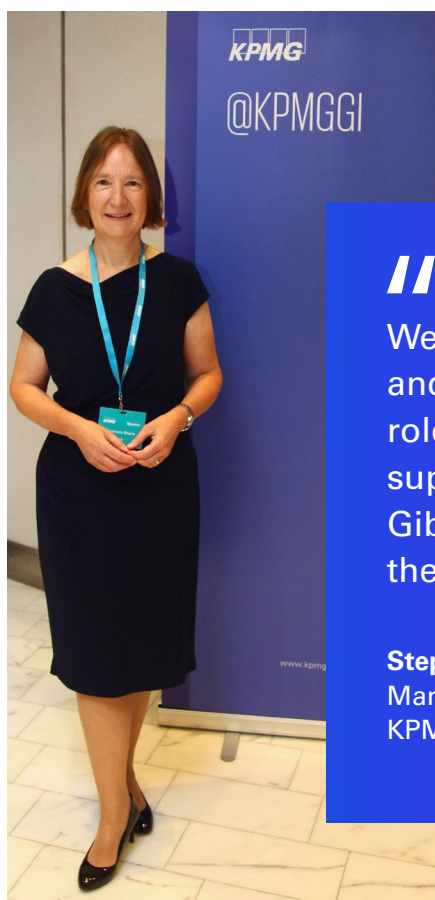
We celebrate the diversity in our team and want to have a practice where everyone can thrive.

We look forward to continuing to build our practice and supporting the Gibraltar economy and community in 2023 and beyond.



Steph Beavis

Managing Partner,
KPMG Limited



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We have a fantastic team and I am proud of the role we have played in supporting business in Gibraltar and contributing to the wider community.

Steph Beavis
Managing Partner,
KPMG Limited

Transparency Report requirements mapped

KPMG Limited has operated in Gibraltar since 2008 and became a subsidiary of KPMG LLP in 2018.

Transparency Report disclosures are driven by Article 13 (Transparency Report) of regulation: (EU) No 537/2014 as amended by the Financial Services (Audit Regulation) (Amendment)(EU Exit) Regulations 2020. The requirements and commentary are set out in the table below. KPMG Limited works closely with its parent KPMG LLP and utilises many common systems and processes. As a result, much of the required information for the Transparency Report is contained within the UK Transparency Report and we have appended this and cross referenced to this in the requirements table below where appropriate.

Requirement	Comment
a) a description of the legal structure and ownership of the audit firm.	KPMG operates in Gibraltar through KPMG LLP's wholly owned subsidiary, KPMG Limited, a company registered in Gibraltar. KPMG Limited is approved as a statutory auditor by the Gibraltar Financial Services Commission under the Gibraltar Financial Services Act 2019. KPMG Limited has a wholly owned subsidiary KPMG Advisory Limited through which tax and advisory services are provided.
b) where the statutory auditor or the audit firm is a member of a network:	
(i) a description of the network and the legal and structural arrangements in the network;	As noted above KPMG Limited is a wholly owned subsidiary of KPMG LLP. The UK Transparency Report , Appendix 1 explains how the UK is affiliated to the KPMG International network.
(ii) the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network who is eligible to undertake statutory audits or equivalent audits in the United Kingdom or EEA States;	Refer to: UK Transparency Report 2022 , Appendix 1. In addition to the UK firm's details, a link is provided that gives in the name of each audit firm that is a member of the organisation and the EU/EEA countries in which each firm is qualified as a statutory auditor or has its registered office, central administration principal place of business.
(iii) for each member of the network identified under paragraph (ii), the countries in which the member is eligible for appointment as an auditor or has his, her or its registered office, central administration or principal place of business;	Refer to: UK Transparency Report 2022 , Appendix 1.
(iv) the total turnover of the members of the network identified under paragraph (ii) resulting from statutory audit work or equivalent work in the United Kingdom or EEA States;	Refer to: UK Transparency Report 2022 , Appendix 1 for turnover generated by KPMG firm's from EU and EEA member states. The UK firm's turnover is provided in Appendix 7. In total the revenues for the UK and EEA states resulting from statutory audit work or equivalent is £2.9 billion.
c) a description of the governance structure of the audit firm;	KPMG Limited is governed by a board of directors which currently consists of two locally based Directors and three UK Partners/Senior Executives. The Board meets at least quarterly and is responsible for overseeing the legal and regulatory requirements as well as its local operations and future strategy.

