



RSM Audit (Gibraltar) Limited

Transparency report 2017

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING





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Foreword

Welcome to the RSM Audit (Gibraltar) Limited 2017 Transparency Report.

Our report complies with the Gibraltar Financial Services (Auditors) Act 2009 and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities.

An audit firm is required to prepare an annual Transparency Report that meets the requirements of Article 13 of the Regulation. This new regulation is applicable for financial years beginning on or after 16 June 2016. Therefore, this would be our first year that we publish our transparency report on our website www.rsm.gi

This is also our first year that we report under the RSM brand and we are delighted on joining the RSM network. RSM operates as a 'unified, global brand', ensuring clients benefit from shared knowledge and best practice wherever they do business as well as being able to rely on quality local experience and understanding.

The Global RSM network has seen an increasing number of international, dynamic, middle market businesses choosing to work with RSM. We reported a 7.6% global fee income growth for the year ended 31 December 2016 with total fee income increasing to \$4.87bn.

Our investment in people continues and our staff numbers have doubled in recent years.

Our service package offered to clients by our local practice is supported by other service lines offered by three sister firms.

Our people have a real passion for charitable activities, with many involved in the firm's commitment to corporate responsibility and also supporting causes that have personal meaning.

Offices organise activity to support projects within the local community. During the year, we have partaken in charitable activities for Childline, Clubhouse Gibraltar and FreeTheKnee.

We are looking forward to the coming year, working with our clients, stakeholders and within our community.

Moe Cohen
CEO
RSM Gibraltar

Introduction from the Head of Audit

Audit and high-quality advice deliver value to our clients, clarity to stakeholders and continue to contribute to investor confidence in our becoming the leading advisor to the middle market.

We seek to achieve Audit Quality through the combination of:

The right people

Our teams value audit quality and are capable of the thoughts and insights needed to deliver it. They have enquiring minds and use scepticism as appropriate. In addition, they are robust where necessary, unafraid to ask difficult questions and understand the need to be totally independent, objective and free from influence.

Ultimate responsibility for each engagement rests with the Responsible Individual ("RI"). Their commitment to quality and the motivation to achieve it is passed on to the team on each and every assignment.

We have strong recruitment and promotion processes and audit quality criteria are considered in the appraisal and remuneration of both partners and staff.

Robust audit process

The audit process assists staff in producing quality audits which comply with the International Standards on Auditing.

For specialist audits, we maintain an audit RI and manager authorisation system to ensure they are only undertaken by individuals with the requisite skills, experience and training.

Training and support

Our technical training and development team provides a core programme of audit and financial reporting training for all audit personnel to ensure they are up to speed on current regulation. In addition, if any areas of development in audit delivery or process are identified, the team will design a course to address these at the earliest opportunity. Partners and qualified staff are provided with further training according to their specific roles and areas of specialism.

One of the responsibilities of our centre of excellence formed by the Audit Management Team ("AMT") is to support audit teams in the delivery of the audit engagement by providing technical advice and opinions. This includes numerous daily informal consultations on audit and accounting matters.

Ethics materials are readily available to staff at all levels, covering the external ethical obligations to which the firm is subject. Partners and audit staff are apprised of the need to consult the Ethics team on any issue, particularly of interpretation, that they are unclear about.

Monitoring and feedback

Audit Quality Champions ("AQC's") are on the ground to ensure compliance with the firm's quality policies and procedures and to ensure quality is embedded in audit teams. On particular assignments, during the course of the audit, AQC's conduct external quality control, second opinion and efficiency reviews.

The AQC's carries out reviews of audit files and provide feedback to the Audit Management Team, setting out any current concerns as well as providing feedback about each staff member reviewed.

In driving the audit service line, the Board, comprising the RIs, and Audit Management Team, set the tone at the top. They create an environment where feedback from all stakeholders is considered, improvements and enhancements where necessary in all areas of our business.

Chris Celecia
Head of Audit
RSM Audit (Gibraltar) Limited

The RSM International network

RSM Audit (Gibraltar) Limited is a member of RSM International, the sixth largest global network of independent audit, tax and consulting firms, as its Gibraltar member firm.

RSM International exists to connect member firms through commonly agreed and applied quality standards. RSM International's vision is for its members to be the provider of choice to internationally active and growing organisations who are looking for audit, accounting, tax, advisory and specialist consulting services that will create lasting success and help them reach their goals.

41,400 People
800 Offices
120 Countries
\$4.87bn Fee income

Legal structure and ownership

RSM International Limited is a company limited by guarantee and is incorporated in England and Wales (company number 4040598) and whose registered office is at 50, Cannon Street, London, EC4N 6JJ.

RSM International Limited does not itself provide professional services to clients but acts as a member services organisation. Client services are delivered by the independent member firms of RSM International, each of which is a separate and independent legal entity. Member firms are not members of an international partnership or legal partners with each other. No single member is responsible for the services or actions of another. Although many member firms take the RSM name, there is no common ownership between these firms or ownership of them by RSM International Limited.

The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

Requirements of member firms

RSM member firms agree to adopt and align with the following policies and procedures as a requirement of membership;

- RSM Quality Assurance and Risk Containment Policies and Procedures
- RSM Audit Manual
- RSM Model Audit Programme Sheets (referred to as RSM MAPs)
- RSM Ethics and Independence Policies
- RSM Assurance Services Training and CPD Policies
- RSM Member Firm Inspection Programme Policies and Guidelines
- RSM Anti-bribery and Corruption Policies and Guidelines

Funding

The cost of coordinating the RSM International network is funded by member firms. Each year the International Board of Directors approves the budget for the coming year. Substantially all budgeted income is derived from annual membership fees paid by member firms. The fees for member firms are calculated on a sliding scale that takes into account a number of factors including the member firm revenues and their level of net referral fees.

Management and governance

The organisational structure of RSM International is aimed at executing the RSM strategy and providing member firms with the platforms to develop business together in a high-quality manner. The structure also reflects the network's geographic coverage, ensuring representation from all key regions. International board of directors RSM International is an organisation with the infrastructure and resources needed to establish common standards and quality assurance programmes, as well as to facilitate effective management of transnational work by its member firms.

