



# Transparency Report 2021

**Committed to driving audit quality**

[kpmg.com/ca/audit](https://kpmg.com/ca/audit)



# Contents

03 Foreword

04 Introduction

01

06

Living our culture and values

02

13

Applying expertise and knowledge

03

17

Embracing digital technology

04

20

Nurturing diverse skilled teams

05

27

Associating with the right clients and engagements

06

30

Being independent, objective and ethical

07

37

Performing quality engagements

08

41

Assessing risks to quality

09

43

Communicating effectively

11

50

Appendices

10

45

Monitoring and remediation

51 Appendix A

Our structure and governance

52 Appendix B

Financial information

56 Appendix C

European Union public interest entity audit clients

# Foreword

**While the COVID-19 pandemic continues to inform and drive many decisions around the routine administration of our personal and professional lives, at KPMG we are always mindful about ensuring the days ahead will be better than the ones past. And our commitment to transparency—both generally and in the more specific terms of audit quality and risk—is key to that effort.**



**Elio Luongo**

Chief Executive Officer  
and Senior Partner  
KPMG in Canada

Having taken the necessary measures, in the pandemic's earliest days, to successfully adapt to new normals in our social and business environments—everything from investments in digital technology that enabled firm-wide virtual work to new approaches to agility and innovation that ensured our clients would continue to meet their reporting responsibilities—our focus is squarely on the future.

We are, of course, always investing in our people, but while last year much of that investment was in systems and tools that allowed them to continue to do their work effectively under unusually challenging circumstances, increasingly our emphasis is on the kinds of enablers that will help them perform better than ever in any situation. Whether that's direct support for their physical and mental health, upskilling programs via KPMG Digital Academy in collaboration with Simon Fraser University's Beedie School of Business, or just some extra paid time off to recharge and refresh during the summer, we are doing everything we can both to equip our people for the audits of today and to prepare them for the audits of tomorrow.

We draw great strength from teamwork, which is why we are also proud to be a part of KPMG International's commitment to

the Environmental, Social and Governance (ESG) change agenda, beginning with a US \$1.5 billion investment over the next three years to advance ESG skills, accelerate new technologies, and drive action through alliances. We believe it's no exaggeration to say that accountants will play an accelerated role in helping to address the world's burning issues, including climate change and social inequality. We are driven to make a difference, and we believe these are differences that must be made.

Similarly, we welcome the requirements of the Canadian Standard on Quality Management and are committed to ensuring that our processes and systems meet the most exacting degrees of accountability, transparency, risk management and firm-wide governance. We take our responsibility to serve the public interest very seriously. That responsibility underscores everything we do.

If the pandemic taught us anything, it's that we truly are all in this together. With our 2021 Transparency Report, we aim to illustrate our dedication to the highest possible levels of objectivity, independence and integrity—and in so doing, demonstrate our commitment to society, the capital markets, and each other.



# Introduction

**As the world continues to evolve through the challenges of the pandemic and takes important steps to meet our most pressing environmental and social challenges, transparency remains more important than ever. Our role in serving the public interest has never been clearer and more purposeful than it is today. It is why over the past year, we've worked hard to transform through investments in our people, innovation and technologies that enhance audit quality and serve the growing expectations of our changing world.**



**Kristy Carscallen**

Canadian Managing Partner,  
Audit and Assurance  
KPMG in Canada

In this year's Transparency Report, we demonstrate how we are striving to maintain and improve audit quality, as well as the significant changes we've made to ensure we're delivering a consistent level of quality across our global network.

Our people are at the centre of our focus on audit quality. Over the past year, we've taken significant actions to support our teams and evolve in new ways that attract the most qualified professionals and help our people thrive. We've continued to invest in development through initiatives like KPMG Digital Academy, an industry-leading program that upskills our professionals on the latest advancements in technology, data and analytics, machine learning and artificial intelligence. In 2021, we celebrated our second cohort of applicants for our Graduate Certificate in Accounting with Digital Analytics and the completion of the inaugural year of our Masters program where graduates of the Certificate program went on to successfully earn a Master of Science Degree in Accounting with Cognitive Analytics.

In many ways, the pandemic has accelerated the future of audit and we've continued to transform the audit experience for our clients and our teams through KPMG Clara. This fully integrated, scalable, cloud-based platform supports our updated

audit methodology and drives our globally consistent audit execution through a smart and data-enabled workflow. With advanced, predictive analytics capabilities, it allows our audit professionals to tap into innovative and emerging technologies that enhance audit quality and bring clients a greater range and depth of insights into risks and anomalies.