Transparency Report requirements mapped

Continued

Requirement	Comment
d) a description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning;	See Section 3 – Our quality control and risk management systems.
e) an indication of when the last quality assurance review referred to in Article 26 was carried out;	The most recent quality assurance review by the GFSC was carried out in Q3 2020 and the outcome is noted on page 7.
f) a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year;	— Acromas Insurance Company Limited.
g) a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted;	The statements contained in the UK Transparency Report 2022 also apply to KPMG Limited. refer to Quality control and risk management .
h) a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in section 486 of the Financial Services Act 2019;	The statements contained in the UK Transparency Report 2022 also apply to KPMG Limited. refer to Audit quality .
i) information concerning the basis for the partners' remuneration in audit firms;	Refer to the UK Transparency Report 2022: People and culture .
j) a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7) 24;	KPMG Limited follows the same policies outlined in the UK Transparency Report 2022. Refer to Quality control and risk management .
k) where not disclosed in accounts, information about the total turnover of the statutory auditor or the audit firm divided into the following categories: <ul style="list-style-type: none"> (i) revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity; (ii) revenues from the statutory audit of annual and consolidated financial statements of other entities; (iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and (iv) revenues from non-audit services to other entities. 	See page 11 – financial information.

Signed by the statutory auditor or the audit firm

KPMG limited

Quality control and risk management

There are numerous policies and procedures in place to help the UK and Gibraltar firms, and members of KPMG International, comply with professional standards. Responsibility for complying with these policies, and managing risk, lies with all employees, there are controls and processes in place to help them. These are outlined in the UK Transparency Report. Our Audit Quality Framework is set out in Appendix 9.

In terms of fee dependency, during the year ended 30 September 2021 we provided services to a group which accounted for 44% of total fees received by KPMG Limited and services to a subsidiary of a UK group which represented 14% of total fees. In all cases a UK based EQCR was involved in the audits.

See the UK Transparency Report on our Audit Quality Transformation journey set out in Appendix 9 on how we measure our progress against our audit quality indicators. For KPMG Limited our specific external and internal monitoring is set out below:

External monitoring

In Q3 2020, the Gibraltar firm's audit practice was the subject of a periodic Quality Assurance Review as required under Article 26 of the EU Audit Directive by the Gibraltar Financial Services Commission. Three audit files were reviewed, one of them being an EU Public Interest Entity, and "the quality of the audit work reviewed was of an appropriate standard" with only "minor findings in respect of the detailed audit work".

Internal monitoring

There are three components to our internal monitoring:

- Quality Performance Review (QPR);
- KPMG Quality and Compliance Evaluation (KQCE) programme – formerly known as the Risk Compliance Programme (RCP); and
- Global Quality and Compliance Review (GQ&CR) programme.

Quality Performance Review (QPR)

The QPR programme is the cornerstone of KPMG's efforts to monitor engagement quality. It assesses engagement level performance and identifies opportunities to improve engagement quality. It is also how we make sure that member firms collectively and consistently meet both KPMG International's requirements and professional standards. All engagement leaders are generally subject to selection for review at least once in a three year cycle supplemented by risk based selections. In 2022 two Gibraltar registered engagement leaders were selected under the cyclical review (2021: Nil). Observations from reviews are received by the Board with a root cause analysis for findings performed where appropriate.

In addition, and as agreed in discussions with the Gibraltar Financial Services Commission at our triennial review in 2020, all engagement leaders have at least one engagement supported by the UK firm's second line of defence team. We share our findings from the QPR Programme (UK and Gibraltar combined) in writing, through internal training tools and in periodic partner, manager and team meetings. The themes from second line of defence reviews are also collated and shared with appropriate training delivered.

KPMG Quality and Compliance Evaluation (KQCE) programme

KPMG International develops and maintains quality management policies and processes that apply to all KPMG firms. These policies and processes, and their related procedures, include the requirements of the Global Quality & Risk Management (GQ&RM) Manual, ISQC 1 and the implementation requirements of ISQM 1 for this transition period.

The objectives of the KQCE programme are to:

- document, assess and evidence the extent of compliance of KPMG in the UK's and Gibraltar implementation of ISQM 1 and the extent of compliance of their system of quality control with the GQ&RM Manual policies and key legal and regulatory requirements; and
- provide the basis for KPMG in the UK and Gibraltar to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

For FY22 member firms are required to self-assess their overall levels of compliance as green, yellow or red. A green rating indicates that the firm is substantially compliant with KPMG's policies and procedures; yellow indicates that the firm is substantially compliant with KPMG's policies and procedures and, although there may be several instances of non-compliance, these do not indicate serious deficiencies within the firm as a whole; while red indicates there are serious deficiencies.

