



# Transparency report 2021

**Our relentless focus on quality**

January 2022

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# About this report

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This publication, KPMG's Transparency Report for the financial year ended 30 September 2021, focuses on how we drive audit quality, our systems of quality control, and the initiatives we are continuously pursuing to improve it. We see audit quality as fundamental to maintaining public trust in the capital markets and the financial reports issued by audited organisations. We aim to lead the profession in audit quality.

## **Our commitment to Audit Quality**

Quality is fundamental to our purpose, and we constantly monitor and evaluate it.

We recognise that great transparency is needed for the public to gain insight into audit services. This report outlines KPMG's approach and commitment to audit quality, including actions taken to enhance it during the year.

This report also aligns with our Global KPMG Quality framework. The new framework describes how our commitment to integrity lies at the heart of everything we do at KPMG.

Our report covers the activities of KPMG Lower Gulf for the financial year to 30 September 2021. All figures disclosed herein are as of 30 September each financial year, unless otherwise stated.

KPMG defines Audit Quality as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality controls; and
- Undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

# Contents

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Message from the Chairman & CEO, KPMG Lower Gulf Limited	04
Living our culture and Values	07
Applying expertise and knowledge	16
Embracing digital technology	20
Nurturing diverse skilled teams	24
Associating with the right clients and engagements	31
Being independent and ethical	34
Performing quality engagements	42
Assessing risks to quality	47
Communicating effectively	49
Monitoring and remediation	52
Financial Information	57
Partner remuneration	59
Network arrangements	61
Statement by the Board of KPMG Lower Gulf on the effectiveness of quality controls and independence	65
Appendix	67



# Message from the Chairman & CEO, KPMG Lower Gulf Limited

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**Audit is the foundation of our business, and audit quality lies at the core of KPMG. We at KPMG Lower Gulf recognize the importance of sharing with our stakeholders what we do to enhance quality, manage risk and maintain independence. In this publication, we share how our unyielding focus on quality underpins our commitment to serve the public interest.**



**Nader Haffar**  
Chairman and  
CEO KPMG Lower  
Gulf, Chairman of  
Middle East and  
South Asia

Two years on from the advent of the Covid-19 crisis, our practice has been challenged. We have, however, responded to the disruption with agility, upholding our high standards, and striving to ensure the wellbeing of our people.

KPMG has a simple but bold ambition: to become the most trusted and trustworthy professional services organization. The following is a reflection upon how we deliver on our fundamental promise of audit quality in the public interest: to investors, audit committees and the other stakeholders we serve.

We believe that continually delivering quality audits begins with a culture that requires everyone in the firm to be focused on our mission to lead the industry in raising the standard for integrity and public trust.

Responsibility for this starts at the top. It involves driving and reinforcing accountability through the complete chain of command in all our audit teams and practices, so every action helps us meet our rigorous objectives.

The work of auditors is becoming more important and more complex. A major area of focus for our firms and for our clients in the coming years will be Environmental, Social, and Governance (ESG) commitments for our assurance and advisory services. We are proud to be a part of the firm that has invested significant resources globally to educate and train our colleagues, enabling us to better serve our clients.

For nearly 50 years in the UAE and Oman, our actions have always been guided by our values, vision and purpose. We aim to live up to the high standards we set for ourselves while continually building upon our sound foundation, both in terms of how we manage our firm and our audit engagements. We have dedicated significant investment in best-in-class technology such as KPMG Clara (our smart and intuitive technology platform that is driving globally consistent audit execution) and tools for engagement teams.

Our vision is one that sees KPMG as the clear choice of professional services firm in the United Arab Emirates and Oman. We are committed to ensuring all our people do the right thing, every time. For us, integrity and independence are non-negotiable. We take decisive action when individual behavior or events occur that do not align with our values or that run counter to achieving rigorous, independent audits. Integrity is a core value — we do what is right, in the right way, at the right time.

We embody our values of integrity and excellence in our commitment to quality. And our new Global Quality Framework outlines how every partner and employee contributes to delivering high-quality audits.

Together with our global colleagues, we are united in our commitment to providing independent assurance on what matters to all our stakeholders: regulators, clients, people and our communities.

Our focus on quality is underpinned by:

- **Our culture.** We drive a relentless focus on quality and service excellence and aspire to be the most trusted and trustworthy firm. We recognize that trust is not a given: it must be earned and maintained. A quality audit means the delivery of an appropriate and independent opinion that is properly supported in compliance with applicable auditing standards, laws and professional requirements. This means being seen to be independent in mind and complying with our legal and professional obligations.
  - **Our people.** Our people are our greatest asset and are at the heart of our business. Supporting their wellbeing remains a priority through challenging times.
  - **Our approach to audit quality.** We approach all matters in an audit with objectivity and professional scepticism to offer relevant, valued insight and impartial views through candid communications. This includes having globally consistent methodologies and policies, enabled by innovative tools. The expanding role of innovation and technology in
- audit continues to evolve, providing greater clarity and generating deeper and richer insight. Innovation in audit is an area where KPMG continues to invest significantly.
  - **Our monitoring programmes.** These are fundamental to sustaining quality and to building on our success. We have a number of programs and initiatives aimed at identifying opportunities for continuous improvement and relevant remedial action. That means we also work closely with regulators, audit committees, investors and businesses to meet the expectations of stakeholders.

Quality is what our profession is built on, and KPMG is relentless in our approach to delivering it. Thank you for your trust in us.

Nader Haffar

Chairman & CEO,  
KPMG Lower Gulf Limited

Throughout this document, “KPMG”, “we”, “our” and “us” refers to the global organization or to one or more of the member firms of KPMG International Limited, each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients.

No member firm has any authority to obligate or bind KPMG International Limited or any other member firm vis-à-vis third parties, nor does KPMG International Limited have any such authority to obligate or bind any member firm.

Throughout this document, references to “Firm”, “KPMG firm”, “member firm” and “KPMG member firm” refer to firms which are either: members of KPMG International Limited; sublicensee firms of KPMG International Limited; or entities that are wholly or dominantly owned and controlled by an entity that is a member or a sublicensee. The overall governance structure of KPMG International Limited is provided in the ‘Governance and leadership’ section of the 2021 KPMG International Transparency Report.

# Living our culture and Values

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**It's not just what we do at KPMG that matters: we also pay attention to how we do it. Our values are our core beliefs, guiding and unifying our actions and behavior. Shared across every level and in every country, jurisdiction and territory in which we operate, they are the foundation of our unique culture.**

## **Fostering the right culture, starting with tone at the top**

### **Tone at the top**

KPMG global leadership, working with regional and member firm leadership, plays a critical role in establishing our commitment to quality and the highest standards of professional excellence. A culture based on accountability, quality, objectivity, independence, integrity, and ethics is essential in an organization that carries out audits and other services on which stakeholders rely.

At KPMG Lower Gulf Limited (KPMG LG), we promote a culture in which consultation is encouraged and recognized as a strength.

We communicate our commitment to clients, stakeholders, and society at large to earn the public's trust.

The KPMG values are set out in [The KPMG values](#).

Outlined in KPMG's [Global Code of Conduct](#) ("the Code") are the responsibilities all KPMG personnel have to each other, our clients, and the public. It shows how our values inspire our greatest aspirations and guide all of our behaviors and actions. It defines what it means to work at and be part of KPMG, as well as our individual and collective responsibilities.

Our values lie at the heart of the way we do things. They drive our daily behavior, guide our decisions, and shape our character. They form the foundation of a resilient culture ready to meet challenge with integrity, so we never lose sight of our principal responsibility to protect the public interest. And they propel us forward — through our work and the example we set — as we inspire confidence and empower change throughout the world.

Everyone at KPMG is held accountable to comply with the Global Code of Conduct and to confirm their compliance

with the Code. Everyone at KPMG is also required to take regular training covering the Code. We are committed to holding ourselves accountable for behaving in a way that is consistent with the Code. Individuals are encouraged to speak up if they see something that makes them uncomfortable or that is not in compliance with the Code.

Moreover, everyone at KPMG is held accountable for reporting — and is required to report — any activity that could potentially be illegal or in violation of our values, KPMG policies, applicable laws, regulations or professional standards.

To safeguard this, each KPMG firm is required to establish, communicate and maintain clearly defined channels to allow KPMG personnel and third parties to make inquiries about, raise concerns in relation to, provide feedback on, and notify, reportable matters, without fear of reprisal, in accordance with applicable law or regulation.

The KPMG International hotline is a mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by any KPMG International entity, activities of KPMG firms or KPMG personnel.

All KPMG firms and personnel are prohibited from retaliating against individuals who have the courage to speak up in good faith. Retaliation is a serious violation of the Code, and any person who takes retaliatory action will be subject to their firm's disciplinary policy.

The Global People Survey provides KPMG LG leadership and KPMG International leadership with results related to upholding the KPMG values. KPMG LG and KPMG International monitor the results and take appropriate actions to communicate and respond to any findings.



## System of quality control Our focus on quality is underpinned by:

Tone at the top, leadership, and a clear set of values and conduct are essential to set the framework for quality. However, these are required to be backed up by a system of quality control that holds us accountable to meet the highest professional standards.

KPMG continues to invest significantly in audit quality across the global organization. We are building on our sound audit quality foundations, both in terms of how we manage KPMG firms and how KPMG firms execute audit engagements.

This means ongoing investment in the system of quality management, global monitoring of audit quality, enhanced support, and providing best-in class technology and tools for engagement teams.

KPMG's global audit quality program supports consistent deployment of investments to enhance and drive a common approach.

A robust and consistent system of quality control is essential to delivering quality services. KPMG International has quality control policies that apply to all KPMG firms. These are included in KPMG's Global Quality & Risk Management Manual (GQ&RM Manual), which applies to all KPMG personnel.

To adopt the new International Standard on Quality Management (ISQM 1), which was approved by the International Auditing and Assurance Standards board (IAASB) and will be effective from December 2022, KPMGI initiated a program to redesign the network-wide requirements for member firms' systems of quality management. ISQM 1 requires each KPMG firm to design, implement and operate a system of quality management to consistently deliver quality audits, and to evaluate the effectiveness of the system on an annual basis.

As we prepare for ISQM 1, we have adopted a new Global Quality Framework to better outline how we deliver quality at KPMG, and how everyone at KPMG is accountable to its delivery. 'Perform quality engagements' sits at the core of the framework, along with our commitment to continually monitor and remediate our processes as necessary.



The Global Quality Framework also meets the requirements of the current International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards board (IAASB) and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

While this Transparency Report summarizes KPMG's approach to audit quality, it may also be useful for stakeholders interested in member firms' Tax and Advisory services, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered.

## Leadership responsibilities for quality and risk management

KPMG LG demonstrates commitment to quality, objectivity, independence, ethics, and integrity, and communicates our focus on quality to clients, stakeholders, and society. Our leadership plays a critical role in setting the right tone and leading by example — demonstrating an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.

Our leadership team is committed to building a culture based on quality, objectivity, independence, integrity, and ethics, demonstrated through their actions—written and video communications, presentations to teams and one-to-one discussions.

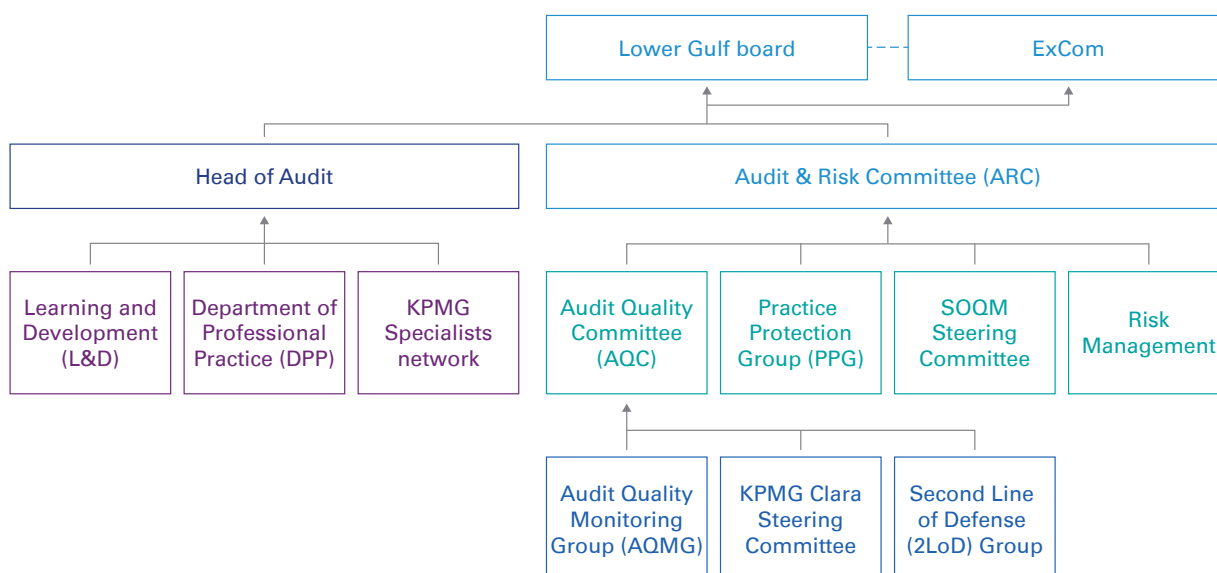
In accordance with the principles in ISQC 1, our CEO & Chairman, Nader Haffar, has assumed ultimate responsibility for KPMG

LG's system of quality control. He, the executive committee, and the LG board of directors take measures to ensure that a culture of quality prevails within KPMG LG. Operational responsibility for the system of quality control, risk management and compliance in KPMG LG has been delegated to the Risk Management Partner (RMP), Raajeev Batra, who provides quality and risk management leadership and promotes adherence to KPMG policy and professional standards within KPMG LG. The RMP is supported by an appointed Functional RMP (FRMP) in each of the service lines: Audit, Tax and Advisory. He has a seat on the executive committee (ExCom), as well as on the LG board. He also has a direct reporting line to the CEO & Chairman.

