KPMG

Transparency Report 2018

Engaging and delivering audit quality and trust

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Introduction

Restoring trust in institutions is the challenge of our time, and as auditors we have a unique role to play in meeting it.

This role is being increasingly highlighted, with a robust and dynamic global discussion over the past year placing the function of audit under the international microscope.

We welcome the focus. We are proud of the importance of our work and believe the scope of our responsibility should be widely understood.

It is a unique privilege to spend time within an organisation, working across divisions and locations and talking with everyone from junior accountants through to the CEO.

Our work is critical in creating confidence in capital markets. We know a quality audit means organisations can operate from a secure footing when deciding future direction.

We understand the tone at the top of any organisation drives its culture and, at KPMG, audit quality is central to our firm. In fact, in FY19 our Australian CEO, Gary Wingrove, gave every member of his executive committee an audit quality-focused goal. The aim is to ensure all specialists, and not just auditors, have the appropriate training and accreditation, and are committed to providing quality input into out audit process.

KPMG's international footprint also allows for a globally-mandated approach to maintaining quality. So towards the end of FY18, KPMG's Global Board established an Audit Quality Committee, comprised of senior partners from our largest firms and led by Alison Kitchen, our Australian Chair.

Looking back at FY18, I can say with confidence that our audit quality continues to improve, thanks largely to superior technology and training.

We have also been working hard to enhance our processes. For example, when I took on this role last year, one of my first decisions was to establish a National Audit Quality Group, led by experienced senior Audit Partner, Bernie Szentirmay. A highlight of the work of this team has been the creation of a second line of defence, focusing on 'in flight' reviews on high risk audit judgements while the audit is in progress.

In the past year we have also continued to invest strongly in technology. KPMG Clara, our new global smart audit platform, has been rolled out and is allowing us to crunch huge amounts of data to rigorously crosscheck results and identify and analyse anomalies. Investment is also being driven into better digital platforms and artificial intelligence initiatives.

All this new tech is hugely useful, but the most exciting aspect is how it is freeing our people to unleash the best of their human abilities.

Being a good auditor means having an inquiring mind and the emotional intelligence to understand different people so they will engage constructively with you. Our human skills, combined with intelligent automation tools, makes the future an exciting place.

Indeed, at KPMG one of the many reasons we need Audit to be held in high regard is so we can continue to attract the very best and brightest.

This year's Transparency Report provides insight into our audit quality measures and the steps we take to ensure every audit is a quality audit.

It is my hope it helps underscore the point that effective auditing is needed now more than ever.

Andrew Yates
National Managing Partner Audit, Assurance and Risk Consulting (AARC)
October 2018

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At a glance - key highlights for FY18

Our team

128	Audit partners
1205	Client service staff (excluding partners)
22.2 years	Average experience of partner
12.5 years	Average experience of director
9.4 years	Average experience of senior manager
4.9 years	Average experience of manager
2.7 years	Average experience of senior team member
0.9 years	Average experience of team member

Our training

Number of core learning days offered to:

9.6 days	Partner and Director
14.7 days	Senior Manager and Manager
29.8 days	Senior Team Member
25.3 days	Team Member

Our quality

335	KPMG staff who completed the CA Program
91.1%	Average KPMG CA Program pass rate
83.4%	Average national CA Program pass rate (excluding KPMG)

Our Quality Performance Review (QPR) Program

41	Total QPR audit and assurance reviews performed
33%	No. of partners / directors reviewed as a percentage of total audit partners / directors

Introducing in FY18

National Audit Quality Group

Established: October 2017

No. of Full Time Equivalent professionals: 3 (as at 30 October 2018: 5)

Average years of experience of professionals: 19

Purpose: Developing and implementing our strategy to continuously improve audit quality

Achievements in FY18: implementing a second line of defence (2LD) program, standardising documented approach to work on revenue, implementing policies and procedures aiding effective and efficient asset impairment testing

KPMG Clara

Officially launched: November 2017

Function: New smart audit platform bringing together D&A capabilities, collaboration solutions, and new ways of interacting with our clients on a single technology platform.

Purpose: Create a new era by allowing our people to work smarter with more sophisticated analysis backed by data science

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In this chapter

– The KPMG Audit Quality Framework
– Our commitment

What is audit quality?

Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands. At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the final formal audit report. 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 when all of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

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The KPMG Audit Quality Framework

We view audit quality as having seven key drivers combined with the commitment of each individual in KPMG. Audit quality is at the centre of our identity and defines our behaviour. Every KPMG member firm uses this framework to describe, focus on, and enhance audit quality.

Outside of KPMG there have been a number of attempts to define audit quality[1] but none have resulted in universal agreement of definition, measures, benchmarks or drivers. Perceptions of what drives audit quality vary depending on each stakeholder's level of involvement with the audit process and their individual priorities.

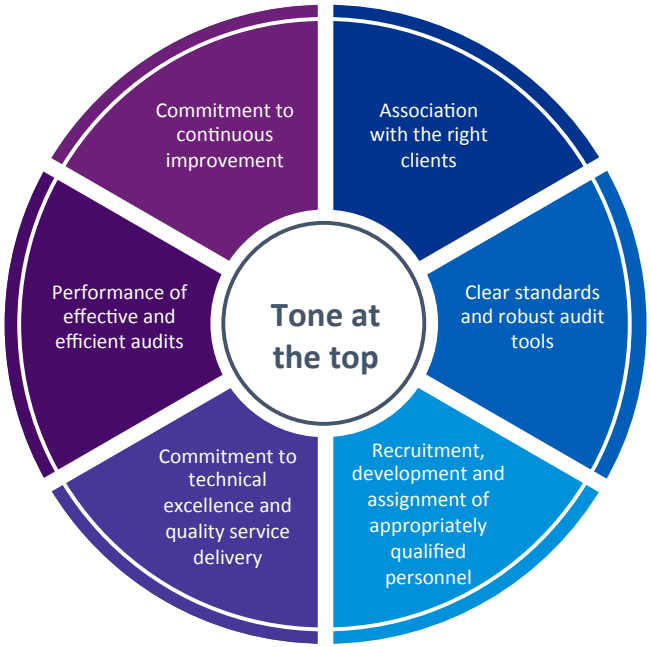
It can be difficult for clients and stakeholders to determine whether the audit is of high quality because what drives audit quality is a complex set of direct and indirect factors that are often obscured and hard to measure. Our *Audit Quality Framework* focuses on the aspects we can directly control; however, we acknowledge a number of indirect influences exist including our legal and regulatory environment and client preparedness.

Our commitment

This report discloses the ways KPMG controls and assesses the performance of our audits. We recognise the risks associated with trying to measure something as hard to define as audit quality, along with unintended consequences such as managing to a particular number or benchmark.

The purpose of this report is to help users and purchasers of audit services, including audit committees, to evaluate our performance. We trust that our report assists you in the execution of your responsibilities.

The KPMG Audit Quality Framework[2]



1. Most recent publications include: Australian Securities & Investments Commission (ASIC), *Information Sheet 222: Improving and maintaining audit quality*, June 2017; The Federation of European Accountants, *Overview of Audit Quality Indicators Initiatives*, July 2016; The Association of Chartered Certified Accountants and the International Governance and Performance Research Centre, based in Macquarie University, Sydney, *Directors', CFOs' and Auditors' Perceptions of Audit Quality*, July 2016; The Center for Audit Quality, based in the US, *Audit Quality Indicators: Journey and Path Ahead*, January 2016; The PCAOB *Concept Release on Audit Quality Indicators*, July 2015; The Center for Audit Quality, CAQ Approach to Audit Quality Indicators, April 2014; International Auditing and Assurance Standards Board (IAASB), *Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality* released in February 2014 (www.ifac.org), containing the observation "audit quality is a complex subject and there is no definition or analysis of it that has achieved universal recognition"
2. ©2018 KPMG

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In this chapter

- Our culture, values and *Code of Conduct*
- Our Audit Strategy – a foundation of uncompromising quality
- Governance structure
- Leadership responsibilities for quality within the firm
- Committee structures
- Looking forward

Alison Kitchen,
National Chairman

Tone at the top

The tone at the top of any organisation drives its culture and accepted behaviours. We make it clear that audit quality is a critical part of our culture and values and therefore non-negotiable. Tone at the top enables the right attitude and behaviours to permeate throughout the firm through a focused and consistent voice. It is the core of our *Audit Quality Framework*.

There are a number of critical components to an effective tone at the top including:

- **Culture, values and code of conduct**: clearly stated and demonstrated in the way we work
- **Focused and well-articulated strategy**: incorporating audit quality at all levels
- **Governance structure**: with clear lines of responsibility and skilled and experienced people in the right positions to influence the quality agenda. Our culture, values and Code of Conduct

Code of Conduct

Coaching

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Our culture, values and *Code of Conduct*

Our purpose, values, vision, strategy and promise combine powerfully, helping us articulate what we stand for, where we are today and where we are going in the future.

KPMG is committed to doing the right thing in the right way for our people, our communities, our clients and the capital markets we serve. To create this shared sense of identity we have clearly stated values[3] and a code of conduct against which expected levels of performance and behaviour are considered. These define who we are and how we act.

The code emphasises that all partners and staff are personally responsible for demonstrating the legal, professional, and ethical standards and behaviours that apply to their role and level of responsibility.

For us, integrity means constantly striving to uphold the highest professional standards in our work, providing sound advice to our clients and rigorously maintaining our independence and objectivity.

Our values are what we believe in, drive how we do things and underpin everything we do. We communicate our values clearly to our people.

Our Audit Strategy – a foundation of uncompromising quality

Our divisional (AARC) strategy clearly articulates the priority of audit quality. The National Managing Partner AARC, Andrew Yates, reinforces this in communications to partners and staff through regular presentations.

Governance structure

The Board is the principal governance and oversight body of KPMG in Australia[4]. Led by National Chairman, Alison Kitchen[5], the Board's key responsibilities include overseeing strategy implementation, protecting and enhancing the KPMG brand and overseeing management of the firm.

The governance structure includes committees that have risk and quality responsibilities to oversee and influence the firm's quality agenda. Risk management and quality control are not simply the jurisdiction of one national group or leadership roles. We view risk management and quality as the responsibility of every one of our people.

Leadership responsibilities for quality within the firm

Our CEO, Gary Wingrove, has overall responsibility for the system of quality control and the performance of the firm.

Setting the right tone is a key responsibility of our senior leadership team.