Additionally, to help underpin quality in everything we do, we're implementing a globally consistent System of Quality Management (SoQM) that aligns with the Canadian Standard of Quality Management (CSQM 1) coming into effect in 2022. This includes new quality goals and controls that evolve our existing policies and procedures into a proactive approach for managing audit quality.

It has been a transformative year and we recognize the importance of continued efforts to strengthen quality to meet the increasingly complex issues our clients face and the rising expectations of all stakeholders. I trust you will find this report helpful as it demonstrates the meaningful steps we've taken with steadfast commitment to our core values and the essential role we play in building confidence in our capital markets.

The background of the entire page is a deep blue with a complex, organic texture that resembles water ripples or marbled paper. The texture is more pronounced in the upper right and lower right areas, with some darker blue patches and lighter blue highlights.

# Living our culture and values



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

## KPMG Values

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

### Integrity

We do what is right.

We are honest, fair and consistent in our words, actions and decisions — both inside and outside work.

We take responsibility and accountability for our day-to-day behavior and we hold ourselves to the highest moral and ethical standards at all times — even when under pressure. We keep our promises and set an example for others to follow.

### Excellence

We never stop learning and improving.

We are relentless in delivering quality work to the highest professional standards.

We do this by staying curious and taking personal responsibility for our learning. We constantly look to improve our work through data and insight, and are open to new challenges and feedback because that is how we develop and improve.

### Courage

We think and act boldly.

We are open to new ideas and honest about the limits of our own knowledge and experience. It's about applying professional

skepticism to what we see and asking questions where we have doubts.

We speak up if we see something we believe is wrong and we support those who have the courage to speak up themselves.

Courage is being bold enough to step outside of your comfort zone, to do what is right and meaningful for all our stakeholders.

### Together

We respect each other and draw strength from our differences.

We do our best work when we do it together: in teams, across teams, and by working with others outside our organization.

Working together is important because we know it's collaboration that shapes opinions and drives creativity. We embrace people with diverse backgrounds, skills, perspectives and life experiences and ensure different voices are heard.

We show care and consideration for others and strive to create an inclusive environment where everyone feels they belong.

### For Better

We do what matters.

We take a long-term view, even in our day-to-day choices, because we want to build a stronger KPMG for the future.

We never lose sight of the importance of our role in building trust in the capital markets and in business.

We make sustainable, positive change in our local communities and in society at large, striving to make the world a better place.

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

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

Tone at the top means that our leadership demonstrates commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders, and society at large to earn public trust.

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

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

Everyone at KPMG is required to comply with the Global Code of Conduct and to confirm their compliance with the Code on an annual basis. Additionally, everyone at KPMG is required to take regular training covering the Code. We are committed to holding ourselves

accountable for behaving in a way that is consistent with the Code.

Individuals are encouraged to speak up when they see something that makes them uncomfortable or that is not in compliance with the Code. Moreover, everyone at KPMG is responsible for reporting — and is required to report — any activity that could potentially be illegal or in violation of our Values, KPMG policies, applicable laws, regulations or professional standards.

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

KPMG in Canada maintains an Ethics and Compliance Hotline that allows reports to be made through an independent third-party provider. The firm encourages use of the hotline when KPMG partners and employees feel uncomfortable reporting concerns about possible illegal, unethical, or improper conduct through normal channels or when the normal channels of communication are impractical or perceived as ineffective.

The hotline is available to external parties as well, and any person, including clients, vendors, and professionals from other KPMG member firms working on any KPMG engagements, may file reports in three ways:

By calling the KPMG in Canada dedicated toll-free number, 1-833-554-5107

By accessing a web-based reporting system at: [www.clearviewconnects.com](http://www.clearviewconnects.com) or

By mailing directly to ClearView Connects

Reports filed through the hotline are directed to KPMG in Canada's Risk Management Partner for review and, if necessary,

---

**KPMG GLOBAL LEADERSHIP, WORKING WITH REGIONAL AND MEMBER FIRM LEADERSHIP, PLAYS A CRITICAL ROLE IN ESTABLISHING OUR COMMITMENT TO QUALITY AND THE HIGHEST STANDARDS OF PROFESSIONAL EXCELLENCE.**

---

assignment of appropriate firm resources for investigation and resolution. Reports are handled confidentially and anonymously to the extent allowable by law and consistent with the needs of a thorough investigation.