The firm's evaluation also considers the results and status of action plans arising from other reviews assessing risk, quality and compliance, including QPRs and GQ&CRs. Where exceptions are identified, we are required to develop appropriate action plans and then monitor the status of each action item.

In 2022 the self-assessment for KPMG UK is an overall level of compliance of yellow (2021: yellow).

Quality control and risk management

(continued)

Global Quality and Compliance Review (GQ&CR) programme

The UK firm is subject to a GQ&CR conducted by KPMG International's GQ&CR team, independent of the member firm, at various intervals based on identified risk criteria.

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

The GQ&CR provides an independent assessment of:

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

The UK firm was subject to GCR inspection during 2021 where a number of opportunities for improvement were identified, including areas which were generally identified by the UK firm's Audit Quality Improvement plans, RCP/KQCE and other compliance and quality control processes. Whilst the review is UK focused the Gibraltar firm uses many of the same systems and processes.

Internal controls statement

The Board of KPMG Limited is responsible for the firm's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, loss, or non-compliance with relevant regulatory or legislative requirements. The key elements of the Board's review of the risk management systems and internal controls during the period under review have been:

- consideration of the design and operation of the quality control systems as described in this report;
- consideration of the findings from the various compliance programs operated by our firms (including the KPMG International review programmes as described in the report and findings from oversight provided by the UK member firm of KPMG); and
- findings from regulatory inspections and subsequent follow-up and/or remedial actions.

Conclusions

The Board of KPMG Limited confirms that internal reviews of the effectiveness of internal controls and of independence practices within our firm have been undertaken. Our compliance programmes identify deficiencies and opportunities for improvement and, in such instances, remediation activities are agreed with subsequent follow up to assess the extent to which the matters identified have been addressed satisfactorily. However, matters arising from these activities are not considered either individually or in the aggregate to undermine the overall system of internal control in place.

Quality control and risk management

(continued)

Risk management

The identification, evaluation, management and monitoring of the most significant risks that face our firm and could threaten the achievement of our strategic objectives are the responsibility of our Board. The principal risks and uncertainties facing our firm are as follows:

Risk	Risk description	Mitigation
Major or multiple audit failures	Issuance of an incorrect audit opinion and/or poor quality auditing resulting in shareholder loss, litigation, regulatory action or lost clients through the resulting reputational damage.	<ul style="list-style-type: none"> — A tone at the top which emphasises quality, ethics and integrity. — Board oversight of both internal and external audit quality reviews, recommendations and actions. — Robust audit quality controls including adoption of all KPMG UK audit policies and procedures. — Use of KPMG UK's second line of defence function to support in the audits of high risk and certain selected other entities as appropriate. — Rigorous client and engagement acceptance procedures and risk policies. — Involvement of UK Engagement Quality Control reviewers on all high risk clients and public interest entities. — Involvement of actuaries on all insurance clients. — Global methodologies and mandatory training.
Major litigation or regulatory investigation	Actual or suspected failure in any of our services potentially resulting in loss for our clients and shareholders, harming our reputation, opening us to increased scrutiny, the prospect of major claims and legal costs or significant remediation costs.	<ul style="list-style-type: none"> — A tone at the top which emphasises quality, ethics and integrity. — General engagement quality and risk management controls, including robust contracts put in place with clients and recipients of our reports. — Rigorous and robust inter-firm contracting protocols when working with other KPMG International member firms. — Rigorous client and engagement acceptance procedures.
Data loss	Failure to protect client confidential or personal data, as a result of either cyber attack or through failures in our internal procedures leading to loss for our clients, potential damage to our reputation, loss of key clients, potential litigation and/or regulatory fines.	<ul style="list-style-type: none"> — Integration with KPMG UK IT security policies and processes. — Ongoing training and awareness campaigns. — Our Code of Conduct. — GDPR compliance.
Financial risk	Failure to achieve growth or budget aspirations thereby losing market share and competitor positioning. Poor cost control and ineffective cash management (including significant bad debt losses, failure to control costs such as staff, premises and IT). Reliance on a small number of large clients.	<ul style="list-style-type: none"> — Board role in budget and performance oversight. — Quarterly financial analysis at board level. — Financial support from KPMG UK.