Governance of RSM International is comprised of representatives of member firms who form the International Board of Directors. Members of the Board, which comprises 11 Directors, are nominated by regional councils. The Directors elect a Chairman and appoint a Chief Executive Officer. The Board sets the international strategy of RSM International and acts in the interest of the network as a whole.

The current Chair of the International Board of Directors is Mike Kirley, who also acts as the Global Strategy Leader of RSM US LLP in the USA. The full time CEO is Jean Stephens who leads the international Executive Office in London and whose responsibilities include the implementation of short and long-term organisational strategies for the growth and development of the network.

Regional operation

The member firms of RSM International are organised into geographic regions for purposes of administrative and quality control programmes, as well as for coordination of cross-border or multinational team assignments.

Currently, the key regions of RSM International are Africa, Asia-Pacific, Europe, Latin America, North America and Middle East/North Africa ("MENA").

The Africa, Asia Pacific, Europe, Latin America and MENA regions have a governance structure that takes the form of Regional Councils. Each council is comprised of the Managing Partners of each member firm within that region.

Regional Leaders are devoted to the development of the region and work with the member firms in that region on a daily basis.

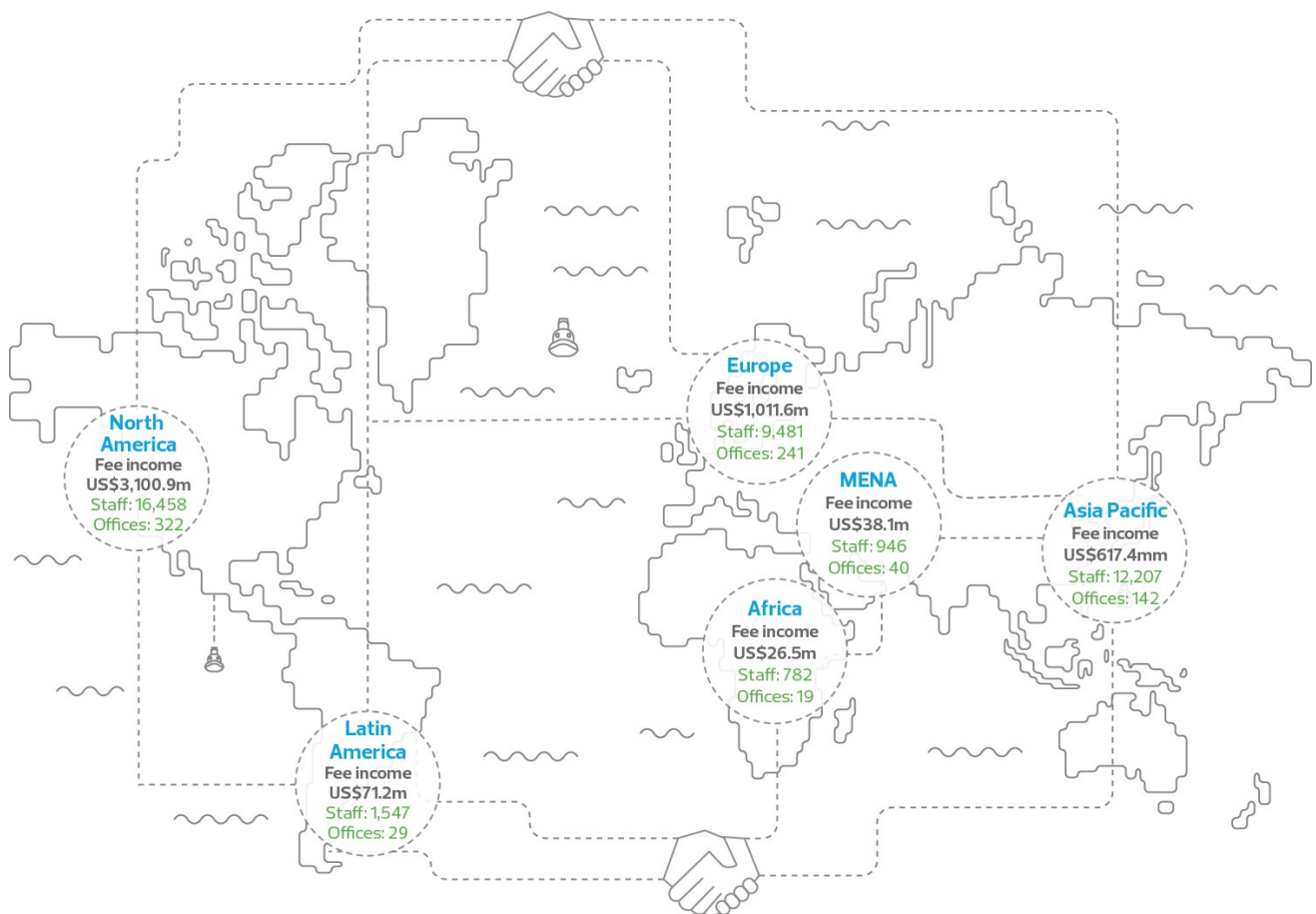
The current Regional Leaders are:

- Africa - Clive Betty
- Asia Pacific - Neil Hough
- Europe - Anand Selvarajan
- Latin America - Brendan Quirk
- MENA - Bassam Dahman
- North America - RSM US LLP International Office

RSM International's commitment to quality

Quality is the absolute cornerstone for RSM International and as such every member firm is required to meet a number of obligations in relation to quality. To ensure consistent practices and standards among member firms, RSM International has developed a number of global methodologies, policies and practices which are compliant with International Standards (where applicable). These have been developed by specialists and leaders at member firms and the RSM Executive Office, under the oversight of the RSM Transnational Assurance Services Executive Committee ("TASEC").

Every member firm is required to conduct an internal inspection over the quality of services delivered and compliance with network policies and procedures as well as their own incremental policies and procedures each year. RSM International organises global observations of these inspections on a cyclical basis. If a firm's annual inspection or the cyclical global observations highlight significant non-compliance, a follow-up review is scheduled to check progress on issues raised. Significant non-compliance can result in a firm's membership being terminated.



RSM Gibraltar

Having originally started in 2007 as Benady Cohen & Co and then having gone on to grow into one of Gibraltar's leading professional services firms over the last ten years, RSM Gibraltar is committed to enabling clients through a greater understanding of what matters most to their business.