They are committed to building a culture based on quality, integrity and ethics, demonstrated through their actions, written and video communications, presentations to teams and one-on-one discussions. The focus and consistency of their message is important to reinforce our commitment to audit quality.

On every audit the assigned partner is responsible for the management and achievement of quality outcomes.

Each group or office Partner-in-charge, together with dedicated risk management and audit quality partners, provide support and oversight to the performance of audits. In October 2017, the National Managing Partner AARC, Andrew Yates[6], appointed Eileen Hoggett as National Partner-in-charge External Audit and Bernie Szentirmay to a new leadership role National Head of Audit Quality. The National Head of Audit Quality is responsible for monitoring internal and external audit quality signals and recommending actions to continuously improve.

The National Managing Partner AARC and National Partner-in-charge External Audit together with the National Head of Audit Quality and a dedicated Divisional Risk Management Partner, Martin McGrath, are responsible for setting the framework for performance of high quality audits including expected behaviours. The Divisional Risk Management Partner is accountable to the Chief Risk Officer, Tanya Gilerman, who retains overall operational responsibility for our system of quality control and risk management.

3. Refer to Appendix 3 KPMG's global values.
4. Refer to Appendix 5 and 6 for details on the Board.
5. Alison Kitchen commenced 1 September 2017.
6. Duncan McLennan held the role of National Managing Partner Audit and Assurance until 31 August 2017.

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Committee structures

Our structure aligns our business providing sufficient oversight and resources to influence the audit quality agenda.

Described below are the most relevant groups in place dedicated to achieving this objective. Further details about the firm's governance bodies are contained in Appendix 5.

External Audit Leadership Group (ALG)

This group is the governance body for our external audit practice. Led by our National Partner-in-charge External Audit, it is responsible for the development and implementation of an external audit strategy and operations. Members include the Divisional Risk Management Partner, the Head of People for Audit, and the Partners-in-charge of each of the audit groups, structured by location. Audit quality is discussed by the National Head of Audit Quality during dedicated time at each meeting.

Our National Managing Partner AARC was a member of the KPMG Global Audit Quality Issues Council during FY18, established to facilitate the consideration of audit quality matters across our network of member firms. It is chaired by the Global Audit Quality and Risk Management Partner and reports to the Global Audit Steering Group.

Audit Quality Committee

The Audit Quality Committee, chaired by the National Head of Audit Quality, reports to the ALG and ensures risk and quality matters are a priority for audit leadership.

Specifically its responsibilities include:

- Reviewing the proposed significant audit initiatives ensuring the objectives and outcomes align with maintaining or enhancing audit quality.
- Recommending the strategic prioritisation, resourcing and timetabling of audit initiatives as they impact audit quality across all offices.
- Confirming the robustness of our monitoring activities as consistent with our audit quality priorities.

National Audit Quality Group

In October 2017, the National Head of Audit Quality established the National Audit Quality Group. It comprises senior auditors dedicated to developing and implementing our strategy to continuously improve audit quality.

Key achievements since inception include implementing a second line of defence (2LD) program, standardising our documented approach to work on revenue, and implementing policies and procedures aiding effective and efficient asset impairment testing.

Department of Professional Practice

The Department of Professional Practice (DPP) is the national centre of technical excellence responsible for: conducting technical research, interacting with local and global professional standards-setters and regulators, and providing technical accounting and auditing guidance and support to our people in the field. It is organised into three areas: Audit Quality, Financial Reporting, and US Desk. The DPP work closely with Learning & Development on technical learning.

Partners and senior staff primarily from the audit groups are members of the DPP. They are our technical experts, with deep understanding of Australian and international standards. They take leadership positions on technical matters and are the firm's authority on audit matters.

The Australian DPP takes an influential role in many specialist areas in our Asia Pacific region and internationally. Our partners can hold key positions with standard setters, professional bodies and other stakeholders. They take a non-partisan and collaborative approach to improving industry standards.

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Our embedded networks

KPMG uses embedded networks within each of the audit groups and offices to maintain our focus on audit quality. The visibility and proximity of these specialists to audit teams makes it easy to seek assistance and consult on a daily basis. Our embedded networks include the following dedicated groups.

Second Line of Defence (2LD) Reviewers[7]: Newly established in FY18, 2LD reviewers support specific audit teams navigate key audit areas: revenue and impairment. The role of, and value delivered by, the 2LD reviewer is incremental to that of the Audit Quality Partner and Manager. All 2LD reviewers are specifically educated high performing senior staff. They coach teams to develop and robustly evidence risk assessment, the audit approach, and execution of revenue and impairment procedures. Their goals are to improve audit quality on these specific audits and more broadly through active engagement in the embedded quality networks.

Audit Quality Partners and Managers[7]: Responsible for assisting the local office, disseminating guidance and information to audit teams relating to our interpretations of auditing standards and national initiatives to enhance quality, identifying improvement opportunities and leading our Audit Quality Managers. Audit Quality Managers facilitate local workshops on topical matters, communicate new methodology guidance and key audit quality messages and provide input into the development of national audit quality initiatives.

Risk Management Partners: Responsible for providing leadership on audit quality and risk management and directing adherence to firm policy and professional standards. These highly experienced audit partners consult on audit technical issues, assist in the identification and management of risks to audit service delivery, and have a consultative role in the identification, prioritisation and response to risks to audit quality. Our Risk Management Partners continue to dedicate significant amounts of time to one on one audit team support for complex issues such as going concern and impairment and their impact on our audit report.

Profile of the National Audit Quality Group	FY18
No. of Full Time Equivalent professionals in the National Audit Quality Group (as at 30 October 2018: 5)	3
Average years of experience of the National Audit Quality Group professionals	19

Profile of the DPP	FY18	FY17	FY16
No. of Full Time Equivalent professionals in the DPP	39	37	33
Average years of experience of the DPP professionals	14	14	13

Profile of embedded networks	FY18	FY17	FY16
No. of Audit Quality Partners	15	15	15
No. of Second Line of Defence reviewers	16	–	–
No. of Audit Quality Managers	59	87	72
No. of Risk Management Partners	18	16	16

Looking forward

At the start of FY19 KPMG created a new global role, a Global Head of Audit Quality, and established a Global Audit Quality Committee and Global Audit Quality Steering Committee. Our Chairman, Alison Kitchen, is Chair of this Global Audit Quality Committee, responsible for overseeing increasing global consistency and accountability. Our National Head of Audit Quality is a member of the Global Audit Quality Steering Committee, responsible for implementing the initiatives.

7. In FY18, with the introduction of the National Head of Audit Quality we realigned participants in and objectives of our embedded networks. The responsibilities of 2LD Reviewers, Audit Quality Partners and Audit Quality Managers reflect this and update our previous Audit Methodology and Deployment Partners and Methodology Coaches roles.

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In this chapter

- Prospective client and engagement evaluation process
- Continuance process
- Safeguards and High Risk Register
- Conflicts of Interest
- Client portfolio management

Association with the right clients

One of the keys to managing audit quality is to understand our clients and the issues they face and build a robust audit response to the identified risks.

We understand our clients are linked to the quality of our work and our reputation.

We have established policies and procedures for determining whether to accept or continue a client relationship, or perform a specific engagement. Rigorous client acceptance and continuance policies are vital to our ability to provide high-quality professional services.

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Prospective client and engagement evaluation process

A key focus of our prospective client assessment is the integrity of management and those charged with governance. With every prospective client the partner responsible conducts an evaluation of the client's principles, business and other service-related matters. This evaluation includes completion of a customised questionnaire to assess the client's risk profile and obtaining background information on the client, its key management, directors and owners.

When the engagement is to provide audit services, at least two additional risk assessment steps are incorporated. These include focusing on whether we are capable of delivering a quality audit, plus, for a first time audit, performing a review of any non-audit services provided to the client and any other relationships that may compromise audit independence.

We decline to act for a client where we are unable to deliver to our expected level of quality or would not be proud to be associated with them. Some circumstances where we consider declining are: potential impairment of independence, conflict of interest issues, concerns about management integrity, concerns about the client business model or governance structure, overly aggressive or conservative accounting policies, disputes with previous advisors, management being subject to investigation by authorities, and concerns about the competence of the client's financial management team.

Continuance process

Regardless of the length of time we have been associated with an audit client, we re-evaluate our association to ensure we remain capable of independence and audit quality. We evaluate client relationships at least annually, and additionally if there is significant change in their business, financial position, ownership structure or issues reflecting on their integrity.

A Risk Management Partner, independent of the audit team, assesses the circumstances of our continuance and their acceptability.

Safeguards and High Risk Register

KPMG maintains a High Risk Register which is routinely reviewed by our Risk Management Partners.

Clients are placed on the High Risk Register when non-standard or additional risks are identified during acceptance or re-evaluation and we are still capable of ensuring independence and audit quality. In these cases, we mandate additional risk management or quality control safeguards to the conduct of the audit. Examples include: supplementing the existing skills and experience of the audit team with an additional audit partner (Engagement Quality Control Review Partner), mandated consultations, specialist involvement to deliberate on a specific matter such as valuations and impairment, and performing additional audit testing. Prior to acceptance, and at least annually, an individual independent to the audit team, assesses circumstances of our continuance and the proposed safeguards for adequacy.

Conflicts of Interest

A Commercial Conflicts Resolution Committee, comprising the National Managing Partners of the divisions and the Chief Risk Officer, assesses complex cases involving multiple areas of the firm. If accepted, in some instances, we establish ethical dividers to quarantine both the people and information relating to the clients from other parties in the firm. If a potential conflict of interest cannot be resolved, we decline the engagement or prospective client.

Client portfolio management

We review each audit partner's client portfolio at least annually in individual discussions with the audit partner. The reviews consider the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the partner to deliver a quality audit for every client.

A Risk Management Partner, independent of the audit team, assesses the circumstances of our continuance and their acceptability.

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In this chapter

- Auditing and audit quality
- Accounting and financial reporting
- Ethics and Independence
- Looking forward

Clear standards and robust audit tools

Acting in the public interest, risk management and quality control are the responsibilities of every KPMG partner and staff member. We expect our people to adhere to the clear standards we set and provide a range of tools to support them in meeting these expectations.

These standards incorporate the relevant requirements of the *Corporations Act 2001* and of accounting[8], auditing[9], quality control[10], ethical and professional standards[10], and other relevant laws and regulations. We dedicate significant resources to keeping our standards and tools complete and up to date. Amendments to these are communicated by regular alerts and learning programs.

