



Gibraltar Transparency Report 2023

January 2024 | kpmg.com/gi



Introduction

Our firm

KPMG Limited, a Gibraltar limited liability company, has operated in Gibraltar since 2008 and became a subsidiary of KPMG LLP in 2018. Audit and directly related services are delivered through KPMG Limited, and other Tax and Advisory services are delivered through its subsidiary KPMG Advisory Limited.

KPMG Limited is part of the KPMG global organisation of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organisations. The KPMG organisation structure is designed to support consistency of service quality and adherence to agreed Values wherever its member firms operate.

Find out more about KPMG Gibraltar [here](#).



Our Values

KPMG is committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public's trust through our actions and behaviours both professionally and personally. Our Values guide our behaviours day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all our stakeholders.



Integrity

We do what is right



Excellence

We never stop learning and improving



Courage

We think and act boldly



Together

We respect each other and draw strength from our differences



For Better

We do what matters

Introduction

continued

Our commitment to audit quality

Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands.

We define “audit quality” as the outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management.

All our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics, and integrity.

To that end, KPMG has a Global Quality Framework (GQF) for use across KPMG globally. This framework guides how we work and how we approach the audit. It helps ensure a consistent approach with quality at its heart.

The drivers outlined in the Framework are the ten components of our KPMG system of quality management (SoQM). In line with the International Standard on Quality Management (ISQM) 1, our SoQM also aligns with the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

Under ISQM1 we are required to evaluate the effectiveness of our system of quality management on an annual basis. Our first evaluation was performed as of 30 September 2023.

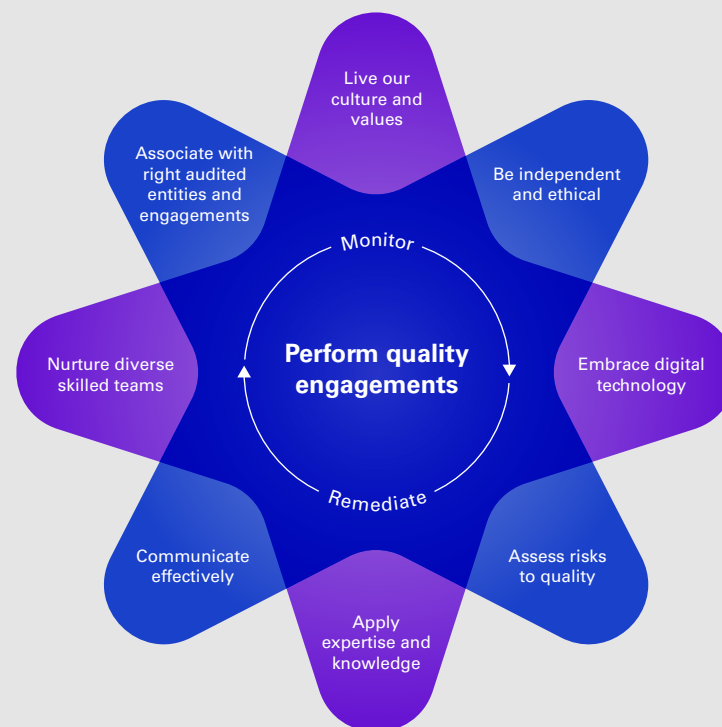
Based on the annual evaluation of KPMG Limited's System of Quality Management as of 30 September 2023, the System of Quality Management provides KPMG Limited with reasonable assurance that the objectives of the System of Quality Management are being achieved.

Refer to the “Quality control and risk management” section on page 8 for our full Statement on the effectiveness of the System of Quality Management of KPMG Limited as at 30 September 2023.

Explore our Global Quality Framework

As a wholly owned subsidiary of the UK firm, the processes followed in Gibraltar against each component of the Global Quality Framework, are consistent with those described in the 2023 UK Transparency Report – visit the [UK Audit quality](#) section to find out more.