Our LG Head of Audit (HOA), Emilio Pera, is accountable for the delivery of the firm's audit quality strategy, and reports directly to the

CEO & Chairman. He determines the operation of the risk management, quality assurance and monitoring procedures for the audit function within the framework set by the RMP. He is responsible for leading a sustainable high-quality Audit practice that is attractive to KPMG personnel. He is supported by the Audit Quality Leader (AQL), Shamit Shailesh, who is responsible for monitoring internal and external audit quality indicators and driving action for continuous improvement.

Audit quality is also integral when we appoint and/or promote new partners in our audit practice. We require audit partner candidates to meet the quality thresholds as part of their progression to partner. Several dedicated committees and networks supporting audit quality have risk and quality responsibilities to oversee and influence the firm's commitment towards audit quality, including the following:



Information regarding the key committees supporting audit quality is stated below:

### The Audit and Risk Committee

The principal role of the Audit and Risk Committee (ARC) is to provide oversight of audit and risk management matters across the firm. As part of its role it oversees that a culture of quality and integrity is maintained within the firm and, where required, it will act as a sounding board to the Risk Management Partner on the policies and procedures relating to professional risk management, ethics and independence, quality control and compliance. The Committee also considers the impact of the key findings from our compliance quality monitoring programs and the adequacy of proposed remedial actions.

The Audit and Risk Committee consists of three members: two Board members and the Risk Management Partner. The Audit and Risk Committee met two times in the year to 30 September 2021.

### Audit Quality Committee (AQC)

The Audit Quality Committee, chaired by the RMP, reports to the ARC which in turn reports to LG board and the executive committee and ensures the quality of audits and associated risks are a priority for audit leadership. Its responsibilities include:

- All *global audit quality initiatives* are implemented with rigor to achieve the upmost level of objectivity, independence, ethics and integrity
- Audits are executed consistently in line with *KPMG methodology, other applicable standards and local regulatory frameworks*
- *Compliance with ISQC1* (as regards to the pillars that sit within audit quality)
- *Review local policies impacting audit quality* (including the annual revisions) formulated by AQMG or specialists to address issues impacting audit quality. Further, provide input for formation of any new audit quality policy. Ensure all the AQ policies are duly secured on a central portal and accessible to all staff.
- Review the adequacy and outcome of the *local initiatives addressing audit quality issues* including thematic reviews, managed growth program and any other initiatives planned during the year

- Identify, review and monitor key *audit quality indicators*.
- Review the *staff workload initiatives* in place by the Audit function impacting audit quality
- Review results and remediation plan of QPR and regulatory reviews

The AQC has observers from KPMG EMA Audit Quality and Global Risk Management. Included in the members, we also have a former KPMG UK Partner acting as an independent audit quality advisor and a seconded senior partner acting as an Audit Quality Practice Partner at Middle East Level.

During the year, the AQC met 12 times (2020: 13) and considered the detailed findings and related actions from external regulatory reviews, the internal Quality Performance Review program and other quality control programs, as well as papers on a range of issues designed to allow us to challenge ourselves in various aspects of audit quality and improvement.

### Practice Protection Group (PPG)

The Practice Protection Group was formalized and made fully functional in FY2020. The PPG is formed to identify any major or multiple audit failures which could lead to reputational damage and investigate the causes of such incidents. The group is led by the Audit FRMP, Sidharth Mehta, with support from the Department of Professional Practice. Findings from the group are reported to the ARC.

### SOQM Steering committee

KPMG International has policies of quality control based on the International Standard on Quality Control 1 (ISQC1) issued by the International Auditing and Assurance Standards board (IAASB) and the Code of Ethics for Professional Accountants issued by the International Ethics Standards board for Accountants, relevant to firms that perform statutory audits and other assurance and related services engagements.

The firm set up an SoQM (Standard on Quality Management) Steering Committee which reports to the ARC which in turn reports to the LG board and the Executive Committee. The Committee, chaired by Head of Audit has functional heads from Risk, Audit Quality, Advisory, Operations and Human Resources as the main members.

The objective of the steering committee is to ensure the successful implementation and roll out of the SoQM in the firm, in accordance with the timelines from the Central SoQM team. The committee submits a monthly report for submission to the Ex-Com and quarterly to the Audit Risk Committee, highlighting the progress on SoQM implementation, including key gaps and remedial actions required.

KPMG LG started the SoQM implementation process in January 2020 with a committed team in place. The Lower Gulf (LG) SoQM team is part of the EMA SoQM support team for the SOQM Implementation Readiness exercise.

### KPMG Clara Steering Committee

The KPMG Clara Steering Committee, chaired by the Head of Audit and facilitated by KCw deployment leader, is responsible for overseeing the staged implementation of our KCw in accordance with the global milestones. Established in FY18, the committee includes geographical leads from Dubai, Abu Dhabi and Muscat, as well as Department of Professional Practice (DPP), Information Technology Services (ITS) and Audit Quality Leader (AQ) with the objective of ensuring a successful and seamless implementation of KCw, which is a significant local and global investment to improve audit quality.

Information regarding dedicated committees and networks supporting audit quality is covered in [Leadership responsibilities for quality and risk management](#) and [Access to specialist networks](#).

## Clearly articulated strategy focused on quality, consistency, trust and growth

### Our business

KPMG Lower Gulf Limited is a professional services firm that delivers Audit, Tax and Advisory services to a broad range of domestic and international clients across all sectors of business. We work closely with our clients, helping them to mitigate risks and grasp opportunities. Established in 1973, the Lower Gulf firm now employs approximately 1,783 people, including about 192 partners and directors across the UAE and Oman.

In addition to its presence in the UAE and Oman, KPMG is widely represented in the Middle East and has offices in Saudi Arabia, Bahrain, Qatar, Egypt, Kuwait, the Lebanon and Jordan. Details of the services we offer can be

found on our website <https://home.kpmg.com/ae/en/home.html>.

KPMG Lower Gulf Limited (along with KPMG LLP) is part of KPMG International Cooperative's global network of professional member firms. The KPMG network includes approximately 236,000 professionals in over 145 countries around the world.

KPMG in the UAE and Oman are well connected with its global member network and combine local knowledge with international expertise, providing the outstanding sector and specialist skills required by our clients. KPMG LG was the first major firm of its kind to organize itself along industry lines – a structure which enabled us to develop in-depth knowledge of our clients' businesses and to provide them with an informed perspective.

Over the years, KPMG LG has developed specialist industry and discipline groups to meet client requirements for professional advisors who understand and are experienced in a wide variety of business fields. We have significant experience across key geographic areas and are engaged with leading industry players on a range of issues critical to the future of their industries. In addition to having many of the Middle East's leading organizations and government-related entities as its clients, KPMG LG has participated in numerous milestone engagements in the region.

### Our strategy

KPMG International (KPMGI) has developed a Global Audit mission that fits within and complements the broader KPMGI story, our Collective Strategy ambition – to be the most trusted and trustworthy – and our values. This mission statement sets forth our ultimate goal as a functional practice – to act in the public interest, which we do by:

- Enabling capital markets to grow sustainably
- Inspiring trust in data and financial information shared
- Delivering innovation through efficiency and value
- And attracting and retaining diverse talent at KPMG.

What we do counts. KPMG's strategic objective is to be the most trusted and trustworthy professional services firm, with quality being our top priority.



In line with our global vision, KPMG Lower Gulf's strategy includes driving a relentless focus on quality and operational excellence to achieve our collective strategy of trust and growth. The Head of Audit (HoA), Emilio Pera, reinforces this in his regular communications and meetings with partners and staff.

Our four global audit strategic priorities are as follows:

- Quality | Fulfill our duty to capital markets and wider stakeholders
- Trust | Build trust with our stakeholders and people
- Growth | Revenue and stewardship
  - making the firm stronger for future generations by ensuring quality growth
- Operational excellence | Achieving a globally consistent audit experience, ensuring quality, enabling growth, and effectively managing costs of delivery.

It is important to note that we cannot achieve these priorities without our people. Our people underpin everything we do and are vital to our success. We've already begun executing on critical People priorities regarding role profiles, performance management, goals and KPIs. Our values are stated in [The KPMG values](#) of the report.

## Defined accountability, roles and responsibilities, including for leadership

### Legal structure

*Legal structure and ownership from 1 October 2020*

Effective 1 October 2020, KPMG LG and all other KPMG firms introduced a new membership structure and associated documents, the key impact of which was that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee. KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

Further detail on the revised legal and governance arrangements for the KPMG global organization from 1 October 2020 can be found in the 'Governance and leadership'

section of the [2021 KPMG International Transparency Report](#).

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International or any of its related entities have any such authority to obligate or bind any member firm. KPMG Lower Gulf Limited is part of the KPMG global organization of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. The KPMG organization structure is designed to support consistency of service quality and adherence to agreed values wherever its member firms operate.

KPMG Lower Gulf Limited (KPMG LG) is incorporated and registered as an exempted limited liability company in the Cayman Islands and operates all the branches registered in the United Arab Emirates and the Sultanate of Oman. KPMG LG is wholly owned by the capital partners through KPMG Lower Gulf Limited Partnership, an exempted limited partnership in the Cayman Islands. KPMG LLP is incorporated in the Dubai International Financial Center (DIFC), a financial services free zone, and is an affiliated entity to KPMG LG.

During the year to 30 September 2021, there were 30 capital partners in KPMG LG (2020: 28 capital partners).

### Name, ownership and legal relationships

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International. Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities. Member firms may consist of more than one separate legal entity. If this is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

## Responsibilities and obligations of member firms

Pursuant to their membership agreements with KPMG International, under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

Each member firm takes responsibility for its management and the quality of its work.

Member firms commit to a common set of KPMG values ([see The KPMG values](#)).

KPMG International's activities are funded by an annual payment paid to it by member firms. The basis for calculating such amounts is determined by the Global board and consistently applied to the member firms. A firm's status as a KPMG member firm and its participation in the KPMG network may be terminated if, among other things, it has not complied with the policies and regulations set by KPMG International or any of its other obligations owed to KPMG International.

## Overseen using robust governance structures

### Governance structure

KPMG LG applies high standards of corporate governance. Information on main governing bodies is covered below:

#### *The board*

The main governing bodies of KPMG LG are the board and the executive committee for the UAE and Oman practice. The principal governance and oversight body of KPMG LG is the LG board which provides leadership to the organization and is responsible for our long-term growth and sustainability, setting our strategy and overseeing its implementation, monitoring performance against our business plan and protecting and enhancing the KPMG brand.

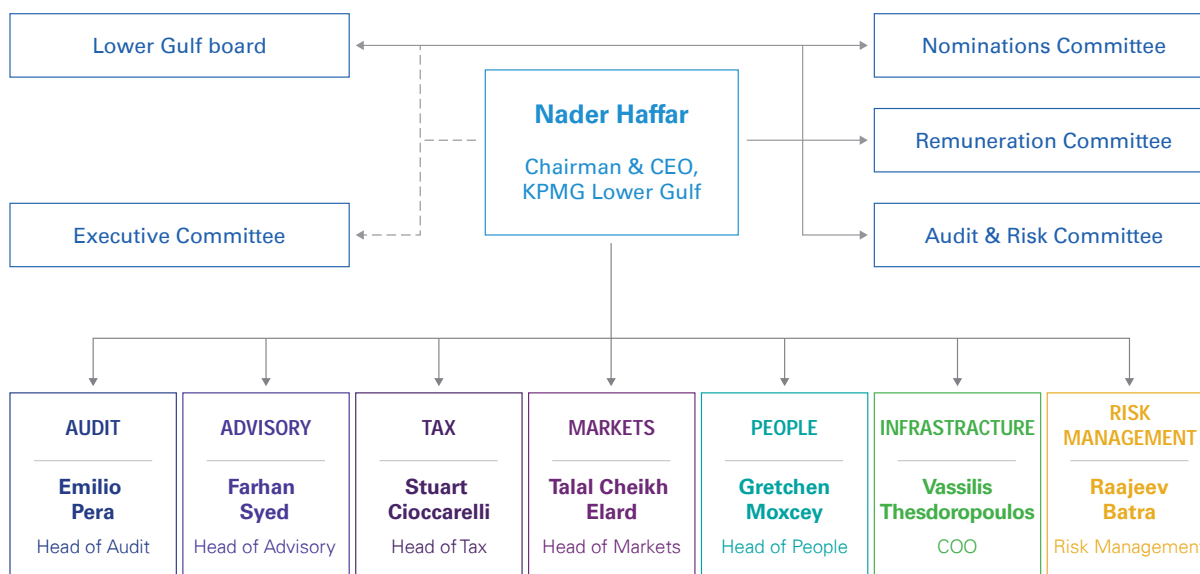
The current Chairman and CEO, Nader Haffar, was appointed with effect from 1 October 2018 as CEO following a nomination process by the members of the Nominations Committee appointed by the LG board. Nader Haffar was appointed Chairman from June 2019. Nader's appointment as CEO and Chairman of KPMG LG was ratified by the capital partners of KPMG LG. The Chairman chairs the board ensuring that the board members receive accurate, timely and clear information, and facilitates effective communication.