Code of conduct | **Data & analytics** | **Technology**

Tools | **Systems & processes** | **Audit manual**

8. Australian Accounting Standards Board www.aasb.gov.au.
9. Auditing and Assurance Standards Board www.auasb.gov.au.
10. Accounting Professional & Ethical Standards Board www.apesb.org.au.

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Auditing and audit quality

KPMG Audit Manual

KPMG's Global Services Centre develops the audit methodology adopted by all KPMG member firms, based on the International Standards on Auditing[11] (ISAs) and compliant with the International Standard of Quality Control (ISQC 1). In Australia, auditing standards (ASAs[12]) are legally enforceable and the DPP adapts the global methodology to meet both the ASAs and other additional requirements we believe will enhance the quality of our audits. This is set out in our *KPMG Audit Manual* (KAM).

Technology assisting the audit process

Our audit delivery is enabled by eAudIT, KPMG's electronic audit tool. It integrates our methodology and industry knowledge with tools to facilitate the conduct of the audit and production of an electronic audit file. eAudIT's activity-based workflow is scalable to customise the audit approach for major multi-national groups through to small or medium enterprises.

Other tools and templates to assist the audit process

To maximise audit effectiveness and efficiency, we continually develop and distribute audit quality updates. These include templates, tools, checklists, quick reference cards and practice aids. In FY18, we introduced digital tools improving the quality and efficiency of our audits including: an analyser of terminology and readability of draft Key Audit Matters to reduce complicated and commonly misinterpreted language, and a text-recognition reconciler for internal checking and cross-referencing financial statement numbers to notes and other references.

KPMG Clara, including data and analytics (D&A) in the audit

KPMG Clara is our new smart audit platform. It is automated, agile, intelligent, and a scalable platform enhancing audit quality and bringing actionable insights. It brings together our D&A capabilities, collaboration solutions and new ways of interacting with our clients on a single technology platform.

D&A is not a single process or a single product. It is the collection, organisation and analysis of large sets of data to discover patterns, trends, outliers and other relevant information. Our D&A capabilities leverage technology to analyse populations using statistical sciences, applying algorithms similar to sampling, but considering additional data points. We use data and analytics to better understand the entities we audit, contribute to risk assessment, and provide rich audit evidence, adding confidence and valuable insights.

We may use these techniques throughout the audit and to provide deeper business reporting to our clients. Data and analytics provides rich objective audit evidence, allowing us to focus our judgements on higher risk areas.

In FY18, we piloted a range of new KPMG Clara capabilities on selected audits in a variety of industries.

Accounting and financial reporting

Accounting and financial reporting knowledge is core to quality service delivery and the performance of effective and efficient audits. To support the technical excellence of our people the DPP produce publications and reference materials describing KPMG's positions on accounting standards. Our DPP financial reporting team dedicate significant time to the imminent transition to new accounting standards AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*. This ranges from one on one audit team support to developing and delivering learning on complex issues.

An important weekly publication is the *DPP Bulletin* distributed to all audit partners and staff outlining relevant accounting, auditing and regulatory topics, new tools, and frequently asked questions and answers.

11. International Auditing and Assurance Standards Board www.iaasb.org
12. Australian Auditing Standards

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Ethics and Independence

Quality and Risk Management Manual

Our *Quality and Risk Management Manual* collates our policies, procedures and guidance. Based on a globally developed manual it reflects the key elements of the IESBA[13] Code of Ethics combined with Australian specific provisions. Where applicable, US Securities and Exchange Commission (SEC)[14], US PCAOB[15] and other regulatory requirements are included. These policies and procedures cover personal independence, business relationships, post-employment relationships, partner rotation and approval of audit and non-audit services. Our people annually confirm their compliance with these policies and procedures.

A dedicated Ethics and Independence Partner with a core team of specialists assist with the interpretation of the independence policies and implement controls to safeguard against non-compliance or inconsistent application.

Personal independence

To help ensure independence, as prescribed by our policies and the *Corporations Act 2001* and Accounting Professional & Ethical Standards Board[16], our partners and the staff members assigned to each audit engagement must be free from prohibited financial interests in, and prohibited relationships with, our audit clients, their management, directors and significant owners. Independence also extends to our contractors and subcontractors, using a process tailored to their circumstances. Our people are responsible for making appropriate enquiries to ensure they do not enter into or have any prohibited personal financial interests.

We use an online independence tracking system, KPMG Independence Compliance System (KICS), with other member firms in the KPMG global network to assist our partners and staff in complying with independence policies. This system contains a current inventory of publicly available investment products, specifically identifying restricted investments. All partners, client-facing managers and audit staff are required to maintain a record of all of their investments in the system and check their permissibility before entering into any personal investments. If investments become restricted, these individuals receive automatic notification to take appropriate action which may include prompt divestment.

Audit partner rotation

All audit partners are subject to the rotation provisions of the *Corporations Act 2001* and Australian professional and ethical requirements. Where relevant, the rotation requirements of foreign regulators such as the US SEC and other local regulatory requirements are also taken into account. Rotation requirements limit the number of years certain partners can provide audit services to a client.

Our Audit Regulatory Compliance database (ARC) logs and tracks a partner's period of service on a relevant audit client and can be used to manage succession planning when appointing a new audit partner to a client. It is important to us, and our clients, to maintain high quality service over the transition period.

Non-audit services – independence systems

We have clear standards that restrict the scope of services provided to audit clients. Providing certain non-audit services to our audit clients may create threats (actual or perceived) to our audit independence, particularly if we were put in a position of auditing our own work. Professional and ethical standards restrict certain non-audit services, and all others need careful evaluation to ensure they do not create, or appear to create, an unacceptable independence threat.

13. International Ethics Standards Board for Accountants www.ethicsboard.org
14. US Securities and Exchange Commission www.sec.gov
15. US Public Company Accounting Oversight Board www.pcaobus.org
16. Accounting Professional & Ethical Standards Board www.apesb.org.au

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To safeguard our independence and prevent the provision of non-permitted services to audit clients, the audit partner uses an international proprietary system (Sentinel) to evaluate the threats arising from the provision of non-audit services and the safeguards available to address them. The audit partner reviews, and approves or denies, any proposed service for restricted clients and their affiliates by any KPMG member firm.

Internal Ethics and Compliance Hotline

KPMG maintains a confidential internal Ethics and Compliance (Whistleblower) Hotline, supported by an independent third party, available to KPMG partners and staff globally. Awareness of the hotline is promoted through our annual acting with integrity learning. In FY17 and FY18 there were no calls to the hotline relating to audit quality.

The hotline is a method of reporting concerns about possible illegal, unethical or improper conduct in circumstances where our people feel uncomfortable reporting a concern through other channels. Callers' reports are handled confidentially with no retaliation or retribution.

External complaints

KPMG maintains an international hotline available to external parties to confidentially report complaints relating to the quality of our work or our people. This is accessible through our website and via telephone and surface mail. In FY18 there were no complaints (FY17: one) regarding audit quality at KPMG in Australia to the international hotline.

Looking forward

KPMG Clara is a new era for us, allowing our people to work smarter, with more sophisticated analysis backed by data science. We began our journey in FY18 and continue to enhance the tool in FY19 and beyond. Using positive feedback from our FY18 pilots, we are accelerating adoption of capabilities across all audit engagements in FY19.

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In this chapter

- Development of skills and personal qualities
- Accreditation and licensing
- Recognition and reward
- Retention and promotion
- Partner remuneration
- Partner and staff engagement
- Assignment of audit partners and staff to audit teams

Recruitment, development and assignment of appropriately qualified personnel

The assignment of audit partners and staff members with deep understanding of the client's risks and industry is one of the key drivers of audit quality. We strive for a high performing audit culture embracing continual improvement.

CA

Accreditation and licensing

Industry experience

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Profile of KPMG audit personnel[17]	FY18	FY17	FY16
No. of audit partners	128	128	129
No. of client service audit staff (excluding partners)	1,205	1,239[18]	1,220[18]

Average years of experience with KPMG[19]	FY18	FY17	FY16
Partner	22.2	22.4	22.8
Director	12.5	11.7	12.0
Senior manager	9.4	9.2	9.2
Manager	4.9	5.5	5.7
Senior team member	2.7	2.7	2.7
Team member	0.9	0.9	0.9

Development of skills and personal qualities

We continually review and assess our people's capabilities and competence to perform engagements in accordance with professional standards, legal and regulatory requirements.

We understand skills develop over time and through exposure to different experiences.

Our *Be Extraordinary* program promotes a high performing audit culture focusing on best practice behaviours in three themes: development (Get Better), coaching and feedback (Help Others), recognition and innovation (Look for Good).

To invest in the development of skills and personal qualities, without compromising on quality, we use a continuous learning environment with emphasis on structured courses, experiences and coaching. Experiential development includes participating in interstate and overseas assignments, secondments, and community involvement through pro-bono and volunteering opportunities.

Our learning curriculum offers programs focusing on maintaining and developing capabilities in technical competence, building industry knowledge, innovation and emerging technologies, and leadership behaviours.

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Accreditation and licensing

Only Registered Company Auditors can perform audits conducted in accordance with the *Corporations Act 2001*. Registration is granted by ASIC[20] after an assessment of qualifications and competency. All our partners who sign statutory audit reports are Registered Company Auditors.

Our partners and directors are subject to additional internal accreditation and knowledge requirements in relation to International Financial Reporting Standards (IFRS)[21], US accounting and auditing standards, and an Assurance Accreditation framework, acknowledging the need for specific skills in auditing. These frameworks specify the professional qualifications, training and experience, and satisfactory results from the firm's Quality Performance Review Program to become accredited.

For the year ended 30 June 2018, 100 percent (FY17: 100 percent) of our eligible audit partners maintained their relevant accreditations.

Our *Be Extraordinary* program promotes a high performing audit culture focusing on best practice behaviours in three themes: development (Get Better), coaching and feedback (Help Others), recognition and innovation (Look for Good).

17. Figures are as at 30 June of each financial year disclosed.
18. Numbers in FY16 and FY17 have been restated to exclude university students working for KPMG during their vacation time.
19. With the exception of partners, this table does not include time spent with other KPMG member firms.
20. www.asic.gov.au
21. www.ifrs.org

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Recognition and reward

Formal goal setting and evaluation of performance is conducted and documented annually in our proprietary system. During FY18 we implemented a new approach to performance management: Open. Open encourages regular feedback, engagement specific evaluations, and quality conversations between staff and their Performance Development Manager. These practices focus on development and skills transformation, enhancing our people's experience so they may inspire, grow and make an impact.