For specific information on the Gibraltar firm's approach to “monitor and remediate”, refer to the “Quality control and risk management” section on page 8.



Navigating our Transparency Report

Whilst KPMG Limited is a multi-disciplinary firm, this report is primarily focused on our Audit practice and the policies and programmes we have in place to support audit quality. The information disclosed relates to KPMG Limited's activities as at 30 September 2023, and demonstrates compliance with Article 13 of the EU Audit Regulation as retained in Gibraltar law.

As a wholly owned subsidiary of KPMG LLP, KPMG Limited's processes are, for the most part, consistent with those applied within the UK firm (refer to the [2023 KPMG UK Transparency Report](#)), some of which are consistent across the KPMG global organisation (refer to the [2023 KPMG International Transparency Report](#)). However, in cases where processes followed in Gibraltar are different to those followed in the UK, or globally, detail has been provided within this report.

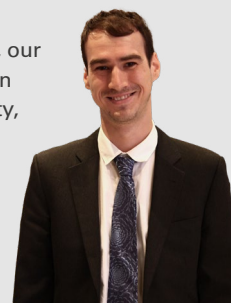


Information about the policies and programmes we have in place to support audit quality are disclosed here:

Governance and meeting our reporting requirements

In line with our purpose and values, our approach to leadership is focused on transparency, fairness, accountability, and responsibility.

Refer to "Meeting our reporting requirements" section on Page 5.



People and Culture

Our "High Challenge, High Support" culture helps to drive a professional scepticism mindset and empowers our people to thrive with us and learn for a lifetime.

Refer to the [2023 KPMG UK Transparency Report: People and culture](#).



Audit quality

Guided by our Global Quality Framework, we nurture diverse skilled teams, demonstrate technical expertise and knowledge, and embrace digital technology (through KPMG Clara).

Refer to the [2023 KPMG UK Transparency Report: Audit quality](#).



Quality Control and Risk Management

We manage risk responsibly and in the interest of our stakeholders and the public. There are numerous policies and procedures in place to ensure compliance with our professional standards.

Refer to "Quality Control and Risk Management" section on Page 8.



Meeting our reporting requirements

In accordance with [Article 13 \(Transparency Report\) of Regulation \(EU\) No 537/2014 of the European Parliament and of the Council, as amended by the Financial Services \(Audit Regulation\) \(Amendment\) \(EU Exit\) Regulations 2020¹](#), as an audit firm that carries out statutory audits of public-interest entities, KPMG Limited is required to make public an annual Transparency Report.

The Regulation requires the Transparency Report to comprise specific disclosures. KPMG Limited's response to these requirements is shown below.

As a wholly owned subsidiary of KPMG LLP, KPMG Limited's processes are, for the most part, consistent with those applied within the UK firm, some of which are consistent across the KPMG global organisation. Therefore, where efficient to do so, some of KPMG Limited's responses refer to information contained within the [2023 KPMG UK Transparency Report](#).

Requirement	Response
The annual transparency report shall include at least the following:	
a) a description of the legal structure and ownership of the audit firm	<p>KPMG operates in Gibraltar through KPMG Limited, a limited liability company and wholly owned subsidiary of KPMG LLP.</p> <p>KPMG Limited is approved as a statutory auditor by the Gibraltar Financial Services Commission under the Gibraltar Financial Services Act 2019.</p> <p>KPMG Limited has a wholly owned subsidiary KPMG Advisory Limited, through which tax and advisory services are provided.</p> <p>Refer to the 2023 KPMG UK Transparency Report: Meeting our reporting requirements (Appendix 1: Legal structure)</p>
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;	<p>As noted above KPMG Limited is a wholly owned subsidiary of KPMG LLP.</p> <p>KPMG LLP is part of the KPMG global organisation of professional services firms. The KPMG organisation structure is designed to support consistency of service quality and adherence to agreed Values wherever its member firms operate.</p> <p>Refer to the 2023 KPMG UK Transparency Report: Meeting our reporting requirements (Appendix 1: Legal structure)</p>
(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;	<p>United Kingdom</p> <p>Refer to the 2023 KPMG UK Transparency Report: Meeting our reporting requirements (Appendix 1: Legal structure)</p> <p>EU/EEA countries</p> <p>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 or principal place of business are available here.</p>

¹ Refer to the Financial Services (Audit Regulation) (Amendment) (EU Exit) Regulations 2020 [here](#).