As of 30 September 2021, the LG board consists of nine members, including the Chairman/CEO, two non-executive members and six additional members. The constitution of the board is as determined by the governance documents. The board meets periodically to undertake duties for KPMG LG (including approving the annual accounts and the transparency report). The board met seven times in addition to meetings conducted by conference calls in the year to 30 September 2021.

#### *The executive committee*

The executive committee (ExCom) is responsible for management of the day-to-day activities of KPMG LG, recommending policy to the board and developing the business plan within the overall strategy set by the board, together with its subsequent implementation. It deals with operational matters affecting the firm (including monitoring operating and financial performance, budgets, new business proposals, marketing, technology development, recruitment, and retention and general remuneration, prioritization and allocation of resources and investment and managing the risk profile of KPMG LG).

The executive committee members are all KPMG LG service line leaders and heads of departments and are appointed by the CEO. As of 30 September 2021, in addition to the CEO, the executive committee included the Heads of Audit, Advisory, Tax, Risk Management, Markets, People Performance & Culture and the Chief Operating Officer. ExCom meetings are held monthly and summoned when needed in addition to the scheduled meetings.



### *The Remuneration Committee*

The Remuneration Committee is responsible for determining the remuneration of the CEO and making recommendations on policies pertaining to partners' remuneration. It is also responsible for approving the process for determining partner remuneration and hearing appeals from partners regarding their remuneration.

As part of its activities, the Remuneration Committee receives and considers appraisals on (i) the approach to ensuring that quality issues are appropriately considered in partner annual performance review, counselling and compensation (ii) whether or not there are any quality concerns about specific partners.

The Remuneration Committee comprises three members and one invitee: the two senior independent members of the LG Board and the Chairman of KPMG LG. The Remuneration Committee met twice in the year ended 30 September 2021 and held three meetings post fiscal year end 2021 to discuss 2021 partner remuneration.

Further information regarding partner remuneration is set out in [Partner remuneration](#).

Information regarding dedicated committees and networks supporting audit quality is covered in [Leadership responsibilities for quality and risk management](#) and [Access to specialist networks](#).

# Applying expertise and knowledge

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**We are committed to continue to build on our technical expertise and knowledge recognizing its fundamental role in delivering quality audits.**

## **Methodology aligned with professional standards, laws and regulations**

### **Consistent audit methodology and tools**

#### *Bringing consistency through our methodology*

Our audit methodology, tools and guidance are:

- globally consistent and fully compliant with the applicable standards, including the International Standard on Auditing (ISA), Public Company Accounting Oversight board (PCAOB) and the American Institute of CPAs (AICPA) and are supplemented to comply with local auditing standards and regulatory or statutory requirements by member firms
- inclusive of KPMG methodology interpretations that drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed
- centered on identifying risk, focusing on risks of material misstatements and the necessary audit response
- made available to all KPMG audit professionals and required to be used, where necessary
- applied even where local auditing standards may be less demanding than the ISAs
- focused on the international assurance methodology and the alignment of assurance products in response to growth of Environmental, Social and Governance (ESG reporting).

The KPMG audit methodology is set out in the KPMG Audit Manual (for use with eAudit) and the KPMG Audit

Execution Guide (for use with the KPMG Clara workflow) and includes KPMG interpretation of how to apply ISAs, which we believe enhance audit quality. The methodology emphasizes applying appropriate professional skepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence.

Enhancements to the audit methodology, guidance and tools are made regularly to maintain compliance with standards and address emerging auditing areas of focus and audit quality results (internal and external). For example, as a result of the Covid-19 pandemic, many companies are experiencing significant financial uncertainty. We have issued guidance to our auditors on conducting audit procedures in a remote-working environment, raising awareness of key audit risks such as going concern and impairment and provided reminders of the importance of exercising professional skepticism, and taking appropriate action if information is identified that is unexpected or unusual and may be indicative of potential management bias, a fraud risk or fraud.

KPMG firms may add local requirements and/or guidance in the Audit manual to comply with additional professional, legal, or regulatory requirements.

### **Deep technical expertise and knowledge**

#### *Access to specialist networks*

Specialist expertise is an increasingly important part of the modern audit. KPMG LG engagement teams have access to a network of KPMG specialists – either within their firm or in other KPMG firms. These specialists receive the training they need to ensure they have the competencies, capabilities, and objectivity to appropriately fulfill their

role on our audits. They also receive a global annual update on global quality performance issues.

The need for specialists to be assigned to an audit engagement in areas such as information technology, tax, treasury, actuarial, forensic and valuations is considered as part of the audit engagement acceptance and continuance process, as well as during the planning and conduct of the engagement.

Information about key specialists is covered below:

### **Information risk management (IRM)**

The firm has invested heavily in the IRM network in Lower Gulf since 2019 owing to audit quality considerations. The team supports UAE and Oman engagement teams. An experienced full time director was hired to lead the network. The team has evolved multifold not only in terms of size but also the quality of the involvement.

### **Valuation (real estate and business valuation)**

The valuation specialists' team was established in January 2019. The team has experienced and qualified professionals. The team has Chartered Valuation Surveyors who are members the Royal Institution of Chartered Surveyors (RICS) and a qualified Chartered Financial Analyst (CFA). The team supports UAE, Oman and other Middle East engagement teams. The valuation specialists team provides assurance that valuation estimates reported in financial statements are reasonable, well supported by market data and aligned with IFRS and RICS Valuation Standards. The areas of specialization covered by the team are real estate valuations and review of business valuation models that support the audit.

### **Actuarial valuations**

The actuarial valuations team was set up in year 2016 in the form of collaboration with KPMG South Africa (KPMG SA) for providing the insurance liabilities valuations and EOSB. The team provides the following services:

- Review of the actuarial valuation reports (prepared by the client or independent consultants) of the Post-Employment Benefits and Other Long-term Employee Benefits to ensure compliance with IAS 19 Employee Benefits.
- Review of the insurance liabilities/reserves

of insurance companies included in the financial statements, to ensure compliance with IFRS 4.

- Review of the actuarial valuation reports (prepared by the client or independent consultants) of the liabilities of Pension Funds, where relevant.

### **Financial risk management (FRM)**

The FRM team has been playing an instrumental role in the audit of banks and finance companies since its establishment formally in 2016. Given the highly specialized skill sets related to statistical modelling, the team provides support on the assessment of IFRS 9 'Financial Instruments' model appropriateness and accuracy of model output used to determine provisions. The robustness of IFRS 9 mechanism is also benchmarked against leading industry practices across the globe.

### **Forensics**

Involvement of Forensic specialists in the audit is an important component in the overall Lower Gulf Audit transformation journey. The team has developed detailed guidelines for the use of forensics in the audit based on a scoped approach, especially encouraging high risk and listed engagements to involve Forensic specialists on audits.

### **KPMG's commitment to audit quality during the Covid-19 pandemic**

The Covid-19 pandemic has forced us all to think differently as we continue to respond to and embrace this challenge. Most organizations are likely to have been impacted by the Covid-19 pandemic, either directly or indirectly, and the increased economic uncertainty and risk may have significant financial reporting implications. Issues including going concern, asset impairments and valuations will require careful judgment as organizations deal with a high degree of uncertainty and market volatility. KPMG firms' role as auditors is to evaluate these judgements.

Since the start of the pandemic, we have maintained an online Covid-19 Financial reporting resource centre to assist companies and other stakeholders understand potential accounting and disclosure implications.

KPMG International has issued extensive guidance to assist teams in addressing the various accounting, financial reporting and

audit related matters arising from the impacts of the Covid-19 pandemic including going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, inventory, subsequent events and audit evidence of communications with Those Charged With Governance. Additionally, KPMG International has issued specific guidance for remote working environments which covers how teams work together, communications with management and the design and performance of audit procedures.

KPMG's guidance has been continually updated throughout the pandemic as other significant auditing, accounting and reporting issues have been identified.

KPMG is a technology-enabled organization, with audit technical accounting and auditing resources, guidance and audit platforms and tools available electronically, enabling the conversion to a remote working environment.

Enhanced communication has been increasingly important to everyone during the Covid-19 pandemic. We have leveraged our investment in technology to provide KPMG firms with regular communication, including virtual meetings to share best practices and guidance. In addition, we have enhanced our listening strategy to include specific Covid-19 pulse surveys to allow us to hear from our people in real time and shape our response accordingly.

### **Quality and risk management manual**

KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (GQRMM) which applies to all KPMG personnel. KPMG LG is required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls.

# Embracing digital technology

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**At KPMG, we are committed to serving the public interest and creating value through continuous innovation. By leveraging leading technology, we are transforming the audit experience for our professionals and our clients. This enables us to provide an even higher quality audit by increasing our ability to focus on the issues that matter through the data and insights it can provide.**

### **Intelligent, standards-driven audit workflow**

All KPMG LG professionals are expected to adhere to KPMG International and KPMG LG policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical and quality control standards, and other relevant/applicable local and international laws and regulations.

We provide a range of tools to support the staff to adhere to the KPMG policies and procedures. We dedicate significant resources to keeping our standards and tools complete and up to date.

### **Evolving our audit workflow**

We recognize that to deliver quality audits, we need to continually evolve and develop our technology solutions to keep pace with today's digital world. That is why KPMG embarked on a process of reimagining our audit platform, workflow and methodology to provide enhanced consistency and support to our audit engagement teams, deliver detailed insights to the audit, and future-proof our systems for the expected continued development of new technologies such as robotic process automation, machine learning and cognitive technologies.

The release of the KPMG Clara workflow and revised audit methodology is an important milestone in KPMG's journey to innovate, digitalize and transform the audit. It is a significant investment that underlines our commitment to audit quality, consistency and innovation.

### **KPMG Clara**

KPMG Clara is our smart and intuitive technology platform that is driving globally consistent audit execution.

As a fully integrated, scalable, cloud-based platform, it enables the enhanced audit methodology through a data-enabled workflow.

The platform integrates new and emerging technologies, with advanced capabilities that leverage data science, audit automation, and data visualization.

The digital audit is increasingly integral to how KPMG member firms obtain audit evidence and interact with clients. Policies and guidance are in place to establish and maintain appropriate processes and controls regarding the development, evaluation and testing, deployment and support of technology in our audits.

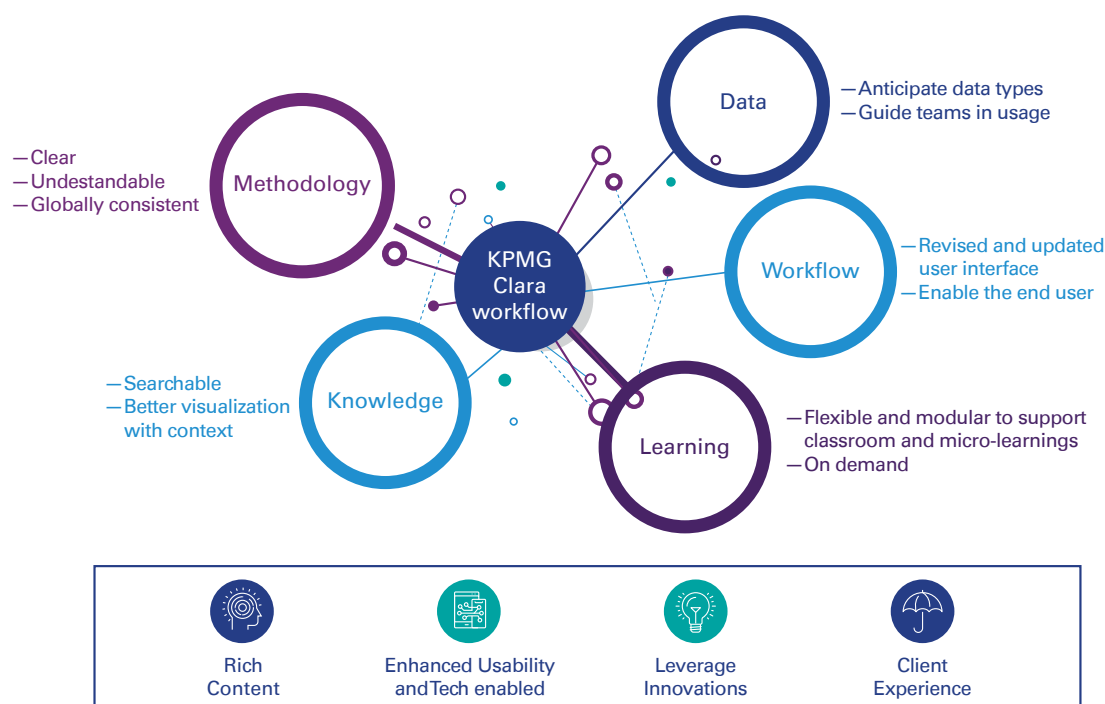
KPMG Clara is helping auditors see meaningful patterns across a business, whether conducting risk assessment, tracing every single transaction through a complex revenue process, or simply adding up the accounts. Current capabilities include:

- enable the analysis of account balances and journal entry data
- automate 'period on period' balances comparison and 'time series' evolution information
- enable the analysis of sub-ledger, transactional data over certain business processes and accounts.