Legal structure

RSM (Audit) Gibraltar Limited ("the company") is a private limited company incorporated in Gibraltar on 14 June 2007 with registered number 98887.

Business structure

The principal place of business is situated at 21 Engineer Lane, Gibraltar. The principal service lines of the company are Audit and Assurance, Risk Advisory and Transaction Advisory. The company forms part of the RSM Gibraltar Group whose principal services lines are Tax, Accounting, Fund Administration, Insolvency, Payroll, Consulting and Trust & Company Management. RSM Gibraltar Group is owned by its shareholders who are the senior partners. Audit and other professional and administrative staff are employed by RSM Gibraltar Limited. As at 30 June 2017, RSM Gibraltar had 31 members of staff including partners, three of whom are Responsible Individuals ("RIs") and form part of the Board of RSM Audit (Gibraltar) Limited. In addition, the group employs two directors, one as a director of RSM Fiduciary (Gibraltar) Limited and another a director of RSM Fund Services (Gibraltar) Limited. Both these entities together with the audit firm are licensed by the Gibraltar Financial Services Commission ("GFSC").

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Joining the network has opened the door to new relationships and allowed us to extend our service offering to existing clients and work with new clients of RSM globally.
Moe Cohen
CEO

In addition to our considerable local knowledge, we draw on our international reach and scale to ensure clients stay at the forefront of the world's best practices, technology and innovation within a rapidly changing global economy.

It is our strong, collaborative approach that differentiates us. We will strive to truly understand you, your strategies and your aspirations and endeavour to be considered the adviser of choice to your business. By sharing the ideas and insights of our most senior professionals, we bring our expert local and global knowledge and resources to your environment, so you feel understood and empowered to move forwards with confidence.

We dig deeper to truly understand every client and the business environment they are operating in and, by doing so, we identify emerging opportunities and pre-empt challenges with the right solutions.

This is the power of being understood. This is the RSM experience and our commitment to you.

RSM values

RSM's business principles are founded on a culture of continuous improvement and a commitment to constantly exceed client expectations.

Underscoring our ideas-driven and responsive approach to continuous improvement is an insatiable desire to better grasp client needs, strategies and aspirations.

The more intimately our most senior professionals understand your business, the better placed they are to jointly identify and implement the right sustainable solutions and opportunities, through a relationship forged on mutual respect.

By sharing our invaluable knowledge and industry acumen, we aim to empower every client to maximise their true business potential.

Greater understanding from the mutual exchange of ideas and insights with our most senior professionals empowers clients to move forward with confidence.

Our Approach

All our clients require high standards delivered in a cost-effective approach. We pride ourselves on providing a highly professional, efficient and personal service to our clients and on encouraging mutually beneficial relationships with our clients and their advisors.

Our approach focuses on:

- taking a professional approach in the services we provide
- adopting a flexible approach to meet client needs
- total independence from institutional links
- developing long-term relationships based on strong personal foundations we build with our clients and advisors

We have developed a flexible skill set which allows us to add value to our clients' affairs by:

- listening to clients, understanding their objectives and providing effective and innovative solutions
- allocating a team of professional staff, under the guidance of a director, best suited to the skills required by the client, maintaining this team and enhancing it as necessary throughout the working relationship
- respecting and meeting deadlines and reporting requirements
- giving realistic fee quotes with a flexible charging structure and assisting in the search for cost-effective solutions

Our aim is to develop long standing partnerships with our clients and the advisors we engage.

Leadership

Ownership and directorship

The Managing Director and Chief Executive Officer of RSM Audit (Gibraltar) Limited are the shareholders, who are also directors of the Company.

The Managing Director appoints the remainder of the Board. The Board appoints entrants to the Audit Management Team. The Board is responsible for setting the group's overall strategy and the Audit Management Team ("AMT") is responsible for driving it forward.

The Board as at 30 June 2017:

- Moe Cohen (FCA) - CEO
- Mark Benady (FCA) - Managing Director
- Chris Celecia (FCCA) - Head of Audit

Members of the audit management team as at 30 June 2017



Moe Cohen
CEO

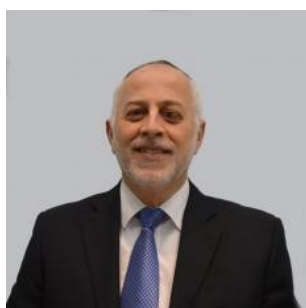
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Moe Cohen is a Chartered Accountant and a founder director of the Benady Cohen & Co Group (now RSM).

Moe acts as the Gibraltar representative for the Institute of Chartered Accountants in England and Wales ("ICAEW"). Prior to joining Benady Cohen & Co, he was a partner in Deloitte Gibraltar for 4 years and there his clients included insurance companies, hedge funds, banks, and a number of large private clients. Moe's work has also included advising on tax policy and fund legislation.

Moe is a Fellow of the Institute of Chartered Accountants in England and Wales, an Executive of the Gibraltar Funds and Investments Association ("GFIA") and the Gibraltar Society of Accountants ("GSA") and chairman of the GSA Insolvency Faculty.

Moe is approved by the Gibraltar Financial Services Commission ("GFSC") to act as a Statutory Auditor and licensed Insolvency Practitioner, a director of financial services limited entities and as an Experienced Investor Fund ("EIF") director under the Financial Services (Investment and Fiduciary Services) Act.



Mark Benady
Managing Director

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Mark is a Chartered Accountant and a founder director of the Benady Cohen & Co Group (now RSM).

Born and raised in Gibraltar, Mark moved to Manchester where he received a BSc in Computer Science and Accounting (Hons) from Manchester University. Mark trained in the Manchester office of KPMG where he gained valuable audit experience. In 1992, after being approached by a number of potential clients, Mark left KPMG and established his own practice which he successfully led until 2007, when he founded the Benady Cohen & Co group together with Moe Cohen which later became RSM Gibraltar.

Mark has an impressive portfolio of clients which includes various international groups of companies, charities and communal institutions, insurance brokers, property developers, healthcare providers and financial services providers. Mark is approved by the Gibraltar Financial Services Commission ("GFSC") to act as a Statutory Auditor and is also a licensed Insolvency Practitioner and an Experienced Investor Fund ("EIF") director.

Mark is a member of the tax faculty of the Gibraltar Society of Accountants (“GSA”), and sits on the advisory funds panel set up by the GFSC.

