

IFIAR 2020 Member Profile – GFSC

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Gibraltar
2. Member ¹	2.1 Insert the name of the Member, both in the local language and in English: Gibraltar Financial Services Commission (“GFSC”)
	2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: PO Box 940, Suite 3, Ground Floor, Atlantic Suites, Europort Avenue, Gibraltar Tel.: +350 200 40283 Website: http://www.gfsc.gi
	2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation: <p>The GFSC is an independent unified regulatory and supervisory authority created under Statute for the regulation and supervision of financial services in Gibraltar, including that of the audit industry. It is a statutory body corporate established by the Financial Services Act, 2019 (“the Act”).</p> <p>The functions of the GFSC include having to supervise regulated persons in accordance with the Act, to consider and determine applications, and monitor and enforce compliance with the Act and regulations. An additional function includes monitoring of compliance by the regulated persons in the prevention of financial crime, as well as monitoring financial services businesses carried on in or from Gibraltar and taking enforcement actions in respect of unlicensed business.</p> <p>Regulation 537/2014/EU on specific requirements regarding statutory audit of public-interest entities provides the GFSC with a mandate in respect to audit regulation.</p>

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> <p>The Act and the Legislative Reform Programme ("LRP") Regulations came into force on 15 January 2020.</p> <p>The LRP consolidates and rationalises over 90 financial services legislative instruments into one Act and additional supporting, sector specific regulations.</p> <p>There are 41 sets of Regulations. The LRP Regulations do not change the substance of the legislation they derive from and they remain similar.</p> <p>The LRP has concurrently implemented all EU legislation transpositions and local legislative initiatives during the lifetime of the programme.</p> <p>The LRP, through the new Financial Services Act, provides a clear, more navigable and accessible legislative framework for financial services that will facilitate innovation.</p> <p>Key features of the LRP:</p> <ul style="list-style-type: none"> • A harmonised approach to authorisation and obtaining permission to carry on regulated activities • A Regulated Individuals' Regime • A new Decision-Making Committee • Procedural clarity and consistency across the board • Harmonised cross-sectoral powers and related processes <p>Key changes:</p> <ul style="list-style-type: none"> • Regulated Individuals • Permissions Regime • Decision-Making Committee
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for</p>

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p>example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The GFSC is accountable to a Board of Commission Members (the “Board”) consisting of seven Members, six of which are non-executive and the Chief Executive Officer. The Board has a Chairman appointed from within the six members of the Board. The governing body is made up of non-practitioners, highly experienced individuals in the legal and financial services sectors.</p> <p>The current Board consists of: Kerry Blight (Chief Executive) Jonathan Spencer (Chairman) Adrian Coles (NED) Emilio Gomez (NED) Paul Sharma (NED) Peter Caetano (NED) Peter Isola (NED) Richard Hill (NED)</p> <p>On 17 June 2016 an Auditors Regulatory Committee (“ARC”) was formed; this meant, in practice, that whenever audit regulation is discussed, a board member who is also an audit practitioner is not to be present or be provided with any pertinent information.</p> <p>The ARC consists of: Kerry Blight (Chief Executive) Jonathan Spencer (Chairman) Adrian Coles (NED) Emilio Gomez (NED) Paul Sharma (NED) Peter Isola (NED) Richard Hill (NED)</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The Chief Executive and members are appointed by the Minister with responsibility for financial services in Gibraltar. Board Members are not appointed as representatives of a constituency; they are appointed as individuals to bring their personal qualities and experience for the benefit of the GFSC. Supervisory bodies need to be independent and this policy preserves the objectivity and independence of the GFSC. Board members are appointed for three years and upon such terms as may be specified in the instrument appointing them. The appointment of Board Members is renewable, however, with the exception of the Chief Executive, Members may not be reappointed if they have served a term of nine years or more.</p>
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	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p>The Board does not take any executive decisions on approval of applications, enforcement action or other types of regulatory action. Instead, it delegates the powers granted to it under the Act to the Chief Executive through a formal delegation of powers approved by the Board. The Chief Executive Officer is charged with the responsibility of supervising institutions carrying on finance business in or from within Gibraltar. The CEO is required to ensure that such supervision complies with any applicable obligations Gibraltar has, as a constituent of the European Union, established supervisory standards which match those required by legislation and supervisory practice governing the provision of financial services within the United Kingdom.</p> <p>The Board conducts an annual assessment of the performance of the Members and the Chairman. These are led by the Chairman and the Senior Independent Members respectively. Findings of the performance reviews are discussed at Board meetings.</p> <p>Board Members are provided with formal induction training upon appointment to the Board and maintain regular contact with industry and related parties in order to keep abreast of current issues.</p> <p>To summarise, the Board is ultimately responsible for all decisions in respect of licensees except for Statutory Auditors. The Auditors Regulatory Committee will provide the governance for audit supervision and is made up entirely of board members that are non-practitioners.</p>
	<p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