An individual's accountability in achieving audit quality is a core benchmark used to assess performance and progression. Assessment of audit quality features explicitly in performance evaluation. The provision of mandatory audit quality goals, role profiles and career plan templates assist in both setting goals and evaluating performance against expectations. Assessed skills and behaviours relating to audit quality include: delivers quality, exercises professional judgement, and strives for continual improvement.

Retention and promotion

The results of our annual performance evaluation directly affect the promotion and remuneration of our partners and staff and, in some cases, their continued association with KPMG.

Partner remuneration

Partner remuneration is determined annually by our National Executive Committee (NEC) and subject to review by the Partner Remuneration and Nomination Committee before Board approval. Partners are remunerated out of the profits of the firm and are personally responsible for funding superannuation and most other benefits. The NEC determines the final profit allocation to partners after assessing each partner's contribution for the year.

There are two elements to partner remuneration: a base component reflective of role and seniority, and a performance-related bonus, expressed as a percentage of base remuneration, rewarding high performance against previously agreed goals, including audit quality.

Compensation is based on factors including results of internal and external reviews, risk management and independence monitoring, leadership, quality client impact, delivering on our strategy, coaching and developing staff, and living the values of the firm. Audit partners' remuneration does not include any compensation specifically based on their success in selling non-assurance services to their audit clients.

Partner and staff engagement

KPMG globally invites all partners and staff to participate in our independent Global People Survey. The results, by country and function, provide leadership with information about drivers of business performance, employee engagement and motivation, and enable us to see how we are progressing against strategic priorities, as well as providing warning indicators if there are areas of concern.

Assignment of audit partners and staff to audit teams

Composition of the audit team

Audit teams generally comprise an audit partner, manager, an assistant manager or 'in charge', specialists, and junior team members. Some junior members may still be completing their post-graduate accounting qualification, usually the Chartered Accountants (CA) Program[22].

Larger engagements often have more than one audit partner assigned to support the signing partner. With multi-national audits, appropriately capable audit partners and staff are assigned from the relevant KPMG member firms.

Audit partners are responsible for ensuring their team, including specialists, has the appropriate resources, skills, experience and time to conduct a quality audit. The team mix is dependent on the type of client and the complexity of the audit. We know that the number of team members does not necessarily equate to the quality of the audit. We take care to assign the right people to the right clients.

Industry expertise

Our people align their profile of work to an industry specialised portfolio, maximising their understanding of the relevant business, operational and systems-based risks their clients face and respond appropriately to address any industry specific accounting issue.

22. Chartered Accountants www.charteredaccountantsanz.com

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In this chapter

- Learning programs
- Attendance and assessment of learning
- Continuing professional development
- Access to specialists

Commitment to technical excellence and quality service delivery

Clients deserve and expect exceptional service. Our people deliver valued insights. We provide learning opportunities enabling the most complex audit issues to be solved.

KPMG CA pass rate

Training offering

Access to specialists

CA credential

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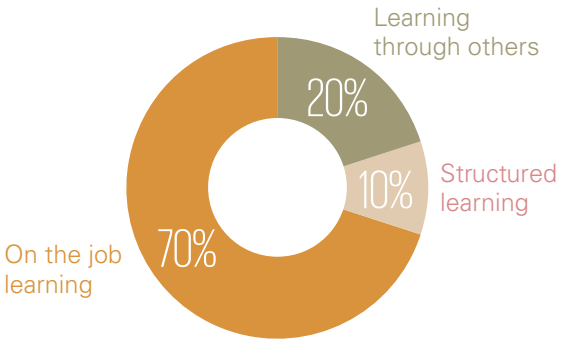
Learning programs

Learning at KPMG uses a 70:20:10 learning model.



Our learning curriculum offers education programs to hone technical expertise, business acumen and leadership excellence. Our Learning & Development groups develop global, regional and local learning to ensure both global consistency and local applicability.

The Chartered Accountants Program

The Chartered Accountant (CA) qualification, awarded by Chartered Accountants Australia and New Zealand[23], (CAANZ) is highly regarded by business, regulators and members of the public. It forms the foundation of our partner and staff audit technical, business and ethical knowledge.

KPMG engages CAANZ to run tailored CA Study Masterclass sessions specifically for KPMG candidates. Sessions are held on KPMG premises and are facilitated by CAANZ accredited facilitators who are Chartered Accountants.

KPMG continues providing high quality support for our CA candidates and results show our people consistently achieve better results than the average national pass rate.

CA Program Results	FY18	FY17	FY16
No. of CA program exams undertaken by staff	1,313	1,095	1,149
No. of staff who completed the CA Program[24]	335[25]	209	217
CA Program results – national KPMG pass rate	91.1%	85.2%	89.7%
CA Program results – (excl. KPMG) national pass rate	83.4%	74.6%	78.6%

CA Program Results	FY18	FY17	FY16
Number of KPMG merits (top 5%)	105	91	117
Merits awarded to KPMG candidates as a percentage of total merits awarded	13.1%	14.6%	17.1%

Technical learning – auditing, financial reporting and independence

KPMG embraces a culture of active learning. We believe that our people need to continuously enhance their technical expertise in a relevant way that builds on their existing capabilities.

Technical courses covering independence, financial reporting and auditing topics are mandatory at all audit staff personnel levels. These range from independence learning as part of induction and annually thereafter through to audit partners and qualified staff attending mandatory accounting and auditing technical updates.

The topics included in audit learning are prioritised based on information from many sources such as:

- a needs analysis, conducted in Australia, and at a regional and global level
- findings from continuous improvement activities including regulatory reviews
- new, revised or emerging standards and regulations
- feedback from learners' course evaluations, including post course assessments that indicate gaps in understanding
- input nationally from our embedded networks in each office or group.

Developing business understanding and industry knowledge

To provide quality service delivery and valued insights to our clients we frame our technical expertise within broader business knowledge. Our learning curriculum includes courses to develop business acumen, relationship skills and industry knowledge.

23. Chartered Accountants Australia and New Zealand is a trading name for The Institute of Chartered Accountants in Australia and the New Zealand Institute of Chartered Accountants www.charteredaccountantsanz.com
24. Number of staff completing the CA Program in any given year coincides with the scheduling of the final CA Program module *Capstone*
25. Number of staff across the firm undertaking CA Program exams increased due to more modules offered based on demand and more audit graduates joining in recent years.

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Attendance and assessment of learning

Partners and staff must attend[26] mandatory technical learning and successfully complete a post course assessment. The assessment tests their understanding of the topics covered and has a minimum pass rate and completion deadline.

Learning and development offered to audit partners and staff during FY18 included:

Core learning days	Team member	Senior team member	Manager & Senior manager	Director & Partner
Auditing and assurance (including professional judgement & skills)	16.8	11.2	2.9	1.1
Revenue audit focus[27]	–	0.4	0.4	0.4
Impairment audit focus[27]	–	1.8	0.5	0.5
Accounting and financial reporting (including new standards AASB 9, 15 and 16)	–	1.9	1.9	1.9
CA candidate in-house[28]	5.8	5.8	–	–
Risk Management, including independence	0.7	0.7	0.7	0.7
Commercial and behavioural skills[29]	2.0	8.0	8.3	5.0
Total before specialised and non-core learning	25.3	29.8	14.7	9.6

Specialised learning is offered depending on the individual's audit client profile and includes:

- US audit and accounting learning – 0.4 to 4.5 days mandatory learning depending on the extent to which the client's audit requires US specific audit and accounting application
- Audit Quality Partners, Managers and 2LD Reviewers learning – 0.8 to 2.7 additional days learning including audit methodology, recent monitoring findings, key review focus areas and coaching techniques, with a further 0.1 to 3.8 days mandatory learning for sampling specialisation

Specialised industry knowledge is available through online resources and learning courses for industries and sectors including corporates, energy and natural resources, financial services and infrastructure, government and healthcare.

Other technical learning

A variety of just-in-time elearnings and webinars are available on topics including auditing, accounting, and commercial behaviour concepts in additional to structured courses.

26. If a staff member fails to attend compulsory technical learning that contributes to their accreditation they are required to review either a video recording of the learning or the leader's manual to ensure there are no knowledge gaps.
27. We introduced specific learning to address priority audit quality areas: auditing revenue and auditing impairment.
28. A CA candidate completes 2 or 3 modules in a 12 month period depending on CAANZ module scheduling. In FY18 our candidates completed on average a higher number of modules (footnote 24), therefore core learning days may be higher than the average shown.
29. Commercial and behavioural skills learning includes business acumen, relationship skills, leadership skills and industry knowledge learning. Certain modules are offered across staff levels and completed once.

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Continuing professional development

We require all our audit client service partners and staff to invest in continuing professional development (CPD). They must obtain a minimum of 30 CPD hours annually and at least 120 CPD hours over a three-year period. The CAANZ standard CPD is 120 hours over a three-year period with a minimum of 20 hours in any year. To assist our people in maintaining their CPD records we offer an attendance report tracking CPD hours.

We test a sample of our partners and staff compliance with the CPD requirements in the firm's annual monitoring program.

Access to specialists

We understand that not all audits are the same or managed in the same way, so KPMG specialists provide input on relevant significant risks in the audit. In certain situations specialist involvement is mandated. Otherwise, the audit partner and manager determine whether to use a specialist by considering the risks for the engagement, and the nature and complexity of the information, data, or calculations to be audited. We provide additional learning on audit concepts to our specialists who are members of an audit team. Our most frequently used in-house specialist capabilities are in the areas of tax, information technology, actuarial, financial risk management and valuations. Our new AARC structure includes specialists such as actuarial and financial risk management, optimising access for audit teams. Aligning reporting lines and objectives increases the opportunity for collaboration and consultation with specialists.

We ensure that the full resources of the firm across all areas of our business are available to assist our audit teams. This encourages them to 'when in doubt, consult'.

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In this chapter

- Exercise of professional judgement and professional scepticism
- Timely partner and manager involvement
- Ongoing mentoring and on the job coaching, supervision and review
- Critical assessment of audit evidence
- Efficient and effective work practices
- Materiality and scoping
- Appropriately supported and documented conclusions
- Engagement quality control review partner involvement
- Insightful, open and honest two-way communications
- Clear reporting of significant findings
- Looking forward

Performance of effective and efficient audits

We understand the way in which we conduct an audit is as important as the final result. Effective and efficient audits are dependent on demonstrating certain behaviours. We focus on these behaviours during the performance of the audit, through education sessions and coaching, and via our review processes.