Meeting our reporting requirements

Continued

Requirement	Response
(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;	<p><u>United Kingdom</u></p> <p>Refer to the 2023 KPMG UK Transparency Report: Meeting our reporting requirements (Appendix 1: Legal structure)</p> <p><u>EU/EEA countries</u></p> <p>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 or principal place of business are available here.</p>
(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;	<p><u>United Kingdom</u></p> <p>Refer to the 2023 KPMG UK Transparency Report: Meeting our reporting requirements (Appendix 7: Financial information)</p> <p><u>EU/EEA Member States²</u></p> <p>Aggregated revenues generated by KPMG firms³, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.4 billion during the year ending 30 September 2023.</p> <p>The EU/EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended 30 September 2023.</p> <p>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 or principal place of business are available here.</p>
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.
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;	Refer to “Quality Control and Risk Management,” on page 8.
e) an indication of when the last quality assurance review referred to in Article 26 was carried out;	The most recently completed quality assurance review by the Gibraltar Financial Services Commission was carried out in Q3 2020 and the outcome is noted on page 13.

² The financial information set forth represents combined information of the separate KPMG firms from EU and EEA Member States that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.

³ Does not include revenues from the UK, or Gibraltar.

Meeting our reporting requirements

Continued

Requirement	Response
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;	<ul style="list-style-type: none"> — Acromas Insurance Company Limited — UWI Limited — Petrus Insurance Company Limited — Petrus Insurance Company Limited — West Bay Public Limited Company — St Julians 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;	Refer to the 2023 KPMG UK Transparency Report: Quality control and risk management (Maintaining an objective and independent mindset)
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;	Refer to the 2023 KPMG UK Transparency Report: Audit quality (Apply expertise and knowledge)
i) information concerning the basis for the partners' remuneration in audit firms;	Refer to the 2023 KPMG UK Transparency Report: People and Culture (Uphold the highest ethical and quality standards)
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);	Refer to the 2023 KPMG UK Transparency Report: Quality control and risk management (Maintaining an objective and independent mindset)
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. 	Refer to "Financial information," on page 15.

Quality control and risk management

Accountability

Partners and employees are responsible for complying with KPMG Limited's policies and procedures, and there are internal controls and processes in place to help them do so.

The Board of KPMG Limited annually assesses both the effectiveness of the firm's internal controls and its compliance with independence policies.

Policies and procedures

KPMG International ("KPMGI") has established a quality framework across its network of member firms based on the International Standard on Quality Management (ISQM1) issued by the International Auditing and Assurance Standards Board (IAASB) and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform statutory audits and other assurance and related services engagements.

The policies and associated procedures within this framework enable member firms to comply with relevant professional standards, and with regulatory and legal requirements, and help our partners and employees act with integrity and objectivity, performing their work with diligence.

KPMG Limited supplements KPMG International's quality framework with additional policies and procedures that address its specific business risks as well as rules and standards issued by the Gibraltar Financial Services Commission, the ICAEW and other relevant regulators.

International Standard on Quality Management (ISQM) 1

ISQM1 was issued by the IAASB and became effective on 15 December 2022. For each component in the standard, KPMGI has established globally consistent quality objectives (refer to the Global Quality Framework outlined in the 2023 KPMG International Transparency Report), quality risks and responses. The objective of this centralised approach is to drive consistency, robustness, and accountability of responses for processes implemented across our global organisation.

The ultimate and operational responsibility and accountability for KPMG's Limited's System of Quality Management (SoQM) is assigned to Stephanie Beavis, Managing Partner of KPMG Limited.