In addition, the KPMG International hotline is a mechanism for KPMG partners, employees, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, activities of KPMG firms or KPMG personnel.

The KPMG International hotline is also operated by ClearView Connects and can be reached toll-free from Canada by calling 1-866-246-9224.

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

### Listening to our people — Global People Survey (GPS)

At KPMG in Canada we regularly monitor the extent to which our people feel that the firm lives the KPMG values through the Global People Survey.

Every year, all KPMG in Canada personnel, across all functions, are invited to participate

in an independent Global People Survey to share their perception about their experience working for KPMG. The GPS provides an overall measure of our people's engagement through an Engagement Index (EI) as well as insights into areas driving engagement which may be strengths or opportunities. Results can be analyzed by functional or geographic area, grade, role, gender to provide additional focus for action. Additional insight is provided on how we are faring on categories known to impact engagement.

The survey also specifically provides KPMG in Canada and KPMG global leadership with results related to quality and risk behaviors, audit quality, upholding KPMG values, employee and partner attitudes to quality, leadership and tone at the top.

KPMG in Canada participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. The results of the GPS are also aggregated for the entire Global Organization and are presented to the Global Board each year and appropriate follow-up actions agreed. Audit specific analysis of GPS results is also undertaken, with a particular focus on audit quality. Results and key themes are presented to the Global Audit Steering Group on an annual basis, with action plans subsequently developed.

Our commitment to quality is apparent in what we do on a day-to-day basis.	2021 89%	2020 91%	2019 86%
Source: 2021 KPMG GPS (Canadian firm respondents)			
The people I work with demonstrate honest and ethical behavior.	2021 93%	2020 93%	2019 91%
Source: 2021 KPMG GPS (Canadian firm respondents)			
I believe I can report unethical practices without a fear of negative impact on me.	2021 83%	2020 85%	2019 84%
Source: 2021 KPMG GPS (Canadian firm respondents)			



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

### **Our business**

KPMG in Canada is a professional services firm that delivers Audit, Tax and Advisory services. We operate out of more than 40 offices across the country and had an average of 6,800 partners and employees in the year ended September 30, 2021 (2020: 6,300).

Our audit services in Canada are delivered through KPMG LLP. Full details of the services offered by KPMG in Canada can be found on our [website](#).

Information about our structure and governance is included in Appendix A of this report.

### **Our commitment to quality**

Our strategy is set by the KPMG in Canada Board and demonstrates a commitment to quality and trust. We invest significantly in priorities that form part of a multi-year collective strategy implementation that is taking place across our entire global network.

Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands. At KPMG in Canada audit quality is not just about reaching the right opinion, but how that opinion is reached. It is about the processes, thought and integrity behind the auditors' report.

KPMG defines audit quality as 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 all of our related activities are undertaken in an

environment of the utmost level of objectivity, independence, ethics and integrity.

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

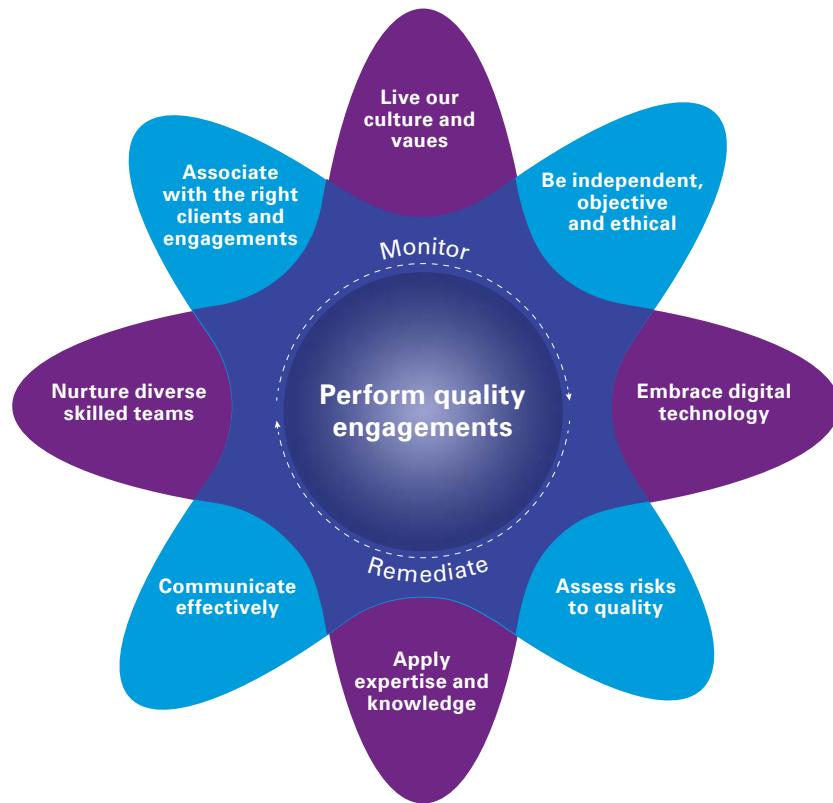
KPMG continues to invest significantly in audit quality across the global organization. We are building on our sound audit quality foundations, both in terms of how we manage KPMG firms and how KPMG firms execute audit engagements.