### **Our vision of the future**

KPMG Clara was developed to be the base technology to help deliver new capabilities in a globally consistent way, facilitating the audit workflow and enabling a fully digital experience for our people.

The KPMG Clara platform evolves as technologies such as artificial intelligence, blockchain and cognitive capabilities transform how audits are delivered.



### KPMG Clara workflow

We are replacing eAuditIT with a new workflow and revised audit methodology embedded into the KPMG Clara smart audit platform. Phased full deployment of KPMG Clara workflow commenced globally in 2020 with planned completion of full global transition for the 2022 fiscal period-end audits.

The web-enabled KPMG Clara workflow guides audit teams through a series of steps in a logical sequence aligned to the applicable professional auditing standards with a clear display of information, visuals, and guidance available, and with embedded advanced digital audit and project management capabilities. The workflow and revised audit methodology are scalable – adjusting the requirements to the size and complexity of the audit engagement. KPMG Clara workflow significantly enhances the execution of an audit by KPMG professionals and clearly drives audit quality and global consistency.

Using data mining and tracking of relevant engagement level data indicators, the KPMG Clara workflow can also facilitate monitoring of audit execution at the engagement level.

We continue to enhance the KPMG Clara smart audit platform to accommodate accelerating security demands, integrate

existing client-facing audit applications into a single platform, and develop new capabilities to digitize additional audit processes.

### Client confidentiality, information security, and data privacy

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms including the Code of Conduct, annual training, and the annual affidavit/confirmation process, that all KPMG professionals are required to complete.

We have a formal document retention and disposal policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA requirements as well as other applicable local laws, professional standards and regulations.

We have policies on information security that cover a wide range of areas to protect confidentiality, personal information and data privacy.

We are committed to providing a secure and safe environment for the personal data and confidential information we hold, as well as protecting the privacy of our clients, service providers and other third parties.

The importance of maintaining client confidentiality is emphasised through a variety of mechanisms including through regular communications on the topic, the Code of Conduct, training and the annual independence/confirmation process, which all of our professionals are required to complete.

Within Quality and Risk Management the Firm has a dedicated National IT Security Officer ('NITSO') and Privacy Liaison ('PL') who have the necessary authority, skills and experience to lead the LG Firm's information protection and data privacy function.

Our information protection requirements are set out in the Global Information Security Policy as well as Lower Gulf Information Security Policy. Independent assessment of the operating effectiveness of the information security controls is carried out as part of our information protection controls audit (IPCA) programme initiated annually by the Global Information Protection Group.

In addition, KPMG LG is certified for ISO 27001, the international standard for Information Security Management System (ISMS). The scope of our certification includes our IT standards, IT guidelines, IT processes, IT business assets, client data in core systems, offices and physical locations.

Maintaining an effective ISO 27001 credential/certification is part of our commitment to protect confidentiality, security and privacy of our client's personal and confidential information. We are independently audited against the standard annually by an accredited external certification body.

We believe that everyone has a role to play in protecting our client's personal and confidential information. Policies and practices are annually reviewed for effectiveness and appropriateness and communicated to all personnel and, as appropriate, reinforced through guidance, awareness, and training. All users of KPMG LG are required to comply with our Global Acceptable Use Policy – this policy encourages effective and appropriate use of KPMG information technology resources, and highlights the protection requirements of all employee, KPMG and client Personal and confidential information. Data privacy and Information Management policies are also in place governing the handling of personal and confidential information.

# Nurturing diverse, skilled teams

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**Our people make the real difference and are instrumental in shaping the future of audit. We put quality and integrity at the core of our audit practice. Our auditors have diverse skills and capabilities to address complex problems.**

**Recruiting appropriately qualified and skilled people, including specialists, with diversity of perspective and experience.**

One of the key drivers of quality is ensuring that KPMG professionals have the appropriate skills and experience, motivation and purpose, to deliver high quality audits. This requires the right recruitment, development, reward, promotion, retention and assignment of professionals.

**Recruitment**

KPMG LG has invested in understanding how we can attract the talent we need across the organization in the future. This requires the right recruitment, development, reward, promotion and assignment of professionals. This includes building an extraordinary people experience for all current and prospective partners and employees.

Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools, but also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age. KPMG LG also recruits significant numbers at an experienced hire and partner level.

All candidates applying for professional positions apply and follow a thorough evaluation and selection process, which includes application screening and shortlisting mapped to the hiring needs, behavioral and competency-based interviews, ability testing and qualification and reference checks.

All candidates submit an application and are employed following a variety of selection processes, which may include application screening, behavioral and competency-based interviews, psychometric and ability testing, and qualification/reference checks. On joining

the firm, the new joiners participate in a three-day long induction program which includes training in areas such as ethics and independence, quality and risk management principles, engagement management and our people management procedures. The program helps new joiners learn about the processes and procedures within the firm. The objective of this session is to ensure the new joiner has a smooth integration within KPMG and understands the history, future, vision, mission and purpose of KPMG.

Where individuals are recruited for senior grades, a formal independence discussion is conducted with them by the Ethics and Independence Partner or a delegate. KPMG Lower Gulf does not accept any confidential information belonging to the candidate's former firm/employer.

The Partner hiring process is rigorous and thorough, involving appropriate members of leadership. Our criteria for Partner hires are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice. These are strongly aligned to KPMG's behavioral capabilities and are based on consistent principles.

KPMG LG recruited over 150 individuals (excluding secondees and Interns) in the year ended September 2021 (2020: over 250) across audit function and within networks supporting audit quality.

**Inclusion, Diversity & Equity programs**

KPMG LG is committed to building a diverse and equitable firm that is inclusive to all.

Inclusion, diversity and equity (IDE) is core to our very existence – helping us build great teams with diverse views that represent the world we live in. It leads to better decision making, drives greater creativity and innovation, and encourages us to stand up, live our values, and do what is right.

We recognize our firms' global position working with clients around the world affords us a privileged place. With that comes an opportunity and responsibility to achieve more and push for a fairer, more equitable society.

Being inclusive and diverse enables us to bring together successful teams with the broadest range of skills, experiences, and ways of working. We promote a positive integration between work and life to encourage not only professional achievements but also to provide an environment that enables everyone, regardless of gender, ethnicity, age, disability, religion, or socio-economic background to reach their full potential. We strive to be an employer of choice by ensuring that all our people are empowered to make decisions and feel proud and motivated to do their best.

Over the past couple of years, we have improved our gender diversity (male to female ratio) to 58:42 in FY 2021.

Further, our workforce includes 28% Arabic speakers who are integrated into our teams to support engagements where Arabic language skills are required. In addition, our partner group comprises of 30% Arabic speakers.

We embrace and harness diversity of background, diversity of experience, diversity of perspective – as a result of which our firm's workforce includes approximately 79 nationalities.

#### *Emiratization*

The Emiratization initiative in the UAE progressed at full speed in 2020. It was recognized as one of the strategic priorities for the firm following which Fahad Kazim (our first Emirati Partner) was appointed as a leader of the program.

We currently have 3.28% Emiratis across the firm with 4.28% in audit function. We are committed to having 10% of our workforce comprise of UAE nationals by 2022.

#### *Omanization*

Similar to Emiratization, KPMG is committed in supporting the Oman Government's vision for Omanization. This is embedded in our hiring and sourcing strategy throughout the year. Our required Omanization target is Government mandated at 45%. We currently have 41% Omanis across the Oman firm with 38% in audit function. Omanisation target mandated by Government is 45%.

#### *Al Falaj program*

This Program is an Omani National Development initiative led by Omani Partner Mr. Aqeel Al Lawati. It seeks to provide opportunities to Omani employees to develop their relevant skills and knowledge to pursue a successful career.

#### *Pre-audit qualification training program (PAQT)*

This program was initiated with Abu Dhabi Global Market and Human Resource Authority in early 2019. The purpose of the program is to train Emirati graduates, help them obtain their ACCA qualification and provide them on-the-job experience. Every year, 4 batches of training program are run. During FY21, training program was put on hold due to COVID-19 pandemic. KPMG is committed to hiring 50% of the graduates under the PAQT program who complete ACCA and are rated 3 or higher.

#### *Financial Audit Authority (FAA)x KPMG High Flyer Program*

This program was initiated with one of our regulators FAA in July 2021. The purpose of the program is to train Emirati graduates and help them engage with clients as part of their on-job training. The duration of the program is 1 year. KPMG cannot hire the graduates directly under the program; however the program will passively act as a guide to our Emirati recruitment efforts.

Our KPMG Global Inclusion, Diversity & Equity Collective Action Plan outlines the actions that are necessary to advance inclusion, diversity, and equity at KPMG Lower Gulf and across all KPMG firms. For more about Inclusion and Diversity at KPMG International and its member firms, [read here](#).

### **Reward and promotion**

#### *Reward*

KPMG LG has compensation and promotion policies that are clear, simple, and linked to the performance review process which, for partners, includes the achievement of key audit quality and compliance metrics. This helps our partners and employees know what is expected of them, and what they can expect to receive in return.

Reward decisions are based on consideration of both individual and organizational performance.

The extent to which our people feel their performance has been reflected in their reward is measured through the Global People Survey, with action plans developed as required.

### *Promotion*

The results of performance evaluations directly affect the promotion and remuneration of partners and employees and, in some cases, their continued association with KPMG.

### *Evaluation process including quality and compliance metrics*

KPMG LG professionals, including partners, have annual goal-setting and performance reviews. Each professional is evaluated on their agreed goals, demonstration of our global behavior, technical capabilities and market knowledge. A culture of continuous improvement is encouraged to drive feedback, both positive and developmental, from junior and senior colleagues as well as peers. The feedback gathered forms an integral part of performance reviews.

Going beyond performance reviews and compensation, the 'KPMG Global Behaviors' are designed to extend across all our people processes, including recruitment methodologies, recognition approaches and development planning. These are a constant reference point, articulating to our people what is required for success individually and collectively.

KPMG LG monitors quality and compliance incidents and maintain quality metrics in assessing overall evaluation, promotion and remuneration of partner and staff. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

Effective FY2021, the Quality & Risk compliance Rating (Q&RR) Framework ('the Framework') has been developed and:

- is issued as input to the annual goal setting and performance review process to drive and reward quality performance and risk awareness
- uses Quality, E&I and Risk Metrics to objectively assess individuals who have fallen short in demonstrating the required standards of Quality, E&I and Risk Management expected by the Firm
- aims to improve the clarity of the linkage between quality-related input and

the performance review and remuneration process

- supplements the existing performance evaluation model for partners and staff.

KPMG LG policy prohibits audit partners from being evaluated on or compensated based on their success in selling non-assurance services to audit clients.

### *Partner admissions or promotions*

The KPMG LG process for admission to partnership is rigorous and thorough, involving multiple, appropriate members of leadership. Our criteria for admission to the KPMG LG partnership are aligned and consistent with our KPMG values, and our commitment to professional integrity, quality, client service and to being an employer of choice. On average, an audit partner with KPMG LG has 11 years' experience with the UAE practice. This average number of years increases to 20 once we consider the time these partners have worked with other network KPMG practices. The current partner pool brings in experience from the United Kingdom, South Africa, Canada, India, Pakistan, Russia and Australia, which enables us to bring together successful teams with a broad range of skills, experience and perspectives that not only reflects the diversity within our firm, but more also the diversity of our clients.

### **Assigning an appropriately qualified team**

KPMG LG has procedures in place to assign engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement.

Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies, training and capabilities, including time, to perform audit engagements in accordance with our audit methodology, professional standards, and applicable legal and regulatory requirements. This may include involving specialists from our own firm, other KPMG member firms or external experts.

KPMG LG has implemented engagement resource guidelines to outline the requirements of staff engagement assignment and portfolio allocation for partners, directors and managers on audit, assurance, and related

services engagements. These requirements consider the competence, capabilities, and workload of each staff member to ensure that engagements are adequately staffed in a timely manner.

Resources planning and allocation of Associates to Partners are managed centrally, ensuring optimum utilization of staff across the firm. The Resource Planning Team manages and approves the allocation of the specific team member involvement in the respective engagement to audit, review or other assurance or related engagements, ensuring that the allocation follows the engagement resource guidelines. If the resources are not available locally, access is provided to a network of highly skilled KPMG professionals in other member firms.

When considering the appropriate competence and capabilities expected of the engagement team, the engagement partner's considerations may include the following:

- an understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
- an understanding of, and practical experience of local public policies
- an understanding of professional standards and legal and regulatory requirements
- appropriate technical skills, including those related to relevant information technology and specialized areas of accounting or auditing
- knowledge of relevant industries in which the client operates
- ability to apply professional judgment
- an understanding of KPMG Lower Gulf's quality control policies and procedures
- Quality Performance Review (QPR) results and results of regulatory inspections.