	<p>If yes to either of the above, please describe:</p> <p>As aforementioned there is an Auditors Regulatory Committee that is responsible for the governance of Statutory Auditors and does not allow any current auditors/practitioners to be part of the panel.</p> <p>The cooling off period in accordance with Regulation 537/2014/EU is three years.</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member's organization (including in any inspections, committee or panel role)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p> <p>The GFSC has engaged with ICAEW to assist it in performing Quality Assurance reviews of the auditors.</p> <p>Assistance in the current Quality Assurance review process is limited for auditors of public interest entities to technical support and training of the inspection staff.</p> <p>No members of the ICAEW are involved in decision making or control authority in the regulation of auditors. Neither are they part of a committee or have a panel role.</p> <p>There is an audit practitioner who is a member of the GFSC's Decision Making Committee ("DMC") which is an independent statutory committee of the GFSC. There are conflicts of interest provisions which apply to the members of the Committee (these are set out in Schedule 4 of the Act and applied to the DMC by Schedule 6). These include required disclosure of an interest by a member who has a pecuniary, personal or other interest in any matter before the GFSC. The Schedule further explains procedures to follow when there is an interest concerned and when they must not participate.</p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The GFSC levies fees in the form of annual registration fees and application fees for audit firms and statutory auditors.</p> <p>The annual fees for Auditors are stipulated in the Financial Services (Fees) Regulations 2020.</p>

	<p>Funding is secure and free from any possible undue influence by Statutory Auditor's or Audit Firms.</p> <hr/> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>The annual fees for Auditors are stipulated in the Financial Services (Fees) Regulations 2020. These regulations are revised and amended on an annual basis prior to when fees are due to be invoiced.</p> <p>This is legislated by Her Majesty's Government of Gibraltar.</p>
<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <p>The GFSC has direct responsibility for recurring inspections of audit firms undertaking audits of public interest entities.</p> <p>The GFSC engages with the ICAEW in order to assist its reviewers in performing the recurring inspections of the auditors.</p> <p>In respect of reviews of auditors of public interest entities, the ICAEW's role is limited to providing technical support and training.</p> <hr/> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>As stipulated in the Act, quality assurance controls of all audit firms and sole practitioners shall take place every six years with the exception of auditors of public interest entities which are reviewed every three years.</p>

6. Audit and Financial Market	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member's oversight or mandate.</p> <p>At the start of the year there are 21 audit firms/sole practitioners. Currently there are 7 audit firms which conduct audits of PIEs, the number of firms that conduct PIE audits remains fairly stable year on year. Before we began conducting inspections in 2012 a series of initial assessments were conducted on all firms. The GFSC is now entering its 8th year of Quality Assurance Visits. The number of PIE's is 64.</p> <p>During the year, two auditors (either audit firms or sole practitioners) were reviewed. There are a further four auditors to be reviewed prior to the end of March 2020 which is the GFSC's year end.</p> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</p> <p>We do not compile this information.</p>
7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p> <input checked="" type="checkbox"/> Registration/Licensing <input type="checkbox"/> Audit and/or Ethics Standard Setting <input type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input checked="" type="checkbox"/> Other: <u>Quality Assurance and Public Oversight</u> </p> <p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p> <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight </p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>The GFSC's remit with regards to 7.2 comprises of the following:</p> <ul style="list-style-type: none"> • The registration, approval and removal of statutory auditors and audit firms; • The registration, approval and removal of statutory auditors and audit firms from other EEA states; • The upkeep of a public register of statutory auditors and audit firms;

	<p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The GFSC does not have responsibility for audit or ethical standard setting.</p> <p>Statutory Auditors are required to carry out audits in accordance to International Auditing Standards.</p> <p>Statutory Auditors are required to follow the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants.</p>
	<p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>No single entity holds the responsibility for permanent education. This responsibility is shared by Statutory Auditors who are required to confirm and provide details to the GFSC of Continuous Professional Development ("CPD") conducted during the year.</p> <p>The CPD information received from auditors is then reviewed as part of our desk-based supervision.</p> <p>Statutory Auditors are additionally required to confirm on an annual basis whether they remain members of a professional accountancy body. The professional bodies will have their own specific CPD requirements which Statutory Auditors would need to follow.</p>

	<p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The GFSC's Enforcement strategy and process is available on our website (https://www.fsc.gi/enforcement/Strategy)</p> <hr/> <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>We do not undertake other additional audit oversight tasks.</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>The GFSC is also responsible for the regulatory and supervisory oversight of the following additional sectors:</p> <ul style="list-style-type: none"> • Banking & E-Money Issuers; • Investment Services; • Collective Investment Schemes; • Exchanges and Clearing Houses; • Insurance Companies, Mediation & Management; • Trust and Company Management; • Occupational Pensions Institutions; and • Money Services Business/Money Transmitters. • Distributed Ledger Technology Intermediaries.
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>During 2019, the GFSC continued to enhance the oversight of auditors, especially in relation to the development of the quality assurance reviews as required under Section 29(1) of the Financial Services (Auditors) Act, 2009. Specifically, the seventh year of quality assurance reviews was carried out. During the year, two auditors (either audit firms or sole practitioners) were reviewed. There are a further four auditors to be reviewed prior to the end of March 2020 which is the GFSC's year end.</p>