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

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

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

A new International Standard on Quality Management (ISQM 1) was approved by the International Auditing and Assurance Standards Board (IAASB) in 2020 and adopted in Canada with minimal amendments as Canadian Standard on Quality Management (CSQM 1). These standards will be effective from December 2022. ISQM 1 requires each KPMG firm to design, implement and operate a system of quality management



to consistently deliver quality audits, and to evaluate the effectiveness of the system on an annual basis. To support the implementation of this new standard, KPMG International initiated a program to redesign the network-wide requirements for member firms' systems of quality management.

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

Our Global Quality Framework also meets the requirements of the current International Standards on Quality Control (ISQC 1), issued by the IAASB and the International Code of Ethics for Professional Accountants (including

International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA).

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

## Leadership responsibilities for quality and risk management

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



through their actions - written and video communications, presentations to teams and one-to-one discussions.

KPMG in Canada is required to seek input from the Chair of the relevant Global Steering Group on the performance of certain leaders within our firm. Input is sought as part of the annual performance process and is based on an assessment of the leader's performance, which includes matters of public interest, audit quality and risk management activities.

The following individuals have leadership responsibilities for quality and risk management at KPMG in Canada.

#### **Chief Executive Officer and Senior Partner**

In accordance with the principles in ISQC 1, our Chief Executive Officer and Senior Partner, Elio Luongo, has assumed ultimate responsibility for KPMG in Canada's system of quality control.

#### **Risk Management Partner**

The Canadian Managing Partner, Quality and Risk Management (RMP) is responsible for setting overall professional risk management and quality control policies and monitoring compliance for KPMG in Canada. The RMP is a member of KPMG in Canada's Management Committee, has a direct reporting line to our Senior Partner, and consults with the Area Quality and Risk Management Leader appointed by KPMG International. The seniority of the RMP position and the reporting lines are indicative of the importance that the firm places on risk management and quality.

The RMP is supported by a team of partners and professionals including a dedicated Ethics

and Independence Partner who has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG in Canada.

#### **Functional Managing Partners**

The Managing Partners of KPMG in Canada's three client service functions (Audit, Tax and Advisory) are each accountable to the Senior Partner for the quality of service delivered in their respective functions. They are responsible for the execution of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the RMP. These procedures make it clear that, at the engagement level, risk management and quality control is ultimately the responsibility of all professionals in the firm.

KPMG in Canada's Managing Partner (CMP) of Audit is responsible for leading, and the effective management and control of a high-quality Audit practice. This includes:

- Setting a strong tone and culture supporting audit quality through communication, engagement support and commitment to the highest standards of professional excellence, including skepticism, objectivity, ethics and integrity;
- Developing and implementing strategies to monitor and maintain knowledge and skills required of partners and employees to fulfil their professional responsibilities; and
- Working with the RMP to monitor and address audit quality and risk matters as they relate to the Audit practice, including an annual evaluation of activities considered to be key to audit quality.

## Professional Practice Network

Our Partner-in-Charge, Department of Professional Practice (DPP), who reports to the CMP of Audit, oversees the audit quality and professional practice network which consists of more than 130 partners, directors, senior managers and other professionals. This network supports the firm's audit professionals in meeting their responsibilities in the areas of auditing and attestation, accounting and financial reporting, securities including Canadian and SEC reporting matters, continuous improvement in audit quality and internal and external inspection processes.

DPP develops firm standards and guidance relating to accounting, auditing, securities and quality matters; provides technical guidance to engagement teams on engagement-specific issues; develops and disseminates topic-specific

guidance on emerging technical, professional and quality issues; and assists with firm and individual issues pertaining to compliance with regulatory and professional standards.