Our Head of Audit is responsible for the partner assignment process and is supported by the Head of Operations and the Heads of Lines of Business. Key considerations include partner experience and capacity - based on an annual partner portfolio review—to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement).

As an additional control in Audit (where the services are of more of a recurring nature than across much of the rest of our business), our KPMG LG Head of Audit, Heads of Location (Dubai, Abu Dhabi, Oman), Chief Operating Officer and Head of Resource Planning together perform an annual review of the portfolio of all our audit engagement partners. The purpose of this portfolio review is to look at the complexity and risk of each audit and then to consider whether taken as a whole the specific engagement partner has the appropriate time and the right support to enable them to perform a high-quality audit for each client in their portfolio.

### **Investing in data centric skills – including data mining, analysis and visualization**

KPMG is strategically investing in our talent pipeline by partnering with world-class institutions to sustain our strong leadership, while also looking forward to cultivating the skills and capabilities that will be needed in the future. We are recruiting and training professionals who specialize in software, cloud capabilities, and artificial intelligence and who can bring leading technology capabilities to our smart audit platform. We provide training on a wide range of technologies to ensure that field professionals not only meet the highest professional standards but are also upskilled in new technology. With this approach we are bringing together the right people with the right skills and the right technology to perform exceptional audits.

### **Focused learning and development on technical expertise, professional acumen and leadership skills**

#### **Commitment to technical excellence and quality service delivery**

All KPMG LG professionals are provided with the technical training and support they need. This includes access to specialists and the professional practice department for consultation. If the right resource is not available within KPMG LG, the firm accesses a network of highly skilled KPMG professionals in other KPMG firms.

At the same time, audit policies require all KPMG audit professionals to have the appropriate knowledge and experience for their assigned engagements.



## Lifetime learning strategy

### Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at global, regional level and, where applicable, at KPMG firm level.

Mandatory learning requirements for audit professionals across the KPMG organization are established annually. Training is delivered using a blend of learning approaches and performance support.

Audit Learning and Development team works with subject matter experts and leaders from DPP as appropriate, to ensure the training is of the highest quality, is relevant to performance on the job and is delivered on a timely basis.

### Mentoring and on-the-job training

Learning is not confined to a single approach. Rich learning experiences are available when needed through coaching and just-in-time learning, available at the click of a mouse and aligned with job-specific role profiles and learning paths.

Mentoring and on-the-job experience play key roles in developing the personal qualities important for a successful career in auditing, including professional judgment, technical excellence and instinct.

We support a coaching culture throughout KPMG as part of enabling KPMG professionals to achieve their full potential; every team member is responsible for building the capacity of the team, coaching other team members and sharing experiences.

In relation to audit, KPMG LG:

- deploys a variety of learning solutions that are designed to reinforce our values and ensure our professionals get the fundamentals right, and develop the necessary skills and attitudes to make judgments, and apply professional skepticism that enhance audit quality and the value of audit
- provides instructor-led and virtual classroom training, performance support tools, coaching guides and just-in-time learning. Guidance is available on judgmental audit topics — this is used by audit teams and this guidance is embedded

across audit learning solutions

- has developed professional judgment tools, designed to reinforce the importance of independence and objectivity, and to assist engagement teams in demonstrating professional skepticism.
- provides courses to enhance personal effectiveness and develop leadership and business skills. Our partners and employees are developed further for high performance through coaching and mentoring on the job, stretch assignments and country rotational and global mobility opportunities.

We provided 42,463 hours of training in 2021 CPD cycle (1 October 2020 to 31 July 2021), with an average of 58 learning hours per audit staff (FY 2020: 44,043 hours, average of 55 learning hours per audit staff). Effective FY2021, annual CPD compliance is computed based on requirement of 35 CPD hours (2020: 40 CPD hours) to be complied with until 31 July 2021 i.e. 10 months (2020: 12 months). This was one of the key reasons for lower number of training hours reported. Audit CPD compliance was 99% (2020: 99%).

## Licensing and mandatory requirements for IFRS and U.S. GAAP engagements

### Licensing

All KPMG LG professionals are required to comply with applicable professional licence rules and satisfy the Continuing Professional Development requirements in the jurisdiction where they practice.

KPMG LG policies and procedures are designed to facilitate compliance with licence requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework – IFRS.

The firm provides 100% financial support on key qualifications/certifications to our staff in their initial years for a maximum of 4 years. The firm has also developed a structured progression policy to ensure that all staff above assistant manager and above holds a valid qualification/certification. The policy allows employees to qualify smoothly in stages until the Senior Associate 2 level

while receiving recognition at each milestone achieved. The policy is strictly monitored by the Human Resources team and key business leaders.

#### *Mandatory requirements – IFRS and U.S. GAAP engagements*

In addition, KPMG has specific requirements for partners, managers, and Engagement Quality Control (EQC) reviewers working on engagements performed outside the U.S. to report on financial statements or financial information prepared in accordance with U.S. GAAP and/or audited in accordance with U.S. auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR). These require that at a minimum, all partners, managers and, if appointed, the EQC reviewers (and for engagements conducted in accordance with US GAAP and/or US auditing standards engagements, the engagement partner, engagement manager, engagement in-charge and, if appointed the EQCR reviewers) assigned to the engagement have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

### **Recognizing quality**

#### **Personal development**

KPMG LG's approach to performance development, 'Open Performance Development', is built around the 'Everyone a Leader' performance principles, and includes:

- Global role profiles (including role profiles specific to audit quality accountabilities and responsibilities);
- a goal library (including audit quality content); and
- standardized review forms (with provision for audit quality ratings).

Open Performance Development is linked to the KPMG values and designed to articulate what is required for success — both individually and collectively. We know that by being clear and consistent about the behavior we expect and rewarding those who demonstrate them, we will continue to drive a relentless focus on audit quality.

At the same time, KPMG is driving a shift in our performance-driven culture, supported by and enacted through leading technology that allows us to embed audit quality into the assessment of performance and the decisions around reward as well as drive consistency across the global organization.

KPMG LG considers quality and risk compliance metrics in assessing the overall evaluation, promotion and remuneration of all staff. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

KPMG LG professionals are also developed for high performance through access to coaching and mentoring on the job, stretch assignments, and country rotational and global mobility opportunities.

# Associating with the right clients and engagements

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**Rigorous global client and engagement acceptance and continuance policies are vital to being able to provide high-quality professional services.**

### **Following the client and engagement acceptance and continuance policies**

KPMG's client and engagement acceptance and continuance policies and processes are designed to identify and evaluate potential risks prior to accepting or continuing a client relationship or performing a specific engagement.

KPMG firms are required to evaluate whether to accept or continue a client relationship or perform a specific engagement. Where client/engagement acceptance (or continuance) decisions pose significant risks, additional approvals are required.

### **Accepting appropriate clients and engagements**

#### **Client evaluation**

KPMG LG undertakes an evaluation of every prospective client.

This involves obtaining sufficient information about the prospective client, its key management and significant beneficial owners and then properly analyzing the information to be able to make an informed acceptance decision. This evaluation includes completion of a questionnaire to assess the client's risk profile and obtaining background information on the client, its key management, directors and owners. In addition, we obtain additional information required to satisfy our local legal and regulatory requirements.

#### **Engagement evaluation**

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking

system), intended purpose and use of engagement deliverables, public perception, whether the services would be unethical or inconsistent with our values as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of partners and employees assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG LG partners and employees and includes review by quality and risk management leadership as required.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional independence evaluation procedures, including a review of any non-audit services provided to the client and of other relevant business and personal relationships.

Similar independence evaluations are performed when an existing audit client becomes a public interest entity or additional independence restrictions apply following a change in the circumstances of the client.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are required to be documented and resolved prior to acceptance.

A prospective client or engagement will be declined if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with applicable professional standards, local regulatory independence requirements and our policies, or if there are other quality and risk issues that cannot be appropriately mitigated.



### Continuance process

KPMG LG undertakes an annual re-evaluation of all its audit clients. The re-evaluation identifies any issues in relation to continuing association and any mitigating procedures that need to be put in place (this may include the assignment of additional professionals such as an Engagement Quality Control (EQC) reviewer or the need to involve additional specialists on the audit).

Recurring or long running non-audit engagements are also subject to periodic re-evaluation.

In addition, clients and engagements are required to be re-evaluated if there is an indication that there may be a change in their risk profile, and as part of the continuous independence evaluation process, engagement teams are required to identify if there have been any changes to previously identified threats or if there are new threats to independence. The threats are then evaluated and, if not at an acceptable level, are eliminated or appropriate safeguards are applied to reduce the threats to an acceptable level.

### Withdrawal process

Where KPMG LG obtains information that indicates that we should withdraw from an engagement or from a client relationship, we consult internally and identify any required legal, professional and regulatory responsibilities. We also communicate as necessary with those charged with governance and any other appropriate authority.

### Managed portfolio of clients

KPMG LG leadership appoints engagement partners who have the appropriate competence, capabilities, time and authority to perform the role for each engagement as per engagement resource assignment guidelines.

Each audit engagement leader's client portfolio is reviewed at least annually in individual discussions with the engagement leader to ensure that they have sufficient time to manage the portfolio and to ensure that the risks are being appropriately managed. The review considers the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the engagement leader to deliver a quality audit for every client.

The KPMG LG Head of Audit, Heads of Geography (Dubai, Abu Dhabi, Muscat), Chief Operating Officer and Head of Resource Planning monitor the engagement leader's workload annually (or when the need arises) to reallocate portfolios based on factors such as workload (average managed hours), utilization, area of expertise, nature of the engagement, Accounting framework, Quality guidelines, any other key roles played by the engagement leader. The firm's mandatory rotation policy requirements are also taken into consideration while making such decisions.

# Being independent and ethical

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## Auditor independence is a cornerstone of international professional standards and regulatory requirements.

### Acting with integrity and living our values

KPMG International's detailed independence policies and procedures incorporate the IESBA Code of Ethics. These are set out in KPMG's GQRMM, which applies to all KPMG firms. Automated tools, which are required to be used for every prospective engagement to identify potential independence and conflict of interest issues, facilitate compliance with these requirements.

These policies are supplemented by other policies and processes to ensure compliance with the standards issued by local regulators and those of other applicable regulatory bodies. These policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, the firm's financial relationships, post-employment relationships, partner rotation and approval of audit and non-audit services.

The Partner-in-Charge of the Global Independence Group is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG firms, and that tools are available to help the firms and their personnel to comply with these requirements.

In addition, KPMG LG has a designated Ethics and Independence Partner (EIP) who is also the RMP. He has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG LG. The EIP is responsible for communicating and implementing KPMG global policies and procedures

and ensuring that local policies and procedures are established and effectively implemented when they are more stringent than the global requirements. The EIP fulfills this responsibility through:

- implementing/monitoring the ethics and independence quality control process and structure within the firm;
- approving/appointing resources responsible for ethics and independence within the firm;
- overseeing the processes related to the evaluation of specific independence threats in connection with clients and prospective clients;
- participating in the development and delivery of training materials;
- monitoring compliance with policies;
- implementing procedures to address non-compliance; and
- overseeing the disciplinary process for ethics and independence matters.

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications. Member firms are required to implement changes as specified in the email alerts, and this is checked through the internal monitoring programs described in [Internal monitoring and compliance programs](#).

KPMG LG partners and employees are required to consult with EIP on certain matters as defined in the Global Q&RM Manual. The EIP may also be required to consult with the Global Independence Group, depending upon the facts and circumstances.

## Maintaining an objective, independent and ethical mindset, in line with our code of conduct and policies

### Personal financial independence

KPMG International policies require that each KPMG member firm and its professionals are free from prohibited financial interests in, and prohibited financial relationships with, KPMG's audit and assurance clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors, and, where required, significant owners. All KPMG partners — irrespective of their member firm and function — are generally prohibited from owning securities of any audit client of any member firm.

KPMG LG professionals are responsible for making appropriate inquiries and taking other appropriate actions on an ongoing basis to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes.

In common with other KPMG member firms, we use a web-based KPMG independence compliance system, (KICS) to assist our professionals in complying with personal independence investment policies. This system contains an inventory of publicly available investments and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e., late reporting of an investment acquisition).

Partners, all client-facing personnel who are assistant manager grade or above; and non-client facing staff who are manager grade and above, are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in publicly traded entities in KICS, which automatically notifies them if their investments subsequently become restricted. Newly restricted investments must be disposed of immediately or within five business days of the notification.

We monitor partner and employee compliance with this requirement as part of our program of independence compliance audits of a sample of professionals. The Global Independence Group provides guidance and suggested procedures relating to the audit and inspection by KPMG member firms of personal compliance with KPMG's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

Partners in leadership positions in the member firm are audited once every 3 years. In 2021: over 60 (2020: over 30) of KPMG LG partners and employees were subject to these audits. This included approximately 20% (2020: 14%) of our partners).

### Employment relationships

Any professional providing services to an audit client irrespective of function is required to notify our EIP if they intend to enter into employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG member firm that is a public interest entity.

