

**Press
RELEASE**



The CMF applies sanction against KPMG Auditors and Joaquín Lira, its partner, for audit failures of a fund managed by Aurus AGF

August 22nd, 2018.- The Commission for the Financial Market (CMF for its initials in Spanish) reports that through Resolution No. 3,593, dated August 22nd of the current year, the Council decided to sanction "KPMG Auditores Consultores Limitada" for a total of 3,000 UF, and Joaquín Lira Herreros, its partner, for offenses incurred in the audit made to the financial statements of the Aurus Insignia Fondo de Inversión, managed by Aurus Capital S.A. Administradora General de Fondos Management (AGF), corresponding to the year 2014.

The aforementioned, as part of the closing of the administrative sanctioning procedure, initiated in 2017 against this entity, which sought to identify possible failures in the audit process of the financial statements of the years 2013 and 2014 from the aforementioned investment fund managed by Aurus AGF.

Sanctioning procedure

Sanctions adopted by the Commission are founded on the basis of the gathered background information in the research stage prior to the arraignment, as well as in the analysis of presentations, pleas, and presented evidence, guaranteeing the sanctioned parties the strict compliance of the proper procedure established by the legal framework in force.

Thus, in the sanctioning procedure, it was possible to verify the following:

1. During the audit of the financial statements for the year 2013, the audit and its partner, in the context of external balances verification

of investment balances procedure, rejected the information provided by the investment custodian corresponding to the international portfolio of the Aurus Insignia fund, favoring information indirectly provided, which was modified and reissued by Mauricio Peña Merino, who was the Director of Aurus, and Investment Manager of the mentioned fund. The aforementioned led to misrepresentations in the financial statements which exceeded the materiality defined by the KPMG itself, for the purposes of that audit (6.6% of the patrimony of the fund).

2. Additionally, the referred failures, in spite of their impact on the financial information of Aurus Insignia fund, were not registered as meaningful findings in the audit.

3. KPMG and Joaquín Lira, its partner, during the audit for the year 2014 of the Aurus Insignia fund, decided to choose a balance verification system named "Roll Forward" which is based on the investment balances of 2013, in situations where failures in the aforementioned balances were detected, during the audit process of year 2013.

Thus, passed by unanimous vote of the commissioners Rosario Celedón Förster, Christian Larraín Pizarro, Kevin Cowan Logan, and Mauricio Larraín Errázuriz, the Council of the CMF decided to sanction the following legal and natural persons:

- KPMG Auditores Consultores Limitada, with a fine of 3,000 UF for fiscal benefit.
- Joaquín Lira Herreros, responsible partner in charge of the audit process, with a fine of 2,000 UF for fiscal benefit.

The Council of the CMF established the sanction based on the shortcomings which it could verify in the audit processes made in the Aurus Insignia fund, which accounted for **important shortcomings in the implementation of the Generally Accepted Audit Rules (NAGAs for its initials in Spanish), regarding the verification of the existence and accuracy of Aurus Insignia fund investments.**

The work of the audit plays a key role in the reliability of the financial information provided by trading agents, which in turn means relevant input for the decision-making process of the investors. Such reliability is particularly important for the proper operation of investment funds, where the reliability of the information, regarding balances and asset

valorization managed by funds, turns out to be essential for those persons who faithfully entrust the management of their resources.

Furthermore, the sanction decision registers that the amount of the imposed sanctions consider, among other reasons, the seriousness of the behavior and its effect on the financial market, and the existence of previous sanctions to KPMG and its partner, applied by this Service for breaches to the rules subject to its oversight.

For these reasons, **the imposed sanction is based on significant failures by KPMG and its partner regarding skepticism, due care, and professional judgment which the auditors must have at work**, moving away from the essential purposes of a financial statement audit, which is to obtain reasonable security regarding if the financial statements as a whole are exempt from meaningful wrong representations, **as a result of fraud or error.**