



IFIAR 2018 Member Profile – GFSC

<p>1. Jurisdiction</p>	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>Gibraltar</p>
<p>2. Member¹</p>	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Gibraltar Financial Services Commission (“GFSC”)</p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>Website: http://www.gfsc.gi</p> <p>Address: PO Box 940, Suite 3, Ground Floor, Atlantic Suites, Europort Avenue, Gibraltar</p> <p>Contact: Ana James, International Affairs Officer +350 200 40283</p> <hr/> <p>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> <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 Commission Act, 2007 (“the 2007 Act”).</p> <p>The functions of the GFSC are to keep under review the operation of Gibraltar legislation and the effectiveness of supervision of financial services; to monitor the extent to which Gibraltar legislation and supervision complies with European Union obligations and supervisory standards governing financial services in the United Kingdom where Community law applies; to protect the public against financial loss arising out of dishonesty, incompetence or malpractice; to advise the Government of Gibraltar and the Government of the United Kingdom on matters concerning financial services; and to draw up codes for regulating the terms of service of persons employed by the GFSC.</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>Regulation 537/2014/EU on specific requirements regarding statutory audit of public-interest entities also provides us a mandate in respect to audit regulation.</p> <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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>
<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 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”) which has eight Members, seven of which are non-executive and the remaining being the Chief Executive Officer of the GFSC. The Board has a separate Chairman appointed from within the six members of the Board. The majority of the governing body is made up of non-practitioners comprising of those in the legal and financial services sector. Of the seven other individuals that comprise the Board, one is an audit practitioner.</p> <p>The current Board consists of: Samantha Barrass (Chief Executive) Jonathan Spencer (Chairman) Adrian Coles Bruno Callaghan Edgar Lavarello Emma Perez Joseph E (Melo) Triay Paul Sharma</p> <p>On the 17 June 2016 an Auditors Regulatory Committee was formed; this meant, in practice, that whenever audit regulation is discussed the board member who is also an audit practitioner is not to be present or be provided with any pertinent information.</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>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The Chief Executive and the other 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> <hr/> <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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <hr/> <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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <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 Supervisory Acts 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 and to establish 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 the 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>
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	<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 will be entirely made up of non-practitioners.</p> <hr/> <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 will be three years.</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (e.g., in a management or inspection function)?</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:</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>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 Commission (Fees) Regulations 2016.</p> <p>Funding is secure and free from any possible undue influence by Statutory Auditor’s or Audit Firms.</p>



	<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 Commission (Fees) Regulations 2016.</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 checked="" 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 in the past engaged with ICAEW to assist it in performing Quality Assurance reviews of the auditors.</p> <p>It continues to use the services of ICAEW for Quality Assurance reviews. In respect of reviews of auditors of public interest entities this is limited to technical support and training in order to fulfil its requirements in respect of Quality Assurance visits.</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 Financial Services (Auditors) Act 2009, quality assurance controls shall take place every six years with the exception of auditors of public interest entities which are reviewed every three years.</p>
<p>6. Audit and Financial Market</p>	<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>All firms and sole practitioners are subject to inspections; this is done via a series of Quality Assurance Visits over a six-year cycle.</p>



	<p>At the start of the year there are 22 audit firms/sole practitioners. Currently there are 7 audit firms which conduct audits of PIEs. Prior to our commencement of inspections an initial assessment was conducted on firms. The GFSC is now entering its 6th year of Quality Assurance Visits. The number of PIE's is 67.</p> <p>During the year, two auditors (either audit firms or sole practitioners) were reviewed. There is a further audit firm to be reviewed prior to the end of March 2018 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>
<p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p>	<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 checked="" 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> <hr/> <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 checked="" 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>All Statutory Auditors are required to confirm and provide details to the GFSC of Continuous Professional Development conducted during the year.</p> <p>Statutory Auditors are additionally required to confirm on an annual basis whether they remain members of a professional body.</p> <hr/> <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> <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>
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	<p>The GFSC is responsible to ensure that all statutory auditors and audit firms are subject to a system of quality assurance controls. The GFSC has responsibility for the Public oversight of statutory auditors and audit firms.</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 Mediation, Companies & 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 2017, 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 fifth year of quality assurance reviews was carried out. During the year, two auditors (either audit firms or sole practitioners) were reviewed. There is a further audit firm to be reviewed prior to the end of March 2018 which is the GFSC’s year end.</p>