Former members of the audit team or former partners of KPMG LG are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to KPMG LG, including payments which are not fixed and predetermined and/or would be material to KPMG LG and ceased participating in KPMG LG business and professional activities.

Key audit partners and members of the chain of command for an audit client that is a public interest entity are subject to time restrictions (referred to as 'cooling-off' periods) that preclude them from joining that client in certain roles until a defined period of time has passed.

An assurance team member is also required to notify the EIP when they enter into employment negotiations with the assurance client during the course of the engagement. Former assurance team members or former partners of KPMG LG who join an assurance client in certain roles cannot continue to participate in KPMG LG's business or professional activities.



We communicate and monitor requirements in relation to employment and partnership of KPMG LG professionals by audit and assurance clients.

KPMG professionals engaged in negotiations regarding possible employment with an entity we audit are immediately removed from the audit engagement. If a professional accepts employment with an entity we audit, the engagement team considers the appropriateness or necessity of modifying the audit procedure to adjust for risk of circumvention by the former professional of KPMG LG.

#### **Firm financial independence**

KPMG firms are required also be free from prohibited interests in, and prohibited relationships with, audit clients, their management, directors and, where required, significant owners.

In common with other KPMG member firms, KPMG LG uses KICS to record its own direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed entities or funds. This includes investments held in pension, and employee benefit plans.

Additionally, KPMG LG is required to record in KICS all borrowing and capital financing relationships, and custodial, trust and brokerage accounts that hold member firm assets.

On an annual basis, KPMG LG confirms compliance with independence requirements as part of the Risk Compliance Program.

#### **Business relationships/suppliers**

KPMG LG has policies and procedures in place that are designed to ensure its business relationships are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements.

These include establishing and maintaining a process to evaluate potential third-party arrangements (for example business alliances and joint working arrangements, procurement relationships and marketing and public affairs activities) with particular regard to whether they have a bearing on auditor independence.

All prospective business relationships are evaluated to assess association risks and to identify potential auditor independence and conflicts of interest issues. A relationship involving a third-party service provider—that a member firm will use to assist with client engagements or other purposes—is also required to be evaluated to determine whether the third party has the competence to provide the relevant services. The individuals providing the services are required to confirm they understand and will comply with applicable ethics and independence requirements, and they are also required to complete ethics and independence and other training necessary to their role. Third parties providing services to audit or assurance clients are required to complete independence training.

#### **Business acquisitions, admissions and investments (if applicable)**

If KPMG LG is in the process of considering the acquisition of, or investment in, a business, it is required to perform sufficient due diligence procedures on the prospective target to identify and address any potential independence and risk management issues prior to closing the transaction. Specific consultation requirements are required to enable independence and other issues to be addressed when integrating the business into KPMG LG and the wider KPMG network.

#### **Independence clearance process**

In addition to the standard acceptance evaluation performed for every engagement, which includes an evaluation of independence, KPMG LG follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as 'the independence clearance process,' must be completed prior to accepting an audit engagement for these entities.

The 'KPMG Independence Checkpoint' tool is used to automate and standardize all the workflows that comprise the independence clearance process

#### **Independence training and confirmations**

All KPMG LG partners and client service professionals, as well as certain other

individuals, must complete independence training that is appropriate to their grade and function upon joining KPMG LG and on an annual basis thereafter.

New personnel who are required to complete this training must do so by the earlier of (a) thirty days after joining KPMG LG or (b) before providing any services to or becoming a member of the chain of command for, any audit client, including any of its related entities or affiliates.

We also provide all personnel with annual training on the KPMG LG Code of Conduct and ethical behaviour, including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards, and reporting suspected or actual non-compliance with laws, regulations, professional standards, and KPMG's policies.

New personnel are required to complete this training within one month of joining the firm.

In addition, certain non-client-facing personnel who work in finance, procurement or sales and marketing departments, and who are at the manager level and above, are also required to undertake anti-bribery training.

Upon acceptance of employment, all KPMG personnel are required to confirm that they are in compliance with, and will abide by, applicable ethics and independence rules and policies.

All KPMG personnel are required to sign an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year covered by the confirmation as well as their understanding of, and compliance with, the applicable Code of Conduct. This confirmation is used to evidence the individual's compliance with and understanding of KPMG's independence policies.

#### **Non-audit services**

KPMG LG has policies that comply with the IESBA Code of Ethics and applicable laws and regulations related to the scope of services that can be provided to audit clients.

In addition to identifying potential conflicts of interest, Sentinel™ facilitates compliance with these policies. Certain information on all

prospective engagements, including service descriptions and fees must be entered into Sentinel™ as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential threats and safeguards is also required to be included in the Sentinel™ submission.

Lead audit engagement partners (LAEPs) are required to maintain group structures for their publicly traded and certain other audit clients as well as their related entities or affiliates, in Sentinel™. They are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats. Sentinel™ enables lead audit engagement partners, for those entities for which group structures are maintained, to review and approve, or deny, any proposed service for those entities worldwide. For approved proposed services, Sentinel designates a timeframe during which the approval remains valid. Upon expiration of the established timeframe, the services are required to be complete or be re-evaluated for permissibility; otherwise, the services are required to be exited.

KPMG LG is required to maintain a process to review and approve all new and modified services that are developed by KPMG LG. KPMG LG's EIP is involved in the review of potential independence issues related to these new or modified services. The Global Independence Group is involved if required in the case of services developed which are intended to be delivered to audit or assurance clients in more than one jurisdiction and appropriate safeguards.

KPMG global independence policies prohibit KPMG firm audit partners from being evaluated on, or compensated based on, their success in selling non-assurance services to their audit clients.

#### **Fee dependency**

KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the member firm expressing the audit opinion. These policies require KPMG member firms to consult with their Area Quality & Risk

Management Leader where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years.

In addition, KPMG International's policies require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years, these policies further require that:

- This would be disclosed to those charged with governance at the audit entity; and
- A senior partner from another KPMG member firm would be appointed as the engagement quality control (EQC) reviewer.

No audit client accounted for more than 10 percent of the total fees received by KPMG LG over the last two years.

### Resolving conflicts of interest

Conflicts of interest can arise in situations where KPMG LG personnel have a personal connection with the client which may interfere, or be perceived to interfere, with their ability to remain objective, or where they are personally in possession of confidential information relating to another party to a transaction. Consultation with the EIP, who is also Risk Management Partner (RMP), is required in these situations.

KPMG International policies are also in place to prohibit KPMG partners and staff from accepting gifts and hospitality from audit clients, unless the value is trivial and inconsequential, is not prohibited by relevant law or regulation and is not deemed to be have been offered with the intent to improperly influence the behavior of the audit team member or the member firm. KPMG partners and staff are also precluded from offering inducements, including gifts and entertainment, which are made or perceived to be made with the intent to improperly influence the behavior of the recipient or which would cast doubt on the individual's or the member firm's integrity, independence, objectivity or judgment.

All KPMG member firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances

or situations that have, or may be perceived to have an impact on a member firm or its personnel in their ability to be objective or otherwise act without bias.

All KPMG member firms must use Sentinel™ for potential conflict identification so that these can be addressed in accordance with legal and professional requirements.

KPMG LG has risk management resource/s ('Resolver/s') who is/are responsible for reviewing an identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which must be documented.

It may be necessary to apply specific procedures to manage the potential for a conflict of interest to arise, or be perceived to arise, so that the confidentiality of all clients' affairs is maintained. Such procedures may, for example, include establishing formal ethical dividers between engagement teams serving different clients, and making arrangements to monitor the operation of such dividers.

Escalation and dispute resolution procedures are in place for situations in which agreement cannot be reached on how to manage a conflict. If a potential conflict issue cannot be appropriately mitigated, the engagement is declined or terminated. Any potential conflict matters that raise important points of principle for KPMG LG are referred to our Risk Management Partner for resolution; in cases of difficulty a panel of partners may be convened to resolve the matter.

### Independence breaches

All KPMG LG personnel are required to report an independence breach as soon as they become aware of it to the EIP. In the event of failure to comply with our independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. All breaches of independence requirements of the IESBA Code or other external independence requirements are required to be reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed to with those charged with governance.

KPMG LG has a documented and communicated disciplinary policy in relation to breaches of independence policies. The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations. Our Risk management team is led by an E&I Partner, who oversees implementation of policies and procedures in relation to ethical matters and breaches of requirements. Any breaches of auditor independence regulations are reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed to with those charged with governance.

Matters arising are factored into our promotion and compensation decisions and, in the case of engagement leaders and managers, are reflected in their individual quality and risk metrics.

## Partner and firm rotation

### Partner rotation

KPMG International partner rotation policies are consistent with the IESBA Code of Ethics and require all member firms to comply with any stricter local applicable rotation requirements.

KPMG LG partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide statutory audit services to a client, followed by a 'time-out' period during which time these partners may not:

- participate in the audit;
- provide quality control for the audit;
- consult with the engagement team or the client regarding technical or industry-specific issues;
- in any way influence the outcome of the audit;
- lead or coordinate professional services at the client;

- oversee the relationship of the firm with the audit client; or
- have any other significant or frequent interaction with senior management or those charged with governance at the client.

KPMG LG monitors the rotation of audit engagement leaders (and any other key roles, such as the Key Audit Partner and EQC Reviewer, where there is a rotation requirement) and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients. The partner rotation monitoring is subject to compliance testing.

### Firm rotation

KPMG LG has processes in place to track and manage audit firm rotation. The relevant regulatory requirements are as follows:

- Abu Dhabi Accountability Authority (ADAA): ADAA issued a rotation requirement in accordance with Article 4 of Chairman of Abu Dhabi Accountability Authority Resolution No. (53) of 2020, specifying a rotation requirement of Four (4) Years for auditors. This requirement is applicable for ADAA regulated government entities. It is prohibited to appoint the Auditor or the Engagement Partner before completion of four years of last audit service provided by each of them to the Entity.
- Government of the UAE, Ministry of the economy (MOE) and UAE Securities and Commodities Authority (SCA): UAE commercial companies Law UAE Federal Decree 26/2020, Article 243 specifies the term for audit firm and partner appointment as "The appointment term of the auditing company may not exceed six (6) consecutive fiscal years from the date of its appointment. In such case, the auditing partner; responsible for the auditing works of the company; shall be replaced after three (3) fiscal years. The same auditing company may be reappointed after the lapse of at least two (2) consecutive years from the expiration date of its appointment."



- UAE Securities and Commodities Authority (applicable for all the local public joint stock companies in the UAE)  
Federal Law by Decree no. (26) of 2020 concerning amendments to certain Articles of the Federal Law no. (2) of 2015 related to the Commercial Companies stipulates in the first paragraph of Article (2/243) that: “2- the Auditors should be appointed by the General Assembly of the Company for a renewable one-year term and the Company’s board of Directors shall not be delegated with this regard. However, the Auditors shouldn’t audit the Company for more than 6 consecutive years since the initial date of appointed, and in this case, the audit partner responsible for the audit should be rotated every 3 years.”
- DIFC registered companies  
The DFSA Rulebook – Auditor Module specifies in section 5.2.2 (1) that a Registered Auditor must not consent to an appointment or continue to act as the Auditor of a Public Listed Company if the Audit Principal who has responsibility for the conduct of the audit of the Public Listed Company has acted as Audit Principal in relation to that Company for a period exceeding the maximum period permitted under the Code of Ethics for Professional Accountants and has not been rotated as required under that Code, consequently (7) years as per KPMG policy.
- Central Bank of the UAE  
Financial Reporting and External Audit Regulation 162/2018: Article (3): External Audit specifies “Banks must rotate their external audit firm at least every 6 years, subject to the conduct of a procurement procedure. In addition, Banks must rotate their external audit firm’s partner in charge of the audit every 3 years.”
- Capital Market Authority (CMA)

In the Code of Corporate Governance issued on July 2015, the Twelfth Principle: External Auditors specifies: “(2) The ordinary annual general meeting shall appoint the external auditor for a term of one financial year, renewable for other similar terms, providing they do not exceed four (4) consecutive financial years. After completion of fourth consecutive year, the firm may be reappointed once again only after a cooling off period of two consecutive years.”

### **Zero tolerance of bribery and corruption**

Compliance with laws, regulation and standards is a key aspect for all KPMG LG personnel. We have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery

- even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third parties, including by our clients, suppliers or public officials. KPMG International requires KPMG firms to have appropriate internal controls in place to mitigate the risk of involvement in bribery by the firm and its partners and employees.

All KPMG firm partners and employees are required to take training covering compliance with laws, regulations and professional standards relating to anti-bribery and corruption, including the reporting of suspected or actual non-compliance.

Further information on KPMG International anti-bribery and corruption can be found on the [anti-bribery and corruption site](#).

Please also refer to KPMG International’s annual communication on progress report for the [UN Global Compact](#).

# Performing quality engagements

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**How an audit is conducted is as important as the result. KPMG LG partners and employees are expected to adhere to certain behavioral standards and follow certain policies and procedures in the performance of effective and efficient audits.**

### Consulting where necessary

#### Encouraging a culture of consultation

KPMG encourages a strong culture of consultation that supports member firm teams throughout their decision-making processes and is a fundamental contributor to audit quality. KPMG LG promotes a culture in which consultation is recognized as a strength and that encourages personnel to consult on difficult or contentious matters.