The KPMG LLP Ethics & Independence Partner is responsible for compliance with independence requirements under the Firm's SoQM and has operational responsibility in relation to the Firm's ethics and independence requirements.

The KPMG LLP Chief Risk Officer has monitoring and remediation responsibility for the Firm's SoQM.

In line with the KPMG Global SoQM Methodology, KPMG Limited conducts an iterative risk assessment process (iRAP). This process, overseen by those with operational responsibility for the SoQM and the Board of KPMG Limited, looks at a range of internal and external sources to assess whether there are any additional risks relevant to the System of Quality Management (SoQM) that may require the implementation of additional controls or formal inclusion of existing controls within the SoQM. Once identified, controls are subject to monitoring and evaluation activities as outlined here.

Under ISQM1 we are required to evaluate the effectiveness of our system of quality management on an annual basis. Our first evaluation was performed as of 30 September 2023. The conclusion of this evaluation is shown on the next page.

Quality control and risk management

Continued

Statement on the effectiveness of the System of Quality Management of KPMG Limited as at 30 September 2023

As required by the International Auditing and Assurance Standards Board (IAASB)'s, International Standard on Quality Management (ISQM1), and KPMG International Limited Policy, KPMG Limited (the "Firm") has responsibility to design, implement and operate a System of Quality Management for audits or reviews of financial statements, or other assurance or related services engagements performed by the Firm.

The objectives of the System of Quality Management are to provide the Firm with reasonable assurance that:

- a) The Firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- b) Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

Integrated quality monitoring and compliance programmes enable KPMG Limited to identify and respond to findings and quality deficiencies both in respect of individual engagements and the overall System of Quality Management.

If deficiencies are identified when KPMG Limited performs its annual evaluation of the System of Quality Management, KPMG Limited evaluates the severity and pervasiveness of the identified deficiencies by investigating the root causes, and by evaluating the effect of the identified deficiencies individually and in the aggregate, on the System of Quality Management, with consideration of remedial actions taken as of the date of the evaluation.

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2023, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.

Quality control and risk management

Continued

Risk management

It is the responsibility of the Board of KPMG Limited to identify, evaluate, manage, and monitor the most significant risks that face our firm and could threaten the achievement of our strategic objectives, or our business model, future performance, or solvency.

Principal risks

For the year ending 30 September 2023, KPMG Limited identified 11 principal risks:

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. — A Global Quality Framework, encompassing global methodologies, mandatory training (including KPMG Audit University), accreditation requirements (including for specialists) and audit quality review programme. — 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.
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 member firms of the KPMG global organisation. — Comprehensive client and engagement acceptance procedures, including ACCEPT framework for decision-making, Client and Engagement Acceptance and Continuance Committee and Conflicts Working Group
Data loss	Failure to protect client confidential or personal data, because 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. — Specific Gibraltar access policy and procedures in place. — Ongoing training and awareness campaigns. — Our code of conduct (Our Code) — GDPR compliance.

Quality control and risk management

Continued

Risk	Risk description	Mitigation
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.
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.	<p>Our internal quality control system, adopted from the UK and overseen by the Board of KPMG Limited, including:</p> <ul style="list-style-type: none"> — Comprehensive client and engagement acceptance procedures, including ACCEPT framework for decision-making, Client and Engagement Acceptance and Continuance Committee and Conflicts Working Group. — Engagement quality controls (including the involvement of an Engagement Quality Control review). — Robust conflicts checking processes. — Policies and procedures around auditor independence. — Robust compliance programmes. — Our code of conduct (Our Code) and Values. <p>Whistle-blowing processes and promotion of a Speak Up hotline overseen by a third-party ombudsman.</p>
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.	<p>Global processes and procedures including:</p> <ul style="list-style-type: none"> — Risk policies and procedures. — Audit methodology. — 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"> — Comprehensive client and engagement acceptance procedures, including ACCEPT framework for decision-making, Client and Engagement Acceptance and Continuance Committee and Conflicts Working Group. These processes would consider, for example, high risk industries such as online gaming and cryptocurrencies. — Whistle-blowing processes and promotion of a Speak Up hotline overseen by a third-party ombudsman.