Quality control and risk management

(continued)

Risk	Risk description	Mitigation
Delivering inappropriate services	Delivery of services which are either illegal, unethical, contravene professional standards or are otherwise perceived by investors, regulators or other stakeholders as inappropriate could damage our or our clients' reputations and potentially result in regulatory sanctions, legal action or damage our relationship with key regulators.	<ul style="list-style-type: none"> Our internal quality control system, adopted from the UK and overseen by the Board, including (i) Rigorous client and engagement acceptance procedures, (ii) Engagement quality controls (including the involvement of an Engagement Quality Control review), (iii) Robust conflicts checking processes, (iv) Policies and procedures around auditor independence, (v) Robust compliance programmes and (vi) Our Code of Conduct and Values. Whistle-blowing processes.
Failure of another network firm	Our ability to service our clients or our reputation in the marketplace is severely impacted by the failure of another KPMG member firm.	<ul style="list-style-type: none"> Global processes and procedures including (i) Risk policies and procedures and (ii) Audit methodology and (iii) Quality Review Programmes.
Working with the wrong clients	Working with the wrong clients damages our reputation in the marketplace/with the regulators or exposes the firm to litigation.	<ul style="list-style-type: none"> Robust client acceptance processes, for example with relation to high risk industries such as online gaming and cryptocurrencies. Speak-Up hotline.
Cultural behaviour	Actual behaviour and actions of individuals not aligned with target culture leading to disengagement and demotivation. Behaviours of Gibraltar people not aligned to KPMG Values / KPMG Way.	<ul style="list-style-type: none"> A tone at the top which emphasises quality, ethics and integrity – Global People Survey results and actions. Robust people management process. Code of Conduct and Values training. Ethics Champion. Follow up staff survey and creation of Values Charter.
Failure to manage resources	Capability gaps, an inability to retain and recruit appropriate resource and poorly motivated partners and staff adversely impacts the firm's ability to generate revenue and service clients. A loss of key individuals bringing about short term client service and wider retention problems.	<ul style="list-style-type: none"> Recruitment plan and investment in recruitment. Succession planning (including through more Gibraltar resident responsible individuals) and talent development. Process to identify key skills and capabilities required. People management processes and remuneration benchmarking. Close working with UK firm.
Failure to achieve strategic plan	Unanticipated national and global market developments (including the impact of Brexit) result in the firm being unprepared for shifts in the marketplace and/or changes in the needs and priorities of clients causing loss of market position.	<ul style="list-style-type: none"> Diversification of client base and core services. Ongoing investment in core capabilities. Ongoing assessment of impact of Brexit and other changes in the market place on Gibraltar and the firm's client base (for example pressures on Gibraltar from the OECD or EU).
Global pandemic or cyber/terrorist attack or fire on premises	Unanticipated pandemic affecting staff availability or cyber/terrorist attack or fire meaning IT and premises becomes unavailable.	<ul style="list-style-type: none"> Key staff coverage from UK possible. Business continuity plans. COVID-19 has proven staff can work effectively remotely.

Financial information

Relative importance of statutory audit work

2022	KPMG Limited £k	KPMG Advisory Limited, £k	Total £k
Revenue			
Audit and directly related services	2,915	-	2,915
Other assurance work	145	3	149
	3,060	3	3,063
Tax and other non-audit services	-	248	248
	3,060	251	3,311

Total KPMG Gibraltar revenues can be further analysed on the following basis:

2022	KPMG Limited £k	KPMG Advisory Limited, £k	Total £k
Revenue			
Audit and directly related services for audited entities	2,915	-	2,915
Non-audit services for audited entities	145	82	227
Non-audit services for non-audit clients	-	169	169
	3,060	251	3,311
Number of audited entities where fees exceed 10% of total	2	n/a	2

Audit and directly related services reflects revenue of £418k in respect of Gibraltar-registered EU public interest entities and their subsidiaries and £2,497k audit and related services provided to other entities.

The financial information for KPMG Advisory Limited, KPMG Limited's wholly owned subsidiary, has been included for information and separately identified.

All revenue figures are stated gross of expenses and staff borrowing costs.

Audit revenue includes both the audit of individual and consolidated financial statements of audited entities.



UK Transparency Report

The Gibraltar Transparency Report for KPMG Limited refers to the UK Transparency Report in a number of areas. The UK Transparency Report can be accessed at <https://kpmg.com/uk/en/home/about/our-impact/our-firm/transparency-report.html>



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