To help with this, firms are required to have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, the GQRMM includes mandatory consultation requirements on certain matters.

#### Technical consultation and global resources

Technical auditing and accounting support is available to member firms through the Global Audit Methodology Group (GAMG), KPMG Global Solutions Group (KGSG), the Intermarket Surveillance Group (ISG) and the PCAOB Standards Group (PSG).

##### *Global Audit Methodology Group (GAMG)*

KPMG's audit methodology is developed and maintained by the Global Audit Methodology Group (GAMG). The GAMG develops our audit methodology based on the requirements of the applicable auditing standards – International Standards on Auditing, PCAOB and AICPA.

##### *KPMG Global Solutions Group (KGSG)*

The KGSG is responsible for the

envisioning, development and deployment of global audit solutions, including new technology and automation innovations.

The KGSG and GAMG work collaboratively to support member firms through collaboration, innovation and technology. We have made significant investment in our audit methodology and tools with the core focus of improving audit quality, global consistency and standardization.

With locations, in each of the three KPMG regions (Americas, EMA and ASPAC), the KGSG and GAMG teams comprise professionals with backgrounds in audit, IT, data science, mathematics, statistics, and more from around the world, who bring diverse experiences and innovative ways of thinking to further evolve KPMG's audit capabilities.

##### *International Standards Group (ISG)*

The ISG works with Global IFRS topic teams, with geographic representation from around the world, and the IFRS Panel and ISA Panel to promote consistency of interpretation of IFRS and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis.

##### *PCAOB Standards Group (PSG)*

The PCAOB Standards Group (PSG) comprises a dedicated group of professionals with background in PCAOB auditing standards who promote consistency of interpretation of PCAOB auditing standards applied globally in KPMG firms' audits of non-US components and foreign private issuers and non-US components of SEC issuers, as defined by SEC regulations. The PSG

also provides input into the development of training for auditors who work on PCAOB audit engagements and, where practicable, facilitates delivery of such training.

#### *KPMG LG Department of professional practice resource (DPP)*

Across KPMG LG, the role of DPP is crucial in terms of the support that it provides to the Audit function. It provides technical guidance to client service professionals on specific engagement related matters, develops and disseminates specific topic related guidance on emerging local technical and professional issues and disseminates international guidance on IFRS Standards and ISAs.

Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by technical specialists. In exceptional circumstances, a matter may be referred to the Head of Audit, Head of DPP, Head of Quality and Audit RMP.

KPMG LG DPP has evolved multi-fold since financial year 2016 and is led by a fully dedicated Partner supported by full time experienced director and managers. During FY2021, few DPP members have also had the opportunity to work part-time with EMA DPP and GAMG on various projects.

To assist audit engagement professionals in addressing difficult or contentious matters, protocols have been established for formal and informal consultations. DPP also performs pre-issuance reviews of annual financial statements as per a defined DPP consultation policy.

DPP also offers training courses, coaching opportunities, performs thematic review and develops guidance material to the audit engagement teams.

DPP participates in global and local networks and working groups to ensure that they are updated and able to communicate the most relevant and appropriate information to audit teams.

### **Critically assessing audit evidence, using professional judgement and skepticism**

On all KPMG audits, the nature and extent of the audit evidence we gather is responsive to the assessed risks. We consider all audit evidence obtained during the course of the audit including contradictory or inconsistent audit evidence. Each team member is required to exercise professional judgement and maintain professional skepticism throughout the audit engagements. Professional skepticism involves a questioning mind and alertness to contradictory or inconsistencies in the audit evidence. Professional judgement encompasses the need to be aware of and alert to biases that may pose threats to good judgements.

### **Direct, coach, supervise and review**

#### **Embedding ongoing mentoring, supervision, and review**

To invest in the building of skills and capabilities of KPMG professionals, KPMG LG promotes a continuous learning environment and supports a coaching culture.

Ongoing mentoring, coaching and supervision during an audit involves:

- engagement partner participation in planning discussions
- tracking the progress of the audit engagement
- considering the competence and capabilities of the individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement
- helping engagement team members address any significant matters that arise during the audit and modifying the planned approach appropriately
- identifying matters for consultation with more experienced team members during the engagement.



A key part of effective mentoring and supervision is timely review of the work performed so that significant matters are promptly identified, discussed and addressed.

### **Engagement quality control (EQC) reviewers**

The EQC review is an important part of KPMG's framework for quality. An EQC reviewer is required to be appointed for audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the Risk Management Partner or country Head of Audit.

An EQC review provides reasonable assurance that the team has appropriately identified significant risks, including fraud risks, and has designed and executed audit procedures to address them.

EQC reviewers are required to meet training and experience criteria to perform a quality control review for a particular engagement. Reviewers are independent of the engagement team and audit client and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved, though the engagement partner is ultimately responsible for the resolution of accounting and auditing matters.

Our EQC reviewers are independent of the engagement team and have appropriate experience and knowledge to perform an objective review and challenge of the more critical and judgmental elements of the audit. The audit report can only be released when the EQC reviewer is satisfied that all significant questions raised have been resolved.

The EQC review takes place before the date of the auditor's report and includes, among other matters:

- review of selected audit documentation relating to significant judgments the engagement team made and the conclusions it reached
- review of the financial statements and proposed auditor's report
- evaluation of the conclusions reached in formulating the auditors' report and consideration of whether the proposed report is appropriate.

Although the engagement partner is ultimately responsible for the resolution of financial reporting and auditing matters, the EQC reviewer must be satisfied that all significant questions raised have been resolved before an audit can be considered complete.

We are continually seeking to strengthen and improve the role that the EQC review plays in member firm audits and have taken a number of actions to reinforce this, including issuing leading practice guidance, incorporating specific review requirements into our audit workflow, and developing policies relating to recognition, nomination and development of EQC reviewers. In recent years, a number of actions have been taken to reinforce this, including:

- Adoption of EQCR policy as released by KPMG's Global Audit Quality Transformation (GAQT) program in line with ISOQM 2
- Engagement resource guidelines includes EQCR involvement guidelines i.e. minimum hours of the total engagement hours recommended
- Frequent monitoring and remediation of cases of inadequate involvement
- Balancing portfolio of engagement partners which allows them to perform EQC reviewer role adequately and on a timely basis
- Collaborating with member firms to share EQCR resources, thereby increasing the bandwidth and tapping into the combined experience

## Appropriately support and document conclusions

### Reporting

Auditing standards largely dictate the format and content of the auditors' report that includes an opinion on the fair presentation of the client's financial statements in all material respects. Experienced engagement partners form all audit opinions based on the audit performed.

In preparing auditors' reports, engagement partners have access to extensive reporting guidance and technical support through consultations with our DPP, especially where there are significant matters to be reported to users of the auditors' report (e.g. a modification to the opinion or through the inclusion of an 'emphasis of matter' or 'other matter' paragraph, as well as key audit matters to be communicated).

### Engagement documentation

KPMG LG audit documentation is completed and assembled according to the timeline established by the firm policy and auditing standards, and we have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and firm information.

KPMG International recently adopted policies to apply to all KPMG firms to reduce the time period allowed to assemble audit documentation, which is significantly less than required by the applicable auditing standards. At KPMG LG, we follow the shortened period assembly period policy.

# Assessing risks to quality

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Through the Global Audit Quality Council and the GQ&RM Steering Group, KPMG International reviews the results of the quality monitoring programs, reviews firm root causes, and planned remedial actions and develops additional global remediation actions as required.

Global remediation is aimed at actions around culture and behavior across the global organization and at driving consistent engagement team performance within KPMG firms.





# Communicating effectively

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**We recognize that another important contributor to upholding audit quality is to obtain and act upon feedback from key stakeholders.**

### **Provide insights, and maintain open and honest two-way communication**

At KPMG LG we stress the importance of keeping those charged with governance informed of issues arising throughout the audit and the need to listen to and understand their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and, when appropriate, ongoing informal discussions with management and members of the audit committee.

The role of audit committees is key in supporting quality auditing by overseeing the relationship between company and auditor and challenging what auditors do and how they do it.

Communications with audit committees include:

- an overview of the planned scope and timing of the audit, which includes communicating significant risks identified
- significant findings from the audit which may include control deficiencies and audit misstatements
- an annual written communication that states the engagement team and KPMG LG have complied with relevant independence requirements; describes all relationships and other matters between KPMG LG and the audit client that, in our professional judgment, may reasonably be thought to bear on independence; and states related safeguards we have applied to eliminate (or reduce to an acceptable level) identified threats to independence.

We ensure such communications meet the requirements of professional standards. On an annual basis, DPP issues the standard templates of the audit reports from International Standards of Reporting Manual (ISRM) customized for entities regulatory framework. The audit reports are accompanied by tailored narratives for Key Audit Matters (KAMs), Material Uncertainty Related to Going Concern and Other matters.

Experienced partners form the audit opinion after involvement in and review of work performed by the team. The importance of ensuring the clarification of any uncertainties before signing audit reports with DPP is emphasized and well understood.

#### *IFRS Institute*

KPMG's Global IFRS Standards Institute provides information and resources to help the KPMGLG board and Audit Committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial and sustainability reporting frameworks.

### **Conduct and follow-up on the Global People Survey (GPS)**

Only with engaged, talented people can KPMG deliver audits in line with our audit quality expectations. KPMG LG personnel are invited to participate in the annual KPMG's Global People Survey (GPS) to share their perception about their experience of working for KPMG. The GPS provides a measure of our people's engagement and insights into areas driving engagement. Results can be analyzed by several factors, for example functional or geographic

area, grade and gender to provide additional focus for action. Through the GPS, KPMG LG gains additional insight on how we are faring on categories known to impact employee engagement. We also cover areas of focus which are directly relevant to audit quality; the survey includes specific audit quality related questions that all individuals who participated in an audit in the previous 12 months are asked to respond to, giving us a particular data set for audit quality related matters.

The survey also provides KPMG LG leadership and KPMG International leadership with results related to quality and risk behavior, audit quality, upholding the KPMG values, employee and partner attitudes to quality, leadership and tone at the top.

KPMG LG participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. The results of the GPS are also aggregated for the entire global organization and are presented to the Global board each year and appropriate follow-up actions agreed.

Audit specific analysis of GPS results is also undertaken with a particular focus on audit quality. Results and key themes are presented to the KPMG LG leadership on an annual basis for consideration of appropriate remedial action, if needed.

# Monitoring and remediation

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**Integrated quality monitoring and compliance programs enable KPMG firms to identify quality deficiencies, to perform root cause analysis and develop, implement and report remedial action plans, both in respect of individual audit engagements and the overall system of quality control.**

**Rigorously monitor and measure quality at the local and global level**

**Commitment to continuous improvement**

KPMG commits to continually improve the quality, consistency and efficiency of KPMG firm audits. The quality monitoring and compliance programs are globally consistent in their approach across all member firms, including the nature and extent of testing and reporting. KPMG LG compares the results of its internal monitoring programs with the results of those of any external inspection programs and take appropriate action.

**Internal monitoring and compliance programs**

KPMG LG monitoring programs are created by KPMG International and applied across KPMG firms. The programs evaluate both:

- engagement performance in compliance with the applicable standards, applicable laws and regulation and KPMG International policies and procedures
- KPMG LG compliance with KPMG International policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

Our internal monitoring programs also contribute to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively. These include Quality Performance Reviews (QPR) and Risk Compliance Programs (RCP), which are conducted annually across the Audit, Tax and Advisory functions.

Additionally, all member firms are covered at least every three years by the cross functional Global Compliance Review (GCR) program. Participation in QPR, RCP and GCR is a condition of ongoing membership of the KPMG network.

Participation in QPR, RCP and GCR programs is mandatory for all KPMG firms.

Results and lessons from the integrated monitoring programs are communicated internally, and the overall results and lessons from the programs are considered and appropriate action is taken at local, regional and global levels.

Firms communicate the results of the programs internally and take action to make improvements where needed. The results are also considered at a wider regional and global level.

***Audit Quality Performance Reviews (QPRs)***

The Audit QPR program assesses engagement level performance and identifies opportunities to improve engagement quality.

**Risk-based approach**

Each engagement leader is reviewed at least once in a three-year cycle. A risk-based approach is used to select engagements in line with the global QPR guidelines.

KPMG LG conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG LG level and are monitored regionally and globally. Member firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the member firm.

## Reviewer selection, preparation and process

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the member firm under review.

Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be as rigorous as external reviewers.

## Audit QPR evaluation

Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations.

Audit engagements selected for review are rated as 'Satisfactory', 'Performance Improvement Needed' or 'Unsatisfactory'.

## Reporting

Findings from the QPR program are disseminated to member firm professionals through written communication, internal training tools, and periodic partner, manager, and staff meetings.

These areas are also emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

Lead audit engagement partners are notified of less than satisfactory engagement (defined as 'Performance Improvement Needed' or 'Unsatisfactory') ratings on their respective cross-border engagements. Additionally, lead audit engagement partners of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR.