Exercise scepticism + judgement

Coaching

Gather evidence and opine

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Exercise of professional judgement and professional scepticism

Professional scepticism involves a questioning mind and alertness to inconsistencies. It features prominently throughout auditing standards and attracts significant focus from regulators. We recognise the exercise of professional scepticism is critically important to our role as auditor.

Our global professional judgement process[30] guides an individual in exercising their professional scepticism. Steps include consideration of possible alternatives, conflicting as well as confirming evidence, and documentation of our final judgements. The professional judgement process includes ways to mitigate the effects of traps and biases which may cloud our judgement.

We reinforce the use of the professional judgement process and the exercise of professional scepticism through coaching and education, acknowledging that judgement is a skill developed over time and with different experiences.

Timely partner and manager involvement

To identify and respond to the significant audit risks for each year's audit, team members require sufficient understanding of the client's business, financial position and its operating environment. Leadership and participation from the partner early in the audit directs the scope and tone and maximises the benefit of the partner's experience and skill.

The partner sets the tone on the audit by their actions and communications with the audit team, reinforcing the importance of professional scepticism and audit quality. The final audit report is also their responsibility.

The manager supports the partner in these responsibilities and the day-to-day liaison with the client and team, building deep business understanding to enable the team to deliver a quality audit and valued insights.

Ongoing mentoring and on the job coaching, supervision and review

Coaching and on the job experience play key roles in developing the personal qualities important for a successful career in auditing, including professional judgement and scepticism.

We understand that skills build over time and through exposure to different experiences. We use a continuous learning environment to invest in the building of skills and capabilities, acknowledging that a significant portion of learning occurs on the job and through others, supplementing classroom learning. A key part of effective supervision is timely review of the work performed so significant matters are promptly identified, fed back to the individual responsible and addressed in the audit.

We support a culture where every team member is responsible for developing the capability of the team, coaching and sharing experiences.

Critical assessment of audit evidence

The fundamental role of the auditor is to design and perform procedures to gather persuasive evidence that the client's financial report is fairly stated and in compliance with accounting standards.

We focus on evidence gathering techniques to ensure the quality and the quantity of the evidence obtained is responsive to the assessed risks. We recognise externally sourced evidence is more persuasive. We consider all audit evidence obtained, including conflicting or missing information, since the consistency of the evidence and the picture it creates is just as important as individual evidence. The analysis of evidence requires an auditor to use professional judgement and remain professionally sceptical to ensure it is sufficient and appropriate.

Efficient and effective work practices

A quality audit relies on a balance between effectiveness and efficiency. Inefficiency has the potential to impact quality service delivery and client satisfaction, the wellbeing of our people, and ultimately the quality of the audit itself. For example, if a partner fails to give timely and clear directions, staff may perform unnecessary procedures or lack focus, resulting in rework or overwork.

Efficient does not mean cutting corners. It means planning the audit well, leveraging technology, tools and templates, and enhancing behaviours that drive audit quality and efficiency. To allow audit teams to focus on key audit judgements we optimise onshore and offshore processes in performing the audit.

30. The International Auditing and Assurance Standards Board, the International Ethics Standards Board for Accountants and the International Accounting Education Standards Board jointly published *Toward Enhanced Professional Skepticism*, August 2017, outlining their observations of the current environment. They set out actions global standard-setting boards will take, and the role other stakeholders can play in enhancing professional scepticism. The Association of Chartered Certified Accountants published *Banishing Bias? Audit, objectivity and the value of professional scepticism*, May 2017, exploring the importance of cognitive biases to the audit process. It explains how cognitive biases are central to improving the exercise of professional scepticism and to understanding the fundamental ethical principle of objectivity. These elements are consistent with our professional judgement process.

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Materiality and scoping

Performing an audit uses the fundamental principles of materiality and scoping. Materiality references the precision we perform our work and assess errors, ordinarily based on a percentage of a key financial metric, such as profit. Scoping references the nature, timing and extent of procedures we perform: deep into or across certain financial statement line items particularly where the client has multiple sites, businesses, subsidiaries, or other features suggesting a disaggregation of the procedures, or both. We develop our risk-weighted audit approach, unique to each client, based on these fundamental principles.

Appropriately supported and documented conclusions

The audit documentation records the audit procedures performed, evidence obtained and conclusions reached on each audit engagement. It includes materials prepared by us, received from the client or from relevant third parties. Our policies require review of all working papers by a more experienced team member and audit documentation relating to critical areas of judgement must be reviewed by the partner.

Engagement quality control review partner involvement

All listed, high risk and high public profile entity audits have an Engagement Quality Control Reviewer, an independent audit partner assigned as an objective additional reviewer on significant and judgemental elements of the audit.

Engagement Quality Control Reviewers are experienced audit partners independent of the team, appointed by the local Risk Management Partner in consultation with the partner and local Partner-in-charge. Engagement Quality Control Reviewers must have the same accreditations as the partner and sufficient time to carry out their review.

The Engagement Quality Control Reviewer's review must be complete and all significant questions resolved satisfactorily before the issuance of the audit report. The extent of the review depends on the risk and complexity of the audit and does not reduce the responsibilities of the partner. A review includes assessing appropriateness of the financial statements and disclosures, significant judgements made and conclusions reached, communications with those charged with governance, and the proposed audit report. The partner, who signs the audit report, is ultimately responsible for the resolution of accounting, auditing and financial reporting matters.

Insightful, open and honest two-way communications

Communicating with and reporting to our clients, with no sudden surprises, underpins the quality of our audit service.

We build relationships based on mutual respect.

Clear reporting of significant findings

A financial statement audit has two main deliverables, the formal audit report and s307C independence declaration[31], accompanying the signed financial statements. These are the only observable elements to shareholders. We believe the quality of our reporting is largely dependent on our ability to optimise the inputs, as depicted in our *Audit Quality Framework*.

Communications with those charged with governance

Two-way communication with our clients, including management and audit committees, is a key aspect of our reporting and service delivery. We achieve this through reports and presentations, attendance at audit committee or board meetings, and informal discussions with management and members of the audit committee. We stress the importance of keeping the client informed of issues arising throughout the audit and the need to listen and understand their views.

We share insights on the audit, our client's business practices, the appropriateness of accounting policies, the design and operation of financial reporting systems and controls, key accounting judgements, matters where we may disagree with management's view, and any audit differences or errors identified. We ensure these reports meet the requirements of auditing standards and share our industry experience to encourage discussion with the members of the audit committee. We see these insights as a key mechanism to support our clients in the execution of their responsibilities.

We build relationships based on mutual respect.

31. A s307C independence declaration is required for audits of financial reports prepared to meet the *Corporations Act 2001* obligations and not other types of audit and assurance reports.

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Formal audit reports

Auditing standards and the *Corporations Act 2001* largely dictate the format and content of the independence declaration and audit report; including statements on auditor independence and the truth and fairness of the historical financial statements[32] of the client.

Introduced by the AUASB[33] for application in FY17 audits, new sections in the audit report enhance the informational value of the audit report beyond a binary pass/fail opinion, being:

Key Audit Matters (KAMs[34]): tailored narratives of the matters we considered to be key to the audit and where most audit attention was focused, and how our audit addressed those matters. KPMG were the first to early adopt KAMs, in 2015, publishing KAMs for Downer EDI Limited and Cochlear Limited.

Our current analysis of KAMs suggests the most common KAM communicated in ASX 50 audit reports is Taxation, followed closed by Goodwill and related CGU assets, and Revenue. This is broadly consistent with our 2017 analysis[35].

Material Uncertainty Related to Going Concern: drawing attention of users to the existence of a material uncertainty related to going concern. These alerts were previously categorised, amongst others, as an emphasis of matter.

Other Information: outlining the auditor's responsibility to read the relevant information accompanying the financial statements and identifying material inconsistencies therein.

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 is emphasised and well understood.

Looking forward

On 1 October 2018 we introduced a central onshore hub, supplementing our existing offshore operations. The hub undertakes centralised repeatable administrative tasks and standardised routine audit tests. This will improve consistency of application across all audits, allowing our auditors to focus on higher risk areas, improving audit quality.

32. Audit and assurance reports over information other than historical financial statements are performed in accordance with Australian Auditing Standards using principles consistent with financial statement audits.
33. The Australian Auditing and Assurance Standards Board released revised standards in December 2015, with an effective date for reporting years ending on or after 15 December 2016. These included: the introduction of a new standard, ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, and revisions to ASA 570 *Going Concern*, ASA 700 *Forming an Opinion and reporting on a Financial Report*, ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*, ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* and ASA 720 *The Auditor's Responsibilities Relating to Other Information*.
34. KAMs are applicable for audit reports of listed entities preparing general purpose financial reports
35. Key Audit Matters: Auditor's report snapshot 20 September 2017 published on 20 September 2017 (at https://home.kpmg.com/au/en/home/insights/2017/09/key-audit-matters-auditor-report-20-september-2017.html?cid=ext-eml_clnt_2017_aud_kam_au_all-dev-201709) for ASX 200 with 30 June 2017 year ends reviewed up to 18 September 2017. Previous snapshots available for ASX 500 reporters with 31 December 2016 year ends (https://assets.kpmg.com/content/dam/kpmg/au/pdf/2017/key-audit-matters-auditor-report-28-march-2017.pdf), 30 September 2016 for all early adopters (https://assets.kpmg.com/content/dam/kpmg/au/pdf/2016/key-audit-matters-auditor-report-30-september-2016.pdf) and 31 August 2016.

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In this chapter

- Internal monitoring
- Quality Performance Review (QPR) Program
- Other assessments of audit quality
- Assessments of compliance with ethics and independence requirements
- External inspections
- Evaluating and responding appropriately to feedback and findings
- Client feedback

Commitment to continuous improvement

We focus on ensuring our work continues to meet the needs of the capital markets. To achieve this goal we use a broad range of mechanisms to continuously monitor our performance, respond to feedback and seek opportunities for improvement.

The complexity and dynamic nature of the economic environment, our clients' businesses and the accounting and auditing frameworks are challenging. We always aim to optimise the inputs to the audit process, but opportunities to learn and improve arise. This is why continuous improvement is a specific driver of audit quality.