Mark is also involved in various communal charities and is the vice-president of the Gibraltar Jewish Community.



Chris Celecia
Audit director

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Chris, a Fellow of the Association of Chartered Certified Accountants (“FCCA”), joined RSM in June 2014.

Chris has worked in public practice for over sixteen years. Chris specialises in the audits of numerous entities including hedge funds and alternative investment vehicles, insurance, on-line gaming, construction, mining and trust & company management.

Prior to joining RSM, Chris was senior manager with BDO Gibraltar where he was involved in financial services audits, quality reviews of other network member firms and in the implementation of the new audit methodology and software tool.

Chris is approved by the Gibraltar Financial Services Commission (“GFSC”) to act as a Statutory Auditor. Chris heads the audit department and also oversees the training of ACCA students. He is the firm’s IFRS, independence and ethics director. Chris also heads our Private Equity Depositary team dealing with in-scope alternative investment funds.

Chris sits in the audit faculty of the Gibraltar Society of Accountants (“GSA”) and is a member of the Gibraltar Funds & Investment Association (“GFIA”)’s technical committee.



Rodj Mantes
Head of Risk Advisory
Audit assistant manager

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Rodj is a Chartered Certified Accountant. Rodj joined RSM in February 2016. Rodj obtained his degree in Bachelor of Science in Accountancy, Cum Laude, at Bicol University in the Philippines.

Rodj has considerable experience in audit and assurance services as well as corporate finance and accounting.

Prior to joining RSM, Rodj was the Internal Audit Manager of Philippine Dealing System Group – a group of companies which provides the capital market infrastructure to operate trading platforms, manage sound settlement highways, and render essential securities services in the Philippines. He coordinated internal audit engagements and developed audit guides.

Rodj also worked as part of the controllership team of AES Philippines – a subsidiary of AES Corporation, a Fortune 200 global power company listed in New York Stock Exchange. He was involved in the onshore transition of certain accounting functions from India to the Philippines, actively participated in process improvements, and facilitated controls self-assessments for US Sarbanes-Oxley Act compliance.

Rodj started his career with Deloitte Philippines where he spent four years handling external audits of a broad portfolio of local and international clients. He

took on a senior role for group audits and engagements with multinational companies working with other Deloitte member firms around the world.

Rodj has since continued to gather significant experience and expertise. At RSM, he has completed a secondment where he functioned as part of the Finance Department of an insurance company. His current roles involve the external audits of insurance companies, private equities, and other financial services. He also heads our risk advisory team and is actively involved in the training of our junior members of staff.

Rodj also heads our Risk Advisory Team and our Member Listing Team in relation to the application, listing and continuing obligations of collective investment schemes and debt securities on the Gibraltar Stock Exchange ("GSX").

Rodj is a Certified Public Accountant ("CPA"). Rodj is a member of the Gibraltar Insurance Association ("GIA")'s technical committee.



Darren Parody
Head of Transaction
Advisory
Audit assistant manager

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Darren is a Chartered Certified Accountant. Darren has joined RSM recently. Darren obtained his degree and masters in Mathematics at Nottingham University.

Darren has worked in public practice for ten years. Darren has obtained valuable experience in a wide range of businesses including banks, insurance, funds and local companies.

Prior to joining RSM, Darren managed multiple audits and audit teams at Deloitte Gibraltar where he also applied his skills in analytics and information risk management. Darren was also involved in the transition to the new audit methodology and software tool.

Darren heads our Transaction Advisory Team providing services primarily valuations, due diligence, corporate finance and financial modelling.

Darren is a Fellow of the Association of Chartered Certified Accountants ("FCCA"). Darren sits in the finance faculty of the Gibraltar Society of Accountants ("GSA").

Day to day management of RSM Audit (Gibraltar) Limited

Audit Management Team

The Board has delegated operational responsibility for the strategy and performance of the audit practice and for audit quality to the Audit Management Team ("AMT").

The AMT is responsible for oversight of the application of the audit methodology, compliance with auditing standards and ethical issues.

The AMT ensures that best practice, efficiency and quality are embedded in audit teams. The AQC is responsible for promoting and achieving a culture of audit quality in the office, working with a number of interested parties to bring about continuous improvement.

Audit Management Team meetings

The AMT meetings occur weekly and the agendas cover all operational areas of the audit business including:

- budget setting and review of financial performance;
- technical developments and their impact on internal authorisation, training, ethical and other policies;
- quality assurance findings and progress in addressing issues arising;
- training programmes including the agreement of mandatory courses and consideration of course content;
- appropriate business development initiatives;
- staff development and talent management initiatives; and
- resource allocation.

Head of Audit

The Head of Audit is responsible for the day-to-day management of audit staff in the office. The Head of Audit leads the local audit team and manages staff and other resources in order to ensure optimum profitability, efficiency and client service in line with regional and national strategic objectives. The Head of Audit works closely with the AQCs to ensure that the dual aims of enhanced audit quality and improved audit profitability are achieved. Specific training is given to the AQCs as and when required to equip them with the skills to perform their roles. Essentially, the Head of Audit:

- ensures compliance with the firm's policies and procedures relating to integrity, objectivity and independence, and compliance with IESBA Code of Ethics;
- ensures that the firm complies with the Audit Regulations on a regional basis;
- oversees the implementation, by the AQCs, of the firm's quality control procedures, including personal action plans;
- drives the achievement of financial targets and promotes audit efficiency at all times;
- ensures quality processes and procedures exist and are supported in conjunction with the AQCs;
- undertakes the central role in managing the performance of the audit group and leads on staff resource management; and
- promotes the achievement of the firm's professional and ethical standards and enables all staff to share best practice.

Audit Quality Champions

- Keep audit quality objectives prominent in the office and take appropriate actions to bring about improvements;

- Ensure quality processes and procedures exist and are supported including personal action plans;
- Provide quality-related feedback on staff for use in the appraisal process;
- Encourage a working environment, culture, attitudes and behaviours that prioritise audit quality; and
- Promotes the achievement of the firm's professional and ethical standards and enables all staff to share best practice.

Commitment to quality

RSM Audit (Gibraltar) Limited's primary objective is the maintenance and enhancement of audit quality which leads delivery of the engagement); to a sustainable and profitable business.