## Risk Compliance Program (RCP)

KPMG International develops and maintains quality control policies and processes that apply to all KPMG member firms. These policies and processes, and their related procedures, include the requirements of ISQC 1. During the annual RCP, we perform a robust assessment program consisting of documentation of quality controls and procedures, related compliance testing and reporting of exceptions, action plans and conclusions.

The objectives of the RCP are to:

- document, assess and monitor the extent of compliance of KPMG LG system of quality control with Global Quality & Risk Management policies and key legal and regulatory requirements relating to the delivery of professional services; and
- provide the basis for KPMG LG to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

Where deficiencies are identified, we are required to develop appropriate action plans and monitor the status of each action item.

## Global Quality & Compliance Review (GQ&CR) program

Each KPMG firm is subject to a GQ&CR conducted by KPMG International's GQ&CR team, independent of the member firm, at various intervals based on identified risk criteria

The GQ&CR team performing the review is independent of the firm and is objective and knowledgeable of GQ&RM policies. GQ&CRs assess compliance with selected KPMG International policies and procedures and share best practices among member firms. The GQ&CR provides an independent assessment of:

- a firm's commitment to quality and risk management (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment;
- a firm's compliance with KPMGI policies and procedures; and
- the robustness with which the member firm performs its own compliance program (RCP).

KPMG LG develops action plans to respond to all GQ&CR findings that indicate improvement is required and agrees these with the GQ&CR team. Our progress on action plans is monitored by the GQ&CR central team. Results are reported to the GQ&RM Steering Group and where necessary, to appropriate KPMG International and regional leadership.

## Area Quality & Risk Management Leaders

The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders (ARLs) who serve a regular and ongoing monitoring function to assess the effectiveness of a member firm's efforts and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand. Significant activities of the ARL, including member firm issues identified and related member firm response/remediation, are reported to GQ&RM leadership.

## Obtain, evaluate and act on stakeholder feedback

### Regulators

In the UAE there are multiple regulatory bodies which have oversight over the entities regulated by them. Some regulators also conduct reviews in accordance with the scope and frequency as defined in the underlying regulations, updated intermittently as per official notifications. We have considered each of the findings and recommendations and have implemented actions to address deficiencies and strengthen policies and procedures as appropriate.

KPMG LG is also registered with the FRC UK and the Japanese Financial Services Authority.

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR), principally through its Global Audit Quality Working Group (GAQ WG), to discuss thematic audit quality issues along with targeted strategies for improvement. We value the open, honest and transparent dialogue that IFIAR facilitates on global audit quality issues.

The Area Quality & Risk Management Leader (ARL) is made aware of any findings and the proposed action points to assist in consistent application across the network.

Every KPMG firm is expected to maintain professional and respectful relationships with regulators, including proactively engaging, responding to questions in a timely manner and taking appropriate remedial actions.

## Client feedback

We proactively seek feedback from clients through in-person conversations and independent client feedback to monitor their satisfaction with services delivered. We endeavour to take this feedback and make dynamic changes at both the engagement and firm level to meet clients' needs.

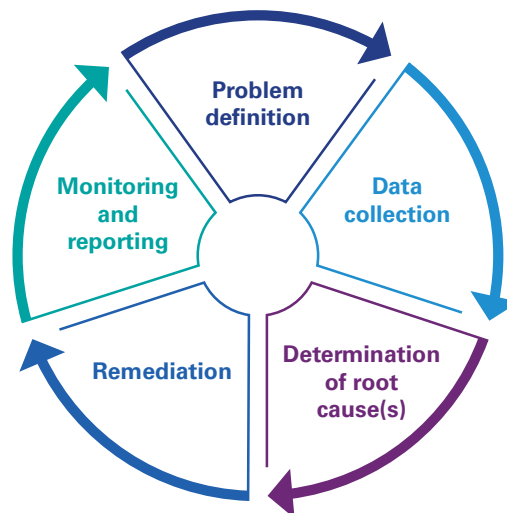
### Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work. These procedures are detailed in our general terms of business. The KPMG international hotline link is available in contact section of our external website.

## Perform root cause analysis

KPMG LG conducts Root Cause Analysis (RCA) in respect of audit quality issues. In 2021, RCA training based on our Global RCA 5 Step Principles was attended by those individuals at KPMG LG who will be performing RCA or directing those performing RCA. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA.

The Global RCA 5 Step Principles are as follows:



It is the responsibility of all KPMG firms to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified.

At KPMG LG, RCA is performed by Audit Quality team led by the Audit Quality leader. KPMG LG's Head of Audit is responsible for audit quality including the remediation of audit quality issues. Over the last year we have significantly increased the formality of root-cause analysis performed. We conducted five RCA projects in total in last two financial years. The outcome of this process is increased visibility of the underlying factors at engagement level that hinder the consistent delivery of high-quality audits. This improved visibility allows us to develop more insightful and focused actions. These actions are broader than training, tools and guidance and are designed to address behavioral and structural matters in addition to areas such as technical knowledge and work allocation.

The firm's Risk Management Partner monitors the remediation plan(s) implementation. The progress of the project along with approval of the remediation plan is discussed at AQC, as and when due.



# Financial information

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Revenue (AED millions)	FY21	FY20	FY19
Total revenue for KPMG Lower Gulf	<b>638</b>	<b>593</b>	<b>540</b>
<b>Total revenue split for the firm can be further analyzed on the following percentage basis</b>	<b>FY21</b>	<b>FY20</b>	<b>FY19</b>
Audits of financial statements	<b>34%</b>	<b>44%</b>	<b>51%</b>
Assurance and other services for audit clients	<b>5%</b>	<b>4%</b>	<b>3%</b>
Services for non-audit clients	<b>61%</b>	<b>52%</b>	<b>45%</b>

# Partner remuneration

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### Partners' profit share

Partners are remunerated out of the distributable profits of KPMG LG (such profits being determined by the KPMG LG board) and are responsible for funding own pensions along with KPMG LG's contribution towards pensions and other benefits. The final allocation of profits to partners is made by KPMG LG after assessing each partner's performance for the year. The KPMG LG board's Remuneration Committee (comprising members of the board) are final decision-makers in this process and oversees its application.

There are two elements to partner remuneration:

- base component – a proportion of the KPMG LG budgeted profits are allocated to members as base component; this is effectively member salary. The amount of base component reflects the role and seniority of each partner; and
- profit related performance component – rewards performance in the year by each partner against individual objectives previously agreed and the service lines performance and profits of the KPMG LG as a whole. Our policies for this variable element of partner remuneration take into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and living the values of KPMG LG. Audit partners are not permitted to have objectives related to, or receive any remuneration from selling non-audit services to their audit clients.

### Drawings

During the year, partners working within KPMG LG received monthly drawings, and additional profit distributions related to performance related to the previous year. The level of profit distribution is decided by the Remuneration Committee, and the timing of pay-out is at the discretion of the executive committee (ExCom), taking into account cash requirements for operating and investment activities. Drawings represent monthly payments based on expected earnings in a year, and while the aim is to ensure these are stable month-to-month, the reality is that monthly drawings can vary in the course of a year if business conditions warrant this; this would require the involvement of the ExCom. Profit distribution (as indicated by the name) represents payment of personally allocated profits related to performance and contribution in the previous year, and is not related to the current financial year but rather to profits generated in the past financial year.



# Network arrangements

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## Legal structure

### Legal structure

On 1 October 2020, KPMG LG and all other KPMG firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee.

Since 1 October 2020, KPMG International Limited has been the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International.

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes being professionally and financially stable; having an ownership, governance and management structure that ensures continuity and stability and long-term success; and being able to comply with policies issued by KPMG International,

adopt global strategies, share resources (incoming and outgoing), service multinational clients, manage risk, and deploy global methodologies and tools.

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International Limited or any of its related entities have any such authority to obligate or bind any member firm.

Further detail on the revised legal and governance arrangements for the KPMG global organization from 1 October 2020 can be found in the 'Governance and leadership' section of the [2021 KPMG International Transparency Report](#).

### **Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements\***

Aggregated revenues generated by KPMG firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.05 billion during the year ending 30th September 2021. The EU/EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended 30th September 2021.

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

## Responsibilities and obligations of member firms

Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

Each KPMG firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG values (as set out in the Appendices to this document).

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global board and consistently applied to the firms. A firm's status as a KPMG member firm and its participation in the KPMG global organization may be terminated if, among other things, it has not complied with the policies set by KPMG International or any of its other obligations owed to KPMG International.

## Professional Indemnity Insurance

Insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis.

## Governance structure

The key governance and management bodies of KPMG International are the Global Council, the Global board, and the Global Management Team.

### Global Council

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms.

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global board members. It includes representation from 56 KPMG firms that are "members" of KPMG International Limited as a matter of English law.

### Global Board

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include approving global strategy, protecting and enhancing the KPMG brand and reputation, overseeing the Global Management Team and approving policies with which KPMG firms are required to comply. It also approves the admittance or termination of KPMG firms to/from the global organization.

It is led by the Global Chairman, Bill Thomas, and also includes the Chairman of each of the regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)), and a number of members who are also member-firm Senior Partners.

The list of current Global Board members, is set out on the Leadership page of [kpmg.com https://home.kpmg/xx/en/home/about/who-we-are/our-leadership.html](https://home.kpmg/xx/en/home/about/who-we-are/our-leadership.html).

Global Board committees:

The Global Board is supported in its oversight and governance responsibilities by several committees, including:

- Executive Committee;
- Governance Committee;
- Global Quality, Risk & Reputation Committee; and
- Global Audit Quality Committee.

The overarching responsibility of the Global Audit Quality Committee is to strive for globally consistent audit quality across all firms and to oversee those KPMG International activities which relate to improving and maintaining the consistency and quality of audits provided by KPMG firms.

### Global Management Team

The Global board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing the global strategy by working together with the Executive Committee, and jointly recommending the global strategy to the Global board for its approval. The Global Management Team also supports KPMG firms in their execution of the global strategy and KPMG International decisions and policies by member firms, including holding them accountable against their commitments. It is led by the Global Chairman, Bill Thomas.

The list of current Global Management Team members is available in the [Leadership](#) section on KPMG.com.

### Global Steering Groups

There is a Global Steering Group for each key function and infrastructure area, chaired by the relevant member of the Global Management Team and, together they assist the Global Management Team in discharging its responsibilities. They act under delegated authority from the Global board and oversight by the Global Management Team (GMT). Under the oversight of the GMT, they promote the execution of the global strategy and compliance with KPMG International decisions and policies by member firms.

In particular, the Global Audit Steering Group and Global Quality & Risk Management Steering Group work closely with regional and member firm leadership to:

- Establish, and ensure communication of, appropriate audit and quality/risk management policies;
- Establish and support effective and efficient risk processes to promote audit quality;
- promote and support the implementation of strategy implementation in member firms' audit functions, including standards of audit quality; and
- assess and monitor audit engagement quality, including issues arising from quality performance and regulatory reviews, and focus on best practices to increase audit quality.

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section 'Governance and leadership' of the [2021 KPMG International Transparency Report](#).

Each firm is part of one of three regions (the Americas, ASPAC, and EMA). Each region has a Regional board comprising a regional chairman, regional chief operating officer, representation from any sub-regions, and other members as appropriate. Each Regional board focuses specifically on the needs of member firms within their region and assists in the implementation of KPMG International's policies and processes within the region.

Further details about KPMG International including the governance arrangements for the year ending 30 September 2021, can be found in section 'Governance and leadership' of the [2021 KPMG International Transparency Report](#).

# Statement by the board of KPMG Lower Gulf on the effectiveness of quality controls and independence

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The measures and procedures that serve as the basis for the system of quality control for KPMG LG outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by our firm comply with the applicable laws and regulations. Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant laws and regulations would be prevented or detected.

The board of KPMG LG has considered:

- the design and operation of the quality control systems as described in this report;
- the findings from the various compliance programs operated

by our firm (including the KPMG International Review Programs as described in [Internal monitoring and compliance programs](#) and our local compliance monitoring programs); and

- findings from regulatory inspections and subsequent follow up and/or remedial actions.

Bearing in mind all of this evidence, the board of KPMG LG confirms that it is working towards the implementation of the systems of quality control within our firm to be fully compliant by 2022.

Further, the board of KPMG LG confirms that an internal review of independence compliance has been conducted within our firm in the year to 30 September 2021.



# Appendix

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## Public Interest Entities (PIEs)

The list below includes the firm's relevant audit clients whose transferable securities are admitted to trading on a regulated market within the EU as of 30 September 2021.

- First Abu Dhabi Bank PJSC
- National Bank of Oman
- Oman Arab Bank
- Majid Al Futtaim Sukuk Limited
- Majid Al Futtaim Global Securities Limited
- EFG-Hermes MENA Securities
- Commercial Bank of Dubai
- Emirates Telecommunication Group Company PJSC

## The KPMG values

Our values represent what we believe in, and what's important to us as an organization. They guide our behavior day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all our stakeholders.

Our values are:

- Integrity: We do what is right.
- Excellence: We never stop learning and improving.
- Courage: We think and act boldly.
- Together: We respect each other and draw strength from our differences.
- For Better: We do what matters.

Our values express our firm's long-standing core beliefs, and in 2020 the language was updated to make them bolder, simpler, and more memorable to help each of us bring them to life every day.

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