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We use both internal monitoring and external inspections against accepted benchmarks, to evaluate our current performance, to understand the existing quality of our audit work and prioritise the areas for improvement. To deserve the confidence of our clients, the capital markets, regulators and shareholders, we are serious about learning from opportunities, no matter how small.

Internal monitoring

KPMG uses two formal internal inspection programs, the Quality Performance Review (QPR) Program and the Risk Compliance Program (RCP) to annually assess audit quality and independence compliance. These programs review a sample of audit engagements assessing our compliance with audit methodology, the risk management and independence policies, and practices supporting our broader system of quality control. They are designed globally and incorporate the requirements of international and Australian quality control standards[36]. In addition to the annual programs, on a triennial basis we participate in a Global Compliance Review[37], performed by a specialised team of reviewers from other member firms, to assess significant governance, risk management, independence, IT security and finance processes. Participation is a condition of ongoing membership of the KPMG network (see Appendix 2 on network arrangements for further details).

These programs assess the quality and independence of our audits by benchmarking against our global and local standards. The results enable us to provide assurance our system of quality control is complied with in practice, operating effectively and identifies any areas requiring focus and improvement.

Quality Performance Review (QPR) Program

The global QPR Program is implemented in Australia under the authority of the Quality Performance Liaison Partner, assigned to oversee the independent and objective assessment of the firm. The program assesses performance at an engagement level and identifies opportunities to improve audit quality. Reviews are completed by a combination of a global core review team and Australian reviewers. The global core review team comprises experienced partners, directors and senior managers from member firms across the network. They conduct reviews of listed and related entity financial statement audits in other KPMG member firms, enhancing objectivity and consistency. Partners and directors are selected for review once in a three year rotating schedule at a minimum.

QPR Program (audit and assurance)	FY18	FY17	FY16
Total QPR audit and assurance reviews performed	41	52	48
Percentage of High Risk financial statement audits reviewed	14	14	21
No. of partners / directors reviewed as a percentage of total audit partners / directors	33	38	33
Percentage of listed and related entity financial statement audit reviews conducted by global core review team[38]	64	90	-
Percentage of reviewers who were from outside KPMG Australia	41	45	14

Total numbers vary depending on which offices and their relative size are selected for review in line with their three year rotation schedule.

We use both internal monitoring and external inspections against accepted benchmarks, to evaluate our current performance, to understand the existing quality of our audit work and prioritise the areas for improvement. To deserve the confidence of our clients, the capital markets, regulators and shareholders, we are serious about learning from opportunities, no matter how small.

36. International Standard on Quality Control ISQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and Auditing Standard ASQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements.*
37. A Global Compliance Review was undertaken during FY17.
38. In FY17 KPMG introduced a global core review team.

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Key components of the QPR Program

- Led by an experienced partner from another KPMG member firm. The lead reviewer collaborates with the global core review team and team leaders, promoting consistency across all reviews.
- Our highest profile listed and related entity financial statement audit reviews are performed by a dedicated global core review team comprising experienced partners, directors and senior managers from member firms across the network.
- Additional financial statement audit reviews are performed by a small core team of Australian partners and directors, from locations other than the office under review. They are active practitioners and up to date with auditing standard requirements.
- Review of partners and directors work on a minimum three year rotating schedule.
- Benchmarking of work to the Australian Auditing Standards and KPMG's own standards.
- Performed soon after the conduct of the work subject to review.
- Findings provided to audit teams for implementation on future audits.
- Partners who receive 'unsatisfactory' ratings are subject to additional reviews and remedial actions.

The results are provided to leadership at office, division and firm levels. Specific accountabilities for remediation, where relevant, are identified and detailed action plans drawn up. These are reported globally and subject to ongoing review.

Other assessments of audit quality

Other audit quality monitoring mechanisms include:

- Accounting technical reviews of client financial statements: Performed on a sample basis by a qualified person outside of the audit team, prior to signing the audit opinion. Over a four-year period, the sample includes all listed and high risk clients.
- Key audit matter and audit report reviews: Performed on a sample basis by the DPP, supporting teams apply the recent audit reporting enhancements to auditing standards. Over a four-year period, the sample includes all listed clients.
- Targeted and real time reviews: Conducted by our 2LD Reviewers using tailored programs to assess particular attributes or focus areas of an audit during the audit. These identify opportunities to improve quality and effectiveness by sharing leading practices.
- Evaluation of common consultations: Capturing and evaluating the most common questions raised by our individual teams.
- Post course assessments: These test understanding of specific content of training materials presented and provide evidence about the quality of learning.
- Goal setting and performance evaluation processes: These include explicit evaluation of audit quality inputs and outcomes.

We also review audits in the rare circumstances where the financial statements or audit opinions are reissued. This identifies whether any aspect of the performance of the audit could have contributed to the need for the reissuance.

Findings from our risk and audit quality monitoring resulted in impacts to remuneration in FY18 for a small number of partners.

Assessments of compliance with ethics and independence requirements

We monitor our compliance with independence requirements of the *Corporations Act 2001*, professional ethical standards, and our mandated internal policies, systems and processes. This monitoring includes an annual declaration of compliance from partners and staff, the performance of personal independence compliance audits on a sample basis, and partner rotation compliance audits on a sample of engagements. Our annual QPR program and RCP, completed in August 2018, also test for compliance on a sample basis with these requirements, including partner terms on relevant audit engagements and the appropriateness of non-audit services provided.

Our independence policies are set at or above the requirements of professional standards and the *Corporations Act 2001*. In the event of non-compliance, the actions of partners and staff are considered by our Ethics and Independence Disciplinary Committee (EIDC) in accordance with our disciplinary policy. The severity of disciplinary actions have regard to the seniority of the individual and/or when breaches are not self-reported, such as when identified by a compliance audit. Depending on the circumstances, disciplinary action could include: a caution letter, a disciplinary letter on the individual's personnel file, remuneration adjustment, deferring promotion or separation from the firm.

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Our compliance testing identified instances of individuals not achieving full adherence to our policies and processes. The primary source of non-compliance was failure by individuals to enter or update all their, spouse's, spouse equivalent's or dependant's, investments into our investments tracking system on a sufficiently timely basis. A number of instances related to delays in completing mandatory independence learning and annual declaration, and Code of Conduct matters arising from responses to an assertion in the annual declaration.

Key performance indicators – Ethics and Independence	FY18	FY17	FY16
No. of partners and staff subject to an independence compliance audit	174	155	148
No. of engagements subject to a partner rotation compliance audit	20	20	20

Key performance indicators – Ethics and Independence	FY18	FY17	FY16
Total no. of qualifications of an Auditors' Independence Declaration[39] – s9 Corporations Act listed companies and listed registered scheme audit clients	1[40]	1[42]	0
Total no. of qualifications of an Auditors' Independence Declaration[40] – other audit clients	1[41]	1[43]	0

External inspections

We welcome the opportunity to receive feedback on audit quality from outside the firm. This enables us to recalibrate our benchmark of audit quality to an external standard.

Australian Securities and Investments Commission (ASIC)

ASIC conducts an audit inspection program involving a review of compliance with the auditor independence and audit quality provisions of the *Corporations Act 2001*. As part of its cyclical program, ASIC commenced its eleventh inspection of KPMG reviewing financial statement audit engagements onsite from June 2018, and is expected to complete in December 2019. Our most recently completed review was finalised onsite in June 2017[44] covering audits conducted for periods ended within 31 December 2014 to 30 June 2016.

Our learning forums are heavily weighted to reinforcing ASIC's messages and addressing their findings from recently completed inspections and preliminary observations from the inspection in process. We introduced 2LD Reviewers specialising in auditing revenue and asset impairment in response to regulatory findings and our strategy to enhance quality.

We maintain a comprehensive audit quality action plan driven by feedback from monitoring activities, including ASIC inspections.

We undertake extensive analysis of ASIC's thematic findings, perform deep-dive root cause analysis to identify possible root causes of the issues, design appropriate solutions, and resulting actions. Our audit quality action plan is shared and discussed with ASIC regularly.

We maintain a comprehensive audit quality action plan driven by feedback from monitoring activities, including ASIC inspections.

39. Required by the *Corporations Act 2001* section 307C.
40. The qualification was a direct consequence of an audit client takeover of an entity whose CEO was a member of KPMG within the preceding two years and a member of KPMG's audit team of the acquirer.
41. The qualification was due to one tax partner holding a financial interest in the respective audit client with the lead audit engagement partner being located in the same office. Upon identification, the partner disposed of the investment immediately. The partner involved did not provide any services to the audit client on behalf of the firm.
42. The qualification was due to one advisory partner holding a financial interest in an audit client with the lead audit engagement partner being located in the same office. Upon identification, the partner disposed of the investment immediately. The partner involved did not provide any services to the audit client on behalf of the firm.
43. The qualification was due to one advisory partner holding a financial interest in an audit client with the lead audit engagement partner being located in the same office. Upon identification, the partner disposed of the investment immediately. The partner involved did not provide any services to the audit client on behalf of the firm.
44. ASIC do not report publicly on observations and findings from individual firm inspections. ASIC's most recent public omnibus report *Audit inspection program public report for 2015-16* summarises the observations and findings identified by ASIC's audit inspection program in the 18 months to 31 December 2016 (Report 534). This includes observations from ASIC's ninth inspection of KPMG. The report is available on their website www.asic.gov.au.

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Foreign regulators

No deficiencies were identified in the three audit engagements reviewed by the PCAOB in their March 2017 inspection of the firm conducted in conjunction with ASIC. The PCAOB released their report[45] in February 2018. Our audit practice is registered with the US PCAOB[46], Japanese[47], Canadian[48], Luxembourg[49], UK[50] and German[51] authorities. This is necessary to either participate in audits of global clients or conduct audits of Australian clients who, owing to overseas stock exchange listing requirements, file financial statements in those jurisdictions. These regulators have not inspected our firm during FY18.

Chartered Accountants Australia and New Zealand (CAANZ)

The CAANZ regulate and govern the work of Chartered Accountants that perform audits. The CAANZ review the large firms using an online qualitative audit quality survey assessing the perceptions of partner, manager, qualified staff and graduate respondent groups on drivers of audit quality.