Our commitment is underpinned by our emphasis on professional and decisive leadership, technical and IT capability and investment, effective training and personal development of staff, expertise of the Audit Quality Champions (AQC's) and being responsive to the findings of the firm's regulators in external monitoring visits. We are continually striving to improve our internal monitoring procedures and our response to external monitoring.

The firm aims to attain the highest standard of professional conduct through the cumulative effect of the following:

- internal quality control procedures (at the point of delivery of the engagement);
- internal quality assurance by 'cold' reviews of engagements and of principals' and staff's competence;
- continuous training, informing and assessment of all audit principals and staff; and
- the external quality monitoring by the firm's regulators.

All partners and staff are provided with access to the employee guide which sets out the firm's code of conduct. The employee guide contains information covering all aspects of day to day working life, and is available on the intranet as a reference tool, ensuring that both partners and staff always act in a professional manner.

Quality in the delivery of the audit engagement

RSM applies its own risk-based, analytical audit methodology supported by the firm's own audit programme, RSM MAPs. This programme allows audit teams to focus on the exercise of judgement and evidence their scepticism and challenge of management which leads to well-documented, effective and robust audits. This enables the audit work to be tailored, based on the team's documented risk assessment. This functionality, along with the inbuilt controls and structured work flows, enhances audit quality, promoting discipline and compliance with International Standards on Auditing.

As from 1 January 2018, our firm will be adopting RSM's electronic audit tool, CaseWare, with a focus on audit efficiency in particular engagements with other RSM member firms.

Audit planning

Because we use our knowledge of our client's business to inform our audit, every audit is planned from scratch. This means that our work is specifically focussed towards addressing the audit risks arising from the current assignment not the previous one. Our regular client contact throughout the financial year ensures that we are aware of key developments at the client and also provides an opportunity for the client to be informed of and act upon relevant technical and regulatory changes. These exchanges inform the development of the audit strategy and the production of the audit plan that is based on a detailed risk assessment and expectations of the numbers in the financial statements. The audit plan is revisited and revised during the course of the audit as the audit team reacts to their findings.

To ensure that the team selected have the appropriate skills and expertise for a particular engagement, the audit principal has access to the audit staff resource planning schedule. This enables the audit principal to view the availability of all staff, and their particular specialisms.

Execution

Our audit methodology requires us to perform only that work necessary to obtain sufficient appropriate audit evidence to support our opinion. We believe that a sound understanding of our client and its environment is essential to an effective and efficient audit, and for that reason our approach places significant reliance on the performance of substantive analytical review, augmented by tests of control and/or tests of detail, as appropriate. Our audit teams are encouraged to consult and to challenge their own, their colleagues' and the client's assumptions and conclusions during the performance of the audit, and to document the resolution of matters arising. This helps the team to demonstrate the appropriate level of scepticism which is a basic feature of any

assurance engagement. A broad spectrum of experts in IT, taxation, actuarial, valuations and financial instruments are on hand to consult, assist or use where necessary, when obtaining sufficient appropriate audit evidence on a complex technical matter.

Review

Each audit team member is responsible for reviewing his or her work before signing it off. In addition, the work of every team member is reviewed and signed off by a second, more senior person. Further reviews by colleagues who are independent of the audit team are required in certain circumstances, for example where there is a public interest, where a long-standing relationship exists, or where the audit principal is being mentored. Additionally, independent reviews are conducted whenever an enhanced audit report is prepared or the issue or removal of a modified audit opinion or emphasis of matter is contemplated. Reviews of audit opinions and public interest engagements are always conducted by appropriately qualified and experienced technical specialists ensuring that all these quality controls are applied and evidenced.

Authorisation and mentoring

RSM Audit (Gibraltar) Limited maintains an audit RI and manager authorisation system such that only those individuals with the requisite skills, experience and training can undertake specialist audits, including banks, insurance companies, funds, trusts and charities. Head of Audit is responsible for conducting reviews of the authorisation list on a bi-monthly basis to ensure that the system is up to date.

Prior to being involved in specialist assignments, our audit staff must have received appropriate specialist introductory or update training. To ensure that this policy is adhered to, RIs are required to confirm, at the initial planning stage of each audit engagement, that they are satisfied that the allocated staff have the appropriate skills and expertise.

Measuring quality

Audit quality indicators

Our firm follows a set of 'audit quality indicators' widely used by the RSM network, we have included measures on the same themes throughout the report.

- External monitoring and investigations: We use external metrics and monitoring to assess our audit quality as detailed in the following section.
- Internal Quality reviews: Our report contains details of the number of RIs subject to internal quality reviews and the results of these reviews.
- Training: We are committed to training and invest significant time in ensuring our courses enhance our audit quality.
- Investment in research and development: As well as investing heavily in developing our internal courses, we are in the process of developing a global audit methodology with the other RSM International firms.
- Technology: We are committed to investing in technology to arrive at an efficient quality audit. Tools for auditing, analytics, financial reporting disclosures, financial statement preparation and time management.
- Partners and staff survey: We encourage constant feedback and input from all staff members. The AMT use formal feedback to continue to ensure that quality remains top of the agenda and that staff and partners receive the correct resource, time and training to deliver quality audits.

In our last partner and staff survey:

- 90 per cent of respondents felt that they were encouraged to perform high quality audits; and
- all respondents concurred on the need of adopting the electronic audit tool early. This is scheduled for implementation 1 January 2018.

External monitoring of quality

The last GFSC monitoring inspection was conducted in June 2013 with an initial assessment conducted in June 2012. The Quality Assurance Review ("QAR") reports from GFSC are for the use of that body as the firm's regulator and thus confidential.

Reports have been produced by RSM as part of their global inspection pursuant to the due diligence process upon our firm joining the network. The inspection involved a review of four audit files in July 2016 and the results were satisfactory with some suggestions and recommendations from which the firm could benefit further in its clearly demonstrated goal to strive for excellence.

The Board is closely involved with all regulatory visits and reviews all findings and recommendations in detail. Our training and processes are under constant review in order to ensure that our audits are of the highest quality. Action has been taken to address areas for improvement in previous GFSC and RSM reports and progress on those has been acknowledged by the regulators. We continue to respond to recent reviews and current best practice. The progress in implementation of these actions is, and will continue to be, monitored by AQC's. The Board is pleased to note ongoing enhancements to audit process and quality brought about by feedback from AQC's and the regulators.