Quality control and risk management

Continued

Risk	Risk description	Mitigation
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. — Our code of conduct (Our Code) and Values training. — Whistle-blowing processes and promotion of a Speak Up hotline overseen by a third-party ombudsman. — Nominated Champions supporting staff with ethical matters. — Follow up staff survey and creation of Values Charter. — Code of Conduct and Values training.
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. — Defined performance management cycle and processes which includes goal setting, feedback, and performance appraisal. — Regular training delivered to Performance Managers and 360 feedback programme for leaders across the firm. — Close working with UK firm.
Failure to respond to changes in the marketplace	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 marketplace on Gibraltar and the firm's client base (for example pressures on Gibraltar from the OECD or EU and risk of VAT).
Global pandemic/ catastrophe 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"> — Ensuring "Responsible Individual" coverage from the UK firm, to support Gibraltar firm client delivery, where needed. — Business continuity plans.

Quality control and risk management

Continued

Internal monitoring of quality

Quality monitoring and compliance programmes that are created by KPMG International are used by KPMG firms to identify quality issues, perform root cause analysis and develop remedial action plans, both for individual audits and for their overall System of Quality Management (SoQM). The programmes evaluate:

- Engagement performance in compliance with the applicable professional standards, applicable laws and regulations and key KPMG International policies and procedures;
- Our firm's compliance with key KPMG International policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

The internal monitoring and compliance programmes also contribute to the evaluation of our SoQM operating effectiveness. These programmes include:

- Audit Quality Performance Review (QPR).
- KPMG Quality & Compliance Evaluation (KQCE) – formerly known as the Risk Compliance Programme (RCP).
- Global Quality & Compliance Review (GQCR).

The results and lessons from the integrated monitoring and compliance programmes are communicated at local, regional, and global levels (as relevant) and we establish action plans to make improvements where

needed. Results are also considered by KPMG International.

[Audit Quality Performance Review \(QPR\) programme](#)

The Audit QPR programme is the cornerstone of our efforts to monitor engagement quality. It assesses engagement level performance and identifies opportunities to improve engagement quality.

All engagement leaders of statutory and non-statutory audits and other assurance engagements are generally subject to selection for review at least once in a three-year cycle. A risk-based approach is used to select engagements.

We conduct the annual QPR programme in accordance with KPMG International QPR instructions, which promote consistency across the KPMG organisation. Reviews are overseen by an independent experienced lead reviewer from another KPMG firm. QPR results are reported to KPMG International.

In 2023 one Gibraltar registered engagement leader was selected under the cyclical review (2022: Two). 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](#)

The KQCE programme encompasses the testing and evaluation requirements of a KPMG firm's SoQM which are necessary to support both their compliance with ISQM 1, and compliance with the firm's quality and risk management policies. KQCE programme requirements are mandated for all KPMG firms. The 2023 KQCE program covered the period from 1 October 2022 to 30 September 2023.

[Global Quality and Compliance Review \(GQCR\) programme](#)

A GQCR is conducted by a KPMG International team, independent of the member firm. Firms are selected for review using a risk-based approach, which considers several factors, including financial conditions, country risks, results of monitoring programmes and people surveys, with each firm subject to a GQCR at least once in a four-year cycle.

The GQCR team performing the review comprises partners and managers who are independent of the firm subject to review. The overall objective of the GQCR programme is to assess the firm's compliance with selected

KPMG International policies, including those related to governance and SoQM.