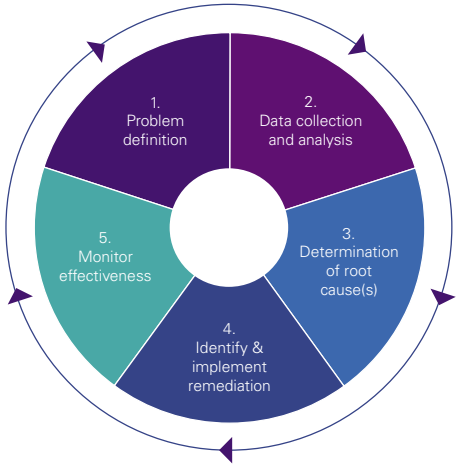
The results of the most recent CAANZ survey, conducted in November 2011 and reported in March 2012, highlight that our partners and staff see professional scepticism and objectivity as their most significant contribution to audit quality.

Evaluating and responding appropriately to feedback and findings

The effectiveness of any response to an issue is dependent on the understanding of the root cause, the pervasiveness of the issue, the ability to tailor a solution in differing circumstances and leadership support for the solution.

We use our knowledge from past experiences and our specifically designed root cause analysis framework[52] to fully understand the root cause of issues and design innovative and appropriate solutions.

Global[53] Five Step Root Cause Analysis Principles



We use the following solutions tailored for specific situations:

- Face to face briefings: with individuals, using coaching techniques, in facilitated workshops, group or office wide meetings, and local or national instructor led learning sessions.
- Topic specific guides and learning: online instruction, guidance papers, example tools and templates, podcasts, access to centrally logged frequently asked questions and answers, and other database resources.
- Reminders and alerts: emails, technical and organisational announcements, intranet alerts, animation and poster reminders.
- Practice management changes: reassignment of partners and/or staff, reassignment of internal operational roles, and additional support.
- Behavioural motivators: including recognition and reward.
- Automated tools: pre-programmed applications for a discrete audit activity.

In presenting the solutions to teams, we tell them why we are focusing on the topic and provide context to enable them to understand how these are driven from our monitoring findings.

We recognise objective feedback and a genuine commitment to continuous improvement is important to driving audit quality.

Client feedback

The KPMG Client Insights Program actively solicits feedback from clients on the quality of our services. This feedback is considered at an individual audit team level and a firm level to continually learn and improve our client service.

45. The report is available on their website www.pcaobus.org
46. Public Company Accounting Oversight Board
47. Japanese Financial Services Authority
48. Canadian Public Accountability Board
49. Luxembourg Commission de Surveillance du Secteur Financier
50. UK Financial Reporting Council
51. German Audit Oversight Commission
52. Global Five Step Root Cause Analysis Principles, issued by KPMG globally and adopted with local considerations
53. ©2018 KPMG

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Statement on effectiveness of system of quality control

We are confident that our framework for audit quality supports our people and enables them to provide a high level of audit quality in an independent, objective and ethical manner, maintaining public and stakeholder confidence.

This report describes our quality control system to conduct our audits in accordance with applicable standards and laws, and highlights certain measures we consider in operating our external audit practice. The results of our internal monitoring programs, consideration of our reported measures, together with feedback from independent regulatory inspections, provide the KPMG Board with a basis to conclude that our system of quality control described in this Transparency Report are functioning effectively.

Alison Kitchen
National Chairman

Gary Wingrove
CEO

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Appendix

1. KPMG in Australia legal structure and ownership

The global KPMG network consists of separate independent firms that individually provide Audit, Tax and Advisory services to a wide variety of public and private sector organisations.

KPMG in Australia is a member firm of KPMG International Cooperative ("KPMG International"), a Swiss cooperative which is a legal entity formed under Swiss law. Further details about KPMG International and its business, including our relationship with it, are available in the 2017 KPMG International Transparency Report[54].

KPMG operates in Australia through the KPMG Partnership (Australian Partnership) with offices in Adelaide, Brisbane, Canberra, Darwin, Gold Coast, Hobart, Karratha, Launceston, Melbourne, Parramatta, Penrith, Perth, Sydney and Wollongong.

The Australian firm also has two other KPMG practices sublicensed to use the name KPMG: KPMG Papua New Guinea and KPMG Fiji Islands (Sublicensees). The Australian Partnership and the Sublicensees are separate partnerships. However, under the terms of the Sublicense Agreement, the Sublicensees agree to conduct their affairs in a manner consistent with the objectives, policies, standards and procedures adopted by the Australian firm, which seeks to maintain the prestige and high professional standards associated with the KPMG name.

2. Network arrangement

KPMG member firms can be found in 154 countries and collectively employ more than 200,000 people across a range of disciplines.

KPMG in Australia is affiliated with KPMG International. KPMG International carries on business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients. Professional services to clients are provided exclusively by member firms. For the year ended 30 September 2017, KPMG member firms reported total global revenue of US$26.4 billion[55]. Under agreements with KPMG International, member firms including KPMG in Australia 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. This includes having a structure that ensures continuity and stability and being able to adopt global and regional 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 are required to have the capability to provide certain types of core services and to refer work to other member firms where appropriate (for example, if the engagement concerns work in that other member firm's country and that other member firm has the required capacity and expertise to perform the work).

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.

54. https://home.kpmg.com/xx/en/home/about/governance/transparency-report.html
55. Total revenues generated by KPMG statutory auditors and audit firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was Euro 2.7 billion during the year ending 30 September 2017. Revenues for the year ended 30 September 2018 will be published in December 2018 on kpmg.com, and contained within the 2018 KPMG International Annual Review. An updated statement of EU/EEA statutory audit revenues for the 12 months to 30 September 2018 will be available within the KPMG International Transparency Report, also to be published in December 2018 on kpmg.com. A list of KPMG network firms and sole practitioner statutory auditors in European Union/ European Economic Area Member States is available here (https://home.kpmg.com/xx/en/home/about/governance/list-of-kpmg-eu-eea-audit-firms.html).

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3. KPMG's Global Values

Our commitment to transparency is an important part of our global values that state, 'above all, we act with integrity'.

We lead by example

At all levels we act in a way that exemplifies what we expect of each other and of our clients.

We work together

We bring out the best in each other and create strong and successful working relationships.

We respect the individual

We respect people for who they are and for their knowledge, skills and experience as individuals and team members.

We seek the facts and provide insight

By challenging assumptions and pursuing facts, we strengthen our reputation as trusted and objective business advisers.

We are open and honest in our communication

We share information, insight and advice frequently and constructively and manage tough situations with courage and candour.

We are committed to our communities

We act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities and protecting the environment.

Above all, we act with integrity

We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

4. Financial and other information

This section sets out financial and other information on the firm that shows the importance of statutory audit work to our overall business and results.

Revenue	FY18 $b	FY17 $b	FY16 $b
Total revenue for KPMG in Australia for the financial years ending 30 June	1.64	1.50	1.37

Note: All figures are in Australian dollars and exclude Sublicensees

Total revenue split for the firm can be further analysed on the following percentage basis	FY18 %	FY17 %	FY16 %
Audits of financial statements[56]	20	21	22
Assurance and other services for audit clients	8	9	11
Services for non-audit clients	72	70	67
Total	100	100	100

5. Governance structure

The Board is the principal governance and oversight body of KPMG in Australia. Key responsibilities include overseeing strategy implementation, protecting and enhancing the KPMG brand and overseeing management of the firm.

Reporting to the Board are, amongst others, the following bodies:

- The CEO and National Executive Committee
- Ethics and Independence Disciplinary Committee
- Partner Remuneration and Nomination Committee
- Audit Committee

The National Executive Committee is the principal management body of KPMG in Australia. It is responsible for driving the financial performance of the business, the development and execution of strategy and establishing the processes to monitor and enforce policy compliance. Its members include the National Managing Partners of each of the Audit, Assurance & Risk Consulting, Deals Tax & Legal, Management Consulting and Enterprise divisions, along with the Chief Risk Officer (CRO).

Reporting to the National Executive Committee are:

- The Service Delivery Risk Committee
- The Risk Management Group
- Ethics and Independence Disciplinary Committee

Through the CRO's membership of the NEC, the CRO provides regular updates and escalates key messages from the Service Delivery Risk Committee[57] and the Risk Management Group.

56. Includes audits and reviews conducted of financial statements, prepared pursuant to sections 292, 295, 302 and 303 of the *Corporations Act 2001*. Includes $16 million revenues from the statutory audit of annual and consolidated financial statements and AU$7 million revenues from other services to Australian clients considered EU public interest entities (definition contained in Appendix 7).
57. The CRO chairs the Service Delivery Risk Committee.

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Primary role as it relates to quality

Service Delivery Risk Committee

- Oversight of risk management arrangement relating to service delivery to clients
- Discuss emerging business risks, and their potential impact, as they affect service delivery
- Recommend improvements to firm systems and processes as needed
- Support the efficient application of risk management practices across the firm

Risk Management Group

- Promote processes and structures to support risk management and quality
- Develop risk and quality policies, systems and procedures
- Support the implementation of risk and quality systems and procedures
- Monitor and test risk and quality policies, systems and procedures
- Create tools and templates to manage compliance obligations
- Provide support and guidance to all professionals on application of appropriate policies and systems

Ethics and Independence Disciplinary Committee

- Deal with referrals of non-compliance with the firm's ethics and independence policies
- Determine disciplinary sanctions with the approval of the National Executive Committee and/or Board
- Recommend improvements to firm policies, systems and processes as needed

6. Board members and NEC members

The Board comprises the National Chairman, the CEO, ten other members currently drawn from our Brisbane, Canberra, Melbourne and Sydney offices, including one independent member. The Board met 12 times in the year to 30 June 2018.