Internal monitoring - Quality assurance review

Audit quality is the responsibility of all partners and staff. Internal quality assurance review systems must be adequate, appropriate, and make a contribution to audit quality. This function is delivered by the AQC's. Due to the size of our firm, the AQC's taking part in the internal quality assurance review will also be members of the AMT. The AQC's are responsible for checking compliance with the firm's procedures and giving feedback to promote continuing improvement in the quality of work.

An AQC team member involved in the internal quality assurance review would aim to be:

- independent of the file being reviewed;
- comprehensive in its coverage and scope of reviews;
- consistent in application of review procedures;
- critical in identification of areas for improvement;
- constructive in communication of review findings; and
- cooperative in arranging and performing reviews.

The monitoring procedures applied by the AQC's are in accordance with the International Standard on Quality Control (ISQC) 1. The AQC team carries out reviews of audit files, either in physically or remotely, and also reviews 'whole firm' matters such as the audit manual, training programme, CPD records, appraisals and ethical compliance, and internal controls, such as internal authorisation, audit file access and financial management.

Number and results of reviews

The reviews occur annually as part of our Member Firm Inspection Programme. Every third year the inspection is carried by RSM Global. The number of AQC reviews are on average three audit engagements files. The review achieves a reasonable coverage of RIs, Quality Assurance ("QA") file reviews cover a mixture of client types and sizes, including the various specialist audits such as banks, insurance companies and funds.

Our internal policy is that we do not grade our QA file reviews or use other quantitative measurement. Our view is that this can be counter-productive and that instead it is qualitative feedback that is more constructive and helps audit teams to achieve improvement. Grading systems can be biased or anomalous and can lead to excessive focus on the grade, rather than the more important messages about striving for improvement.

The Inspection Coordinator provides a yearly written report to the AMT, based on the inspection findings which sets out any current concerns and obtaining prompt responses and actions as necessary. This report is also submitted to RSM Global.

Process

The consistency of review procedures is ensured by the deployment of dedicated AQC team members, the use of file review work programmes, peer review by AQC colleagues and the member firm inspection programme.

Audit file review findings are issued to the principal and manager and then discussed in a meeting with them, following which they provide written responses. This dialogue includes recognition of instances of good quality work as well as the identification of areas for improvement.

QA file review findings are circulated to staff in a series of positive reminders about the firm's procedures. AQC team members have regular meetings with Training and Technical counterparts so that QA findings are used in training course material and in enhancements to our audit programme.

Our firm encourages staff secondment in relation to high performing audit and advisory staff members. This enables staff to attain experience of QA and advisory work and a deeper understanding of audit & advisory quality, which they then disseminate in their office after the secondment.

Root cause analysis

As part of each QA file review, the audit team is requested to consider in its written responses the root causes of any non-compliances, so that appropriate actions are taken to address them and improve audit quality.

Risk management

All staff and partners are expected to embody the values of the firm with regards to risk and follow correct procedures. The promotion of risk mitigation is a key theme at audit workshops and RI meetings.

Across RSM, the Boards of the various group entities have primary responsibility for dealing with strategic and operational risk management. Training, recruitment and personal development including internal controls. Their work is to look at risk matters and internal controls within the group and advise and support management to improve risk management strategy, operations and internal controls.

A group-wide Risk Register has been compiled and is used by AMT in the performance of an internal audit function for the group. The compilation of the Risk Register and the review of effectiveness of controls have made use of the IFAC Guidance on International Standard on Quality Control ("ISQC") 1.

The annual review of the audit practice's internal controls has been scheduled for November 2017.

Whistleblowing

The intranet sets out the whistleblowing policy, which applies to all partners and staff across all service lines. It encourages the reporting of instances of malpractice, dishonesty or unsafe or unhealthy working practices. Individuals who make reports in good faith are protected against dismissal or any form of victimisation. Reports can be made to the individual's line manager or to other named parties or to a confidential email helpline. Reports are investigated, by an independent person, as sensitively and speedily as possible. Awareness of the whistleblowing policy is promoted via mandatory training for all partners and staff. The content and effectiveness of the firm's whistleblowing policy is kept under review by the Compliance Team.

Training, recruitment and personal development

Development of partners and staff is core to the provision of high quality audits.

Training

We have an experienced technical training team who work closely with our AMT and AQCs to ensure that an appropriate programme of courses is provided for all audit partners and staff.

We provide a core programme of audit and financial reporting (CPD programme) training which all qualified audit personnel must attend and where we monitor attendance. All courses are designed to be practical and real life case studies are used where possible. Many courses also have an element of pre-course work and post course assessment to ensure learning objectives are absorbed and to complete the learning circle. We also continue to invest in learning technologies to ensure just-in-time learning in response to the needs of our audit teams.

Our programmes have been developed with the AMT and included faculty updates, sessions on the revised Code of Ethics, IT Fraud Risk, case studies and a video simulation of a client fraud. Importantly, training on evaluating the Control Environment and use of controls testing including IT controls Presenters included the Head of Audit, the CEO and technical training. The contribution and commitment of the senior management team to this course is a reflection of the importance the firm places on ensuring consistent messages are delivered around audit quality and performance.

In addition, during the year, the Gibraltar Society of Accountants hold several seminars on IFRS, UK GAAP and audit updates. Also, several associations in Gibraltar hold courses on AML, compliance, financial crime and company law. Partners and qualified staff are provided with further training according to their specific roles and areas of specialism. Listed audit work is a specialism and a suite of training courses on IFRS, together with updates of particular relevance to the audit of listed entities, ensures that this particularly demanding area of audit work is carried out by partners and staff with the relevant knowledge and skills.

There is a mandatory core programme for audit students, expanding on their studies in the areas of financial reporting, audit, business awareness, tax and personal skills. They also receive training in any specialist areas they are involved in such as banks, insurance, funds, charities, and listed companies. Ethical issues, professional scepticism and audit quality are key themes throughout their training, which is reinforced by their work experience.

Partners and staff also attend courses designed to improve their management skills, as we recognise that high levels of ability in these areas help to ensure that audits run smoothly and effectively and relevant technical knowledge can be applied at the appropriate stage of the audit. In addition, there are personal development courses for managers, senior managers, directors and partners.