Through liaisons with the KPMG global network, as well as active participation in Canada's standards setting processes, DPP professionals develop and represent KPMG's positions on current topics being addressed by regulatory and other standard-setting bodies. In addition, DPP professionals actively liaise with the KPMG International Standards Group, located in London, on international accounting and auditing standards matters, and with professionals in the Department of Professional Practice, located in New York, on accounting and auditing standards matters related to the Financial Accounting Standards Board (FASB), the Public Company Accounting Oversight Board (PCAOB), the Emerging Issues Task Force (EITF) and the Auditing Standards Board of the AICPA.





# Applying expertise and knowledge

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

### **Bringing consistency through our methodology**

Our audit methodology, tools and guidance are:

- Globally consistent and fully compliant with the applicable standards, including International Standard on Auditing (ISA), Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA)
- Inclusive of KPMG methodology interpretations that drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed
- Centered on identifying risk, focusing on risks of material misstatements and the necessary audit response
- Made available to all KPMG audit professionals and required to be used, where necessary
- How we enable a consistent approach to planning, performing and documenting audit procedures over key accounting processes
- Focused on the international assurance methodology and the alignment of assurance products in response to growth of Environmental, Social and Governance (ESG reporting).

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

Enhancements to the audit methodology, guidance and tools are made regularly to maintain compliance with standards and address emerging auditing areas of focus and audit quality results (internal and external). KPMG's responses to challenges arising from COVID-19 health protection measures as discussed on the next page are examples of enhancements.

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

### **Access to specialist networks**

KPMG in Canada engagement teams have access to a network of KPMG specialists – either within our firm or in other KPMG firms. These specialists receive the training they need to ensure they have the competencies, capabilities and objectivity to appropriately fulfil their role on our audits. They also receive a global annual update on global quality performance issues.



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

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

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

Since the start of the pandemic, we have maintained an online [COVID-19 | Financial reporting resource center](#) to assist companies and other stakeholders understand potential accounting and disclosure implications.

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

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

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

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

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

---

**THE COVID-19  
PANDEMIC HAS  
FORCED US ALL  
TO THINK  
DIFFERENTLY  
AND WE  
CONTINUE TO  
RESPOND  
TO AND  
EMBRACE THIS  
CHALLENGE.**

---

The background of the entire page is a deep blue with a complex, organic texture that resembles marbled paper or flowing water. The texture consists of various shades of blue, from light to dark, creating a sense of depth and movement.

# Embracing digital technology



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

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

Our partners and professionals are expected to adhere to KPMG International and KPMG in Canada's policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical and quality control standards.

We recognize that to deliver quality audits, we need to continually evolve and develop our technology solutions to keep pace with today's digital world.

That is why KPMG embarked on a process of reimagining our audit platform, workflow and methodology to provide enhanced consistency and support to our audit engagement teams, deliver detailed insights to the audit, and future-proof our systems for the expected continued development of new technologies such as robotic process automation, machine learning and cognitive technologies.

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

### **KPMG Clara**

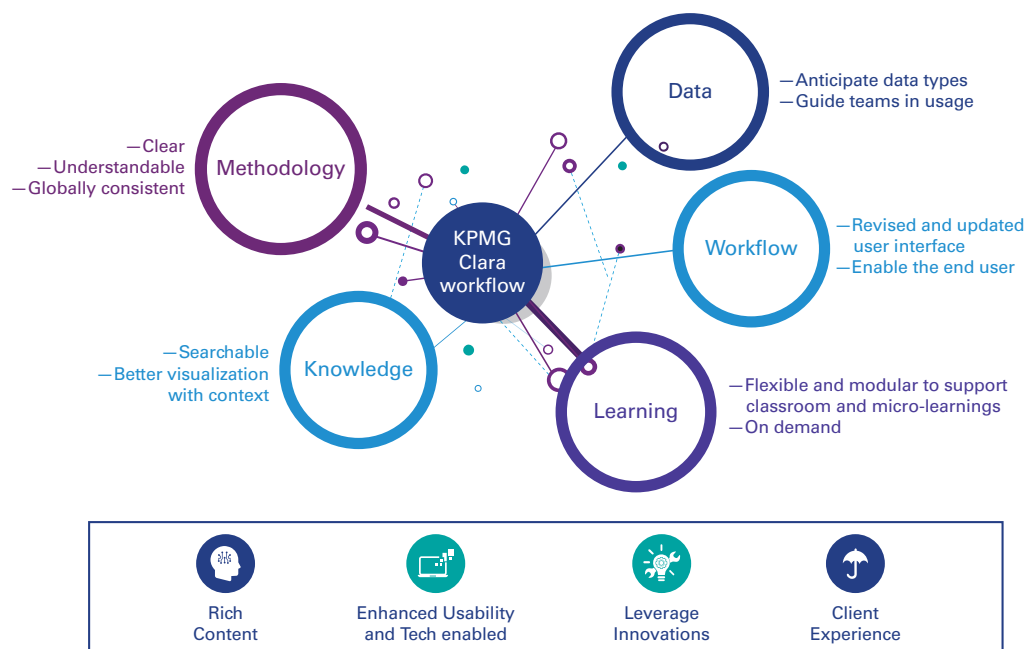
KPMG Clara is our smart and intuitive technology platform that is driving globally consistent audit execution. As a fully integrated, scalable, cloud-based platform, it enables the enhanced audit methodology through a data-enabled workflow.