The UK firm was subject to a GQCR review during 2021. Whilst the review is UK focused, the Gibraltar firm uses many of the same systems and processes. Several opportunities for improvement were identified from this review, including areas which were also generally identified by the UK firm's Audit Quality and Banking Audit Quality Improvement Plans, Risk Compliance Programme (RCP)/KPMG Quality and Compliance Evaluation (KQCE) and other compliance and quality control processes. Implementation of these improvements is largely complete.

External monitoring of quality

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".

As of January 2024, the next triennial review was still in progress. The results of this review will be communicated in the 2024 Transparency Report.

Quality control and risk management

Continued

Monitoring, remediation, and evaluation of the SoQM

Monitoring activities include:

- Testing of the Firm's SoQM controls operated locally, in the UK and overseas, and at a Network level (including general IT controls);
- Review of 'other sources' e.g. QPR and GQCR findings, root cause analysis, regulatory developments etc.

The evaluation of the SoQM involves the identification and assessment of findings from monitoring, and of deficiencies. Judgement is required to assess whether findings result in a deficiency, and the severity and pervasiveness of any deficiencies, individually and in aggregate. Those judgements include considering both the significance of findings to the achievement of quality objectives and the extent to which actions taken up to the evaluation date mitigate the effects on the SoQM. The status of remediation is monitored by Stephanie Beavis, Managing Partner, and overseen by the Board of KPMG Limited.

Our evaluation of the effectiveness of our SoQM is set out on page 9.

Compliance testing

During the year, member firms were required to self-assess their overall levels of compliance with quality and risk management policies not in scope of the SoQM as either compliant, substantially compliant, or non-compliant.

For the year ended 30 September 2023, our approach to quality and risk management policies were, other than minimal differences, aligned and operated with that of KPMG UK which was rated substantially compliant. That is defined as where significant compliance findings are not pervasive in nature and action plans to address their identified causes have either already been implemented or substantially implemented or are planned to be implemented within a timeline which will allow for compliance testing in the succeeding period.

Action plans to address the identified root causes of Compliance Findings have been developed and are in the process of being delivered. The status of remediation is monitored by KPMG LLP.

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.

Where applicable, the Board's review of the risk management systems and internal controls consists of the following key elements:

- 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; 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.

Financial information

Relative importance of statutory audit work:

Revenue ⁴	2023			2022		
	KPMG Limited £k	KPMG Advisory Limited ⁵ £k	Total £k	KPMG Limited £k	KPMG Advisory Limited £k	Total £k
Audit and directly related services ⁶	4,197	–	4,197	2,915	-	2,915
Other assurance work	604	16	620	145	3	149
	4,801	16	4,817	3,060	3	3,063
Tax and other non-audit services	-	358	358	-	248	248
	4,801	374	5,175	3,060	251	3,311

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

Revenue ⁴	2023			2022		
	KPMG Limited £k	KPMG Advisory Limited ⁵ £k	Total £k	KPMG Limited £k	KPMG Advisory Limited £k	Total £k
Audit and directly related services for audited entities ⁶	4,197	-	4,197	2,915	-	2,915
Non-audit services for audited entities	545	49	594	145	82	227
Non-audit services for non-audit clients	59	325	384	-	169	169
	4,801	374	5,175	3,060	251	3,311
Number of audited entities where fees exceed 10% of total ⁷	2	-	2	2	n/a	2

⁴ All revenue figures are stated gross of expenses and staff borrowing costs.

⁵ The financial information for KPMG Advisory Limited, KPMG Limited's wholly owned subsidiary, has been included for information and separately identified.

⁶ Audit revenue includes both the audit of individual and consolidated financial statements of audited entities. Audit and directly related services reflects revenue of £1,987k (2022: £418k) in respect of Gibraltar-registered public interest entities and their subsidiaries, and £2,814k (2022: £2,497k) audit and related services provided to other entities.

⁷ During the year ended 30 September 2023, KPMG Limited provided audit services to two groups where the total fees exceeded 10% of the annual fee income of the firm – one representing 32% and the other 30%. In both cases a UK-based EQC reviewer was engaged in both audits.



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