RI Induction

- Led by the Head of Audit to demonstrate the importance of the role and the issues discussed
- Interactive presentation by the CEO on the meaning of 'Responsible Individual'
- Particular emphasis on ethics and professional scepticism
- Bringing home key issues through live case studies
- Director for Compliance demonstrating the significance of providing quality technical advice and the level of support provided by the firm
- Session on mentoring presented by an experienced mentor

Recruitment

Through our HR and Development policies and processes and our outstanding training programme, we ensure we attract talented individuals and provide them with the development and skills they need to fulfil a long and committed career with RSM.

Our recruitment practice ensures we reach as many talented individuals as possible through our presence at universities, colleges and schools as well as through hiring directly. Our selection methodologies focus on testing the full range of skills and qualities that we believe are essential to succeed as an auditor within RSM.

Senior level internal promotions during the year ended 30 June 2017:

- One Assistant Manager
- One Supervisor

In addition, one assistant manager joined us from outside the firm during the financial year to further strengthen our sector expertise and presence.

Appraisal

We have invested significant time and energy into ensuring employees know what is expected of them at every stage of their career so that they know how to progress. Having clear competencies for staff at each level also means our clients can be assured of the same level of service regardless of location. Every employee has regular feedback and appraisal. There are audit assignment feedback forms as well as the appraisal form and appraisals are conducted twice yearly.

The appraisal form requires managers to incorporate reference to any AMT and external regulator findings through the year and action is taken in relation to these. Individuals are also expected to provide their line manager with a copy of their CPD record at the time of appraisal. Line managers are provided with relevant training and appraisal quality reviews are undertaken on a regular basis to ensure our line managers are equipped with the skills they need to conduct meaningful appraisals.

At the point at which employees are nominated for promotion further references are sought from the departmental heads. No nomination is progressed to formal assessment unless it receives support from these departments.

Personal development

Development of our people is something which RSM is passionate about. We offer a wide range of personal development courses and assessment centres, all of which are designed to support individuals as they progress through their career.

The transition to manager assessment programme has been designed to prepare employees for their first step into a management role. After attending a day programme, which assesses attendees against manager competencies, each individual will receive a personal development plan designed to support them in developing the necessary skills to become an effective manager.

The Director potential development programme is aimed at those senior managers who display the potential to become a director, and is designed to provide the best possible preparation for the role of director and beyond. The programme includes a series of seminars followed up with comprehensive, competency based feedback, executive coaching and mentoring in order to support development towards directorship.

In addition, we also offer other training and development initiatives to support individuals. Our personal and management development courses provide a variety of courses that allow employees to tailor their own development based on their personal needs both in their current role and as they progress through different roles during their career. This suite of courses is designed and delivered by our in-house learning and

development managers using accelerated learning techniques. Residential training includes line management, assignment and task management and personal effectiveness for managers. In addition, there is an array of one-day courses including presentation skills, time management, appraisal skills and business development courses.

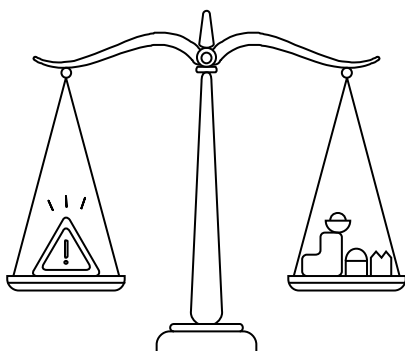
The firm is committed to developing a mentoring culture and supporting our mentors and mentees to make this relationship work. We believe that everyone deserves to have someone in the business in addition to their line manager guiding and supporting their career journey.

Coaching is essential in unlocking the potential in our people to maximise their performance and contribute to the future success of the firm. To achieve this we undertake on-the-job coaching to build skills and abilities in existing roles, development coaching to support future progression and behavioural coaching to achieve long term, significant change through enhanced self-awareness.

We offer a number of secondment opportunities to clients, industry, different internal faculties and international secondments. These secondments contribute to an individual's personal development by providing the opportunity to build internal and external relationships and create networking and business development opportunities. Secondments give employees a greater depth of experience and understanding of clients and our business, which can be drawn upon on their return.

Ethics and independence

The firm has devoted a high degree of resource to training in ethics, consistent with the publication of the revised IESBA's Code of Ethics for Professional Accountants ("Code of Ethics") and RSM policies on same.



partners and personnel attended.

Ethics materials are readily available to staff at all levels, covering the external ethical obligations to which the firm is subject. The firm has devoted a great deal of time and resource to implementing the Code of Ethics. This EU-driven regulation has given the firm the opportunity to carry out work on behalf of clients that was not possible previously and also introduces some very detailed rules on professional independence that required staff to be trained on. All partners and staff have received training on the revisions to the Code of Ethics, RSM Policies on same and the consequential amendments to our firm's policies. Many of the key messages were also reinforced at the 'onboarding' sessions upon joining the RSM network that were held in the first quarter of 2017 which all audit

Ethics Director and Ethics team

Ensuring firm compliance is the Ethics Director, Chris Celecia and the Ethics Team. The Ethics Director is the Head of Audit. The Ethics Team includes all directors and the assistant compliance officer. The Ethics Team was set up to act as a custodian of the ethical policies, their contemporariness, and to assess the ethical 'tone at the top' of the firm across all of its multi-disciplinary activities.

The Ethics Director keeps members of the Team informed on operational and policy related issues, and briefs its members on his expectations across all of the service lines. The Terms of Reference of the Team acknowledge the Ethics Director's entitlement to determine any matter related to the taking on, continuation of, and disengagement from an audit engagement for ethical reasons, an entitlement underscored by the Ethics Director's own Terms of Reference. The Ethics Director's prepares and distributes the agenda for Team meetings.

Responsibility for decisions on the operational application of the firm's ethical policies lies with the Ethics Director, assisted by the Ethics Team. It is the Ethics Director's function to act as the ultimate arbiter of the application of the ethical codes to any given set of circumstances and all partners and audit staff are apprised of the need to consult the Ethics Team on any issue, particularly of interpretation, that they are unclear about.

In addition to the above, there are internal reviews of independence practices. Each year a summary report in relation to the 'fit and proper' and the independence declarations that all principals and staff need to make is provided to the Ethics Director.