Board members as at the date of this report are:

Alison Kitchen
National Chairman
Melbourne

Gary Wingrove
CEO
Sydney

Sarah Dunn
Sydney

Julian Edwards
Sydney

Christa Gordon
Canberra

Peter Griffiths
Melbourne

Mathew Herring
Melbourne

Michael Hiller
Brisbane

Eileen Hoggett
Sydney

Tony Nimac
Sydney

Helen Sutherland
Sydney

Martin Dalgleish
Independent Board member

NEC members as at the date of this report are:

Gary Wingrove
CEO

Andrew Yates
Audit, Assurance & Risk Consulting

David Linke
Deals, Tax & Legal

Rob Bazzani
Enterprise

Ian Hancock
Management Consulting

Margaret Cowle
Global Strategy Group and Brand & Engagement

James Hunter
Markets & Growth

Tanya Gilerman
Chief Risk Officer

Ken Reid
Innovation & Digital Solutions

Damian Templeton
CFO and COO

Deborah Yates
People, Performance & Culture

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7. Public interest audit clients of the firm

The Australian listed companies, listed registered schemes, Authorised Deposit-Taking Institutions[58], General Insurers[59], Life Companies[60] and EU public interest entities[61] for which KPMG in Australia[62] is statutory auditor for the financial years ended in the 12 months to 30 June 2018 are:

- AAI Limited
- Agrimin Limited
- Aims Property Securities Fund
- Ainsworth Game Technology Limited
- ALE Property Group
- Allianz Australia Insurance Limited
- Allianz Australia Life Insurance Limited
- Allianz Australia Limited
- Alloy Resources Limited
- ALS Limited
- Ansell Limited
- ANZ Lenders Mortgage Insurance Pty Limited
- Appen Limited
- Argent Minerals Limited
- Aspen Insurance UK Limited
- Atlas Iron Limited
- AusNet Services Holdings Pty Ltd
- AusNet Services Limited
- Austpac Resources NL
- Austral Gold Limited
- Australia and New Zealand Banking Group Limited
- Australian Agricultural Company Limited
- Australian Central Credit Union Ltd
- Australian Ethical Investment Limited
- Australian Governance and Ethical Index Fund
- Australian Leisure & Entertainment Property Management Limited
- Australian Leisure & Entertainment Property Trust
- Australian Military Bank Limited
- Australian Pharmaceutical Industries Limited
- Australian United Investment Company Limited
- Auto & General Insurance Company Limited
- Bank of Queensland Limited
- Barristers' Sickness and Accident Fund Pty Limited
- Base Resources Limited
- Battery Minerals Limited
- Beadell Resources Limited
- Bell Financial Group Limited
- Benjamin Hornigold Limited
- Berkley Insurance Company
- BHP Billiton Finance Limited
- BHP Billiton Limited
- BHP Billiton Marine & General Insurances Pty Ltd
- Bigtincan Holdings Limited
- Biotron Limited
- Boom Logistics Limited
- Boral Insurance Pty Limited
- Boral Limited
- Buru Energy Limited
- BWP Trust
- Cabcharge Australia Limited
- Caltex Australia Limited
- Cardno Limited
- Carlton Investments Limited
- CBG Capital Limited
- Centaurus Metals Limited
- Centrex Metals Limited
- Centuria Capital Fund
- Centuria Capital Group
- Centuria Capital Limited
- Centuria Industrial REIT
- Centuria Life Limited
- Centuria Metropolitan REIT
- CGU Insurance Limited
- CIC Allianz Insurance Limited
- Citibank, N.A. - Australian Branch
- Citigroup Pty Ltd
- Clean TeQ Holdings Limited
- Club Finance Holdings Limited
- Club Insurance Holdings Pty Ltd
- Cochlear Limited
- Codan Limited

58. Within the meaning of the Banking Act 1959
59. Within the meaning of the Insurance Act 1973
60. As registered under section 21 of the Life Insurance Act 1995
61. Within the meaning of Directive 2006/43/EC issued by The European Parliament and of the Council, where a public interest entity is an issuer whose transferable securities are admitted to trading on a regulated market, specific to the EU jurisdiction.
62. Excludes sublicensees

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- Collection House Limited
- Collerina Cobalt Limited
- Community Alliance Credit Union Limited
- Community CPS Australia Limited
- Community First Credit Union Limited
- Consolidated Tin Mines Limited
- Corrvas Insurance Pty Ltd
- Costa Group Holdings Limited
- Covata Limited
- Coventry Group Limited
- Credicorp Insurance Pty. Ltd.
- Credit Suisse AG
- Credit Union Australia Ltd
- Credit Union SA Ltd
- CSG Limited
- CTI Logistics Limited
- CuDeco Limited
- Deutsche Bank AG - Sydney Branch
- Deutsche Bank Aktiengesellschaft
- Diversified United Investment Limited
- Domestic & General Insurance PLC
- Downer EDI Limited
- DuluxGroup Limited
- Duxton Water Limited
- Eclipx Group Limited
- Elk Petroleum Limited
- Emerging Markets Masters Fund
- Employers Mutual Limited
- Endeavour Mutual Bank Ltd
- Enero Group Limited
- Engenco Limited
- Equus Mining Limited
- Evans & Partners Australian Flagship Fund
- Evans & Partners Global Healthcare Fund
- Event Hospitality and Entertainment Ltd
- FE Investments Group Limited
- Finbar Group Limited
- Fire Service Credit Union Limited
- First American Title Insurance Company of Australia Pty Limited
- Flinders Mines Limited
- Freedom Insurance Group Ltd
- GBST Holdings Limited
- Generation Development Group Limited
- Generation Life Limited
- Genworth Financial Mortgage Indemnity Limited
- Genworth Financial Mortgage Insurance Pty Limited
- Genworth Mortgage Insurance Australia Limited
- Gindalbie Metals Limited
- Global Petroleum Limited
- Gold Road Resources Limited
- Goldfields Money Limited
- Goodman Group
- Goodman Industrial Trust
- Goodman Limited
- Gordian RunOff Limited
- Great Lakes Insurance SE
- Great Lakes Reinsurance (UK) SE - Australian Branch
- Growthpoint Properties Australia
- Growthpoint Properties Australia Limited
- Growthpoint Properties Australia Trust
- GUD Holdings Limited
- GWA Group Limited
- Hallmark General Insurance Company Ltd.
- Hallmark Life Insurance Company Ltd.
- Hammer Metals Limited
- Hannover Life Re of Australasia Ltd
- Hannover Rueck SE - Australian Branch
- Henry Morgan Limited
- Hills Limited
- Hospitality Employers Mutual Limited
- Hotel Property Investments
- Hotel Property Investments Limited
- Hotel Property Investments Trust
- IAG Finance (New Zealand) Limited
- IMB Ltd
- Indue Ltd
- Industrial and Commercial Bank of China Limited
- ING Bank N.V.
- ING Superannuation Fund
- Inghams Group Limited
- Insurance Australia Group Limited
- Insurance Australia Limited
- Insurance Manufacturers of Australia Pty Limited
- International Insurance Company of Hannover SE
- IOOF Holdings Limited
- IOOF Ltd
- IVE Group Limited

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- Japara Healthcare Limited
- John Bridgeman Limited
- King Island Scheelite Limited
- Kogan.com Ltd
- Korvest Ltd
- Legend Corporation Limited
- Lendlease Corporation Limited
- Lendlease Group
- Lendlease Trust
- LFI Group Pty Ltd
- Linius Technologies Limited
- Link Administration Holdings Limited
- Lovisa Holdings Limited
- MacArthur Credit Union Ltd
- Macmahon Holdings Limited
- MaxiTRANS Industries Limited
- McGrath Limited
- Medical Insurance Australia Pty Ltd
- Members Banking Group Limited
- Mercedes-Benz Australia/Pacific Pty Ltd
- Metrics Credit Partner Master Income Trust
- Midway Limited
- Millennium Minerals Limited
- Mitsui Sumitomo Insurance Company Limited
- Monash IVF Group Limited
- Motorcycle Holdings Limited
- Munchener Ruckversicherungs-Gesellschaft (Munich Reinsurance Company)
- Munich Reinsurance Company of Australasia Limited
- Nearmap Ltd
- Nickel Mines Limited
- NuEnergy Gas Limited
- Nufarm Limited
- Oilex Limited
- OnePath General Insurance Pty Limited
- OnePath Life Limited
- oOh!media Limited
- Orica Limited
- Origin Energy Finance Limited
- Origin Energy Limited
- Over Fifty Guardian Friendly Society Limited
- Oversea-Chinese Banking Corporation Limited
- OZ Minerals Limited
- Pacific Smiles Group Limited
- Perpetual Equity Investment Company Limited
- Perpetual Limited
- Petsec Energy Limited
- Phoslock Environmental Technologies Limited
- Pilbara Minerals Limited
- Planet Gas Limited
- Police Credit Union Ltd
- Police Financial Services Limited
- Poseidon Nickel Limited
- Propertylink (Holdings) Limited
- Propertylink Australian Industrial Partnership
- Propertylink Trust
- PWR Holdings Limited
- Qantas Airways Limited
- QMS Media Ltd
- Qudos Mutual Ltd
- Quickstep Holdings Limited
- RAA Insurance Holdings Limited
- RAA Insurance Limited
- RACQ Insurance Limited
- Red 5 Limited
- Regional Australia Bank Ltd
- Regis Resources Limited
- Reliance Worldwide Corporation Limited
- Rex Minerals Limited
- Rey Resources Limited
- Ridley Corporation Limited
- Ruralco Holdings Limited
- Santana Minerals Limited
- Series 2007-1E REDS Trust
- Series 2017-1 BOQ Covered Bonds
- Seven West Media Limited
- SG Fleet Group Limited
- Silver Chef Limited
- Silver Lake Resources Limited
- Smiles Inclusive Limited
- Sompo Japan Nipponkoa Insurance Inc.
- South West Slopes Credit Union Ltd
- South32 Limited
- Southern Cross Electrical Engineering Limited
- Spectrum Rare Earths Limited
- Spicers Limited
- Spotless Group Holdings Limited

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St Andrew's Insurance (Australia) Pty Ltd	The Bank of Nova Scotia – Australian Branch
St Andrew's Life Insurance Pty Ltd	The Northern Trust Company
Standard Chartered Bank - Sydney Branch	Thorn Group Limited
StateCover Mutual Limited	TNG Limited
Steadfast Group Limited	Todd River Resources Limited
Stewart Title Limited	TPG Telecom Limited
Sumitomo Mitsui Banking Corporation	TPI Enterprises Limited
Suncorp Group Limited	Treasury Wine Estates Limited
Suncorp Insurance Holdings Limited	Verdant Minerals Ltd
Suncorp Life & Superannuation Limited	Veris Limited
Suncorp-Metway Limited	Vimy Resources Limited
Sunderland Marine Insurance Company Limited	Virgin Australia Holdings Limited
Sydney Airport	Watpac Limited
Sydney Airport Limited	WFI Insurance Limited
Sydney Airport Trust 1	White Rock Minerals Limited
Sydney Credit Union Ltd	Whitebark Energy Limited
Tanami Gold NL	Wisetech Global Limited
The Bank of New York Mellon	WMC Finance (USA) Limited

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Our Transparency Report describes our systems of quality control in place during the year ended 30 June 2018 to manage the quality of our financial statement audits.

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