Policies and procedures

The firm has well-established systems and procedures in place to help safeguard the objectivity of staff and avoid conflicts of interest, whilst complying with ethical and other applicable standards.

Partners and staff are required to declare financial interests held by themselves, members of their immediate or close family or in their capacity as trustee in any client or affiliate.

Similarly, policies are in place providing guidance on business relationships and the purchasing of goods and services in the normal course of business. The annual declarations completed by staff, partners and consultants are monitored for any change in business relationships.

Compliance with the firm's audit rotation policy is monitored and is applicable to all audit partners and senior members of staff involved in an audit.



There are clear guidelines for dealing with gifts, hospitality and sponsorship so that any self-interest threat is avoided and objectivity is not impaired. The firm has a clear and extensive gifts and hospitality policy in place to determine whether or not a gift or hospitality should be accepted.

RSM Audit (Gibraltar) Limited services the small and medium-sized enterprise sector whose individual enterprises benefit from having access to the services that the RSM group provides. Though clients benefit from the availability of expertise across the RSM group, access to non-audit services is subject to compliance with the Ethical Standards, and in particular, the firm's insistence that the remuneration of audit staff cannot be determined by reference, even in part, to non-audit fees provided to audit clients. Contingent fees are not permitted for any project where the

firm is required to give an independent opinion.

Client acceptance and continuation procedures are extensive and intended to identify any particular circumstances of a given client that might cause an insuperable threat to auditor independence. In such a situation, the firm will not take on or continue the engagement. Before engagement, all potential assignments are subject to completion of an on-line Client and Engagement Acceptance Programme, including a Conflict Threat Assessment, designed to identify any such threats in discharging a particular engagement together with details of any necessary safeguards required to be applied. Details of the threats and safeguards are reviewed and approved by the relevant assurance partner prior to the acceptance and commencement of the engagement.

Within each QA file review, checks are made by AQC's on identifying threats to auditor independence and other conflicts of interest, or other potential non-compliance with the Ethical Standards, and on the completeness of the associated reporting to those charged with governance in the Audit Plan and subsequent Audit Findings Report and/or Management Letter.

If a QA review finds an apparent non-compliance with the Ethical Standards, any necessary actions are agreed with the individual(s) concerned and the AMT. The details are then reported to the Ethics Director, to consider whether any further action is required.

Staff training

Mandatory training and CPD programmes are periodically required to be completed by all staff, where relevant. Whilst this training should act as a refresher to staff, all trainees should successfully achieve the relevant modules.

Client and financial information

Client information

Audit clients within the scope of public interest entities as at 30 June 2017 where RSM Audit (Gibraltar) Limited issued an audit report in the period 1 July 2016 to 30 June 2017.

- Acasta European Insurance Company Limited
- Arriva Insurance Company (Gibraltar) Limited
- ElFlow Insurance Limited
- Evolution Insurance Company Limited
- IDT Financial Services Limited
- MCE Insurance Company Limited
- Premier Insurance Company Limited
- Quick-Sure Insurance Limited

Financial information

The revenue of RSM Audit (Gibraltar) Limited represents amounts chargeable for professional services provided during the year. These amounts are unaudited as of today's date. These amounts do not include services carried out by other Group entities. These amounts are presented in accordance with RSM's categorisation of service

Service line	Revenue (£)	%
Audit services	541,170	84.85
Other assurance services	15,035	2.36
Risk advisory services	43,568	6.83
Transaction advisory services	38,000	5.96
Total	637,773	100

lines. 'Other assurance services' includes reviews, compilation reports and miscellaneous audit certifications and confirmations. 'Risk advisory services' includes internal audit, internal control process improvements and fraud prevention and investigation. Transaction advisory services' includes due diligence, valuations and corporate finance.

In addition, within the revenue derived from the provision of audit services there is revenue of £152,855 in relation to non-listed PIEs, as shown above.

Our firm believes in giving clients a complete package and other Group entities provide these additional and equally important services. Our Group is structured strategically from a commercial and regulatory perspective. RSM Fund Services (Gibraltar) Limited provides fund administration, private equity depositary and Gibraltar Stock Exchange member listing. RSM Fiduciary Services (Gibraltar) Limited provides trust and company management services. RSM Gibraltar Limited provides tax compliance and advisory, accounting, payroll and liquidations.

Partner remuneration

It is our firm belief that audit quality is best improved by imbuing in partners the ethos that audit quality is at the core of all that we do.

A partner's performance is assessed by reference to his or her individual role, contribution and adherence to standards.

The partner group comprises both shareholders and directors with similar, but not identical, remuneration structures. Both shareholders and directors receive a notional basic (market) salary and are eligible to participate in the partner bonus plan.

Shareholders are also participants in an additional bonus pool which comprises the residual profits for the year (after notional salaries and bonuses). This is based on a variable 'lock step' mechanism. The remuneration of shareholders and directors is charged directly to the relevant trading Group entity within which they operate.

In addition, all shareholders are eligible to receive dividends when declared and paid.

An appraisal system is applied to all partners and, in the case of audit partners, audit quality criteria must be considered, both in the review of past performance, and in the objectives for the following year. Other criteria included within the appraisal system are business development, client development, technical skills, management skills, staff development and financial performance. The relative importance attached to each of these criteria is dependent upon the partner's role within the firm but the appraisal system and the partner's objectives are designed to play to a partner's particular strengths.

For audit partners, success in selling non-audit services to the entities they audit is specifically excluded from performance evaluation criteria and from decisions on remuneration. Contributions to improving audit quality, on the other hand, are specifically included in the criteria for assessing and remunerating audit partners.

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RSM is a Gibraltar registered trading name for the following Gibraltar companies: RSM Gibraltar Limited, RSM Audit (Gibraltar) Limited (FSC licence number FSC0013AUD), RSM Fund Services (Gibraltar) Limited (FSC licence number FSC0234CIS) and RSM Fiduciary (Gibraltar) Limited and its subsidiary companies (FSC licence numbers FSC1241B-FSC1247B). All companies are registered at 21 Engineer Lane, Gibraltar, GX11 1AA. A list of Directors and Company Numbers are available on request.

All the above named companies are members of the RSM network and trade as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

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