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

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

KPMG Clara is helping auditors see meaningful patterns across a business, whether conducting risk assessment, tracing every single transaction through a complex revenue process, or simply adding up the accounts. It was developed to be the base technology to help deliver new capabilities in a globally consistent way, enabling the audit workflows and a fully digital experience for our people.

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



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

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

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

We continue to enhance the KPMG Clara smart audit platform to accommodate

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


Once the KPMG Clara workflow has been fully deployed our predecessor audit workflow tool, eAudit, will be retired.

## Client confidentiality, information security, and data privacy

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms including the KPMG Code of Conduct.

We have policies on information security, confidentiality, personal information and data privacy. Additionally, we have a formal document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA requirements as well as other applicable laws, regulations and professional standards.

We provide training on confidentiality, information protection and data privacy requirements to all KPMG in Canada personnel annually.



# Nurturing diverse skilled teams



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

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

## Recruitment

KPMG in Canada is committed to building an extraordinary people experience for all current and prospective partners and employees. We strive to be an employer of choice by creating an environment where our people can fulfill their potential and feel proud and motivated to give their best.

Our talent attraction strategies are focused on drawing entry-level talent from a broad talent base, including working with established

universities, colleges and business schools, but also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age.

We also recruit significant numbers at an experienced hire and partner level.

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

When individuals are recruited for senior level positions, a formal independence discussion is conducted by the Ethics and Independence Partner or a delegate. KPMG in Canada does not accept any confidential information belonging to the candidate's former firm/employer.

## Hires in the year ended September 30, 2021 (Audit practice)

	2021	2020		2021	2020
Campus hires:	513*	604	Experienced hires:	493	259

\*Disclaimer: The 2021 campus hires figure was determined to be incorrect in November 2022 and subsequently adjusted.

## Profile of KPMG in Canada audit personnel

	Partner	Senior Manager	Manager	Senior Accountant	Staff Accountant
Number as at September 30, 2021	325	462	289	742	1,137
Average length of tenure at the firm (years)	20.6	9.7	5.5	3.6	1.6
Retention rate (%)	97%	82%	70%	44%	87%

## Inclusion, Diversity & Equity programs

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

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

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

Our co-created KPMG Global Inclusion, Diversity & Equity Collective Action Plan outlines the actions that are necessary to advance inclusion, diversity and equity at KPMG in Canada and across all KPMG firms.

For more about Inclusion & Diversity at KPMG read [here](#).

### Reward and promotion

KPMG in Canada has compensation and promotion policies that are informed by market data, clear, simple, fair and linked to the performance review process. This helps our partners and employees know what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved through calibration meetings where relative performance across a peer group is discussed and used to inform reward decisions.

Reward decisions are based on consideration of both individual and geographical performance. The extent to which our people feel their performance has been reflected in their reward

is measured through the Global People Survey, with action plans developed accordingly.

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

The process for admission to partnership is rigorous and thorough, involving appropriate members of leadership and Board members. The criteria for admission to the KPMG in Canada partnership are consistent with our commitment to our Values, and being an employer of choice. A Partnership Admissions, Acquisitions and Alliances Committee is responsible for reviewing the internal and direct entry candidates proposed by the Management Committee before approval is requested from the Board. The Committee's role is to give due consideration to the process undertaken and the needs of the firm in relation to succession planning, demographics, diversity and growth.

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

Partners are remunerated out of the distributable profits of KPMG in Canada (such profits being determined in accordance with KPMG in Canada's accounting policies and as approved by the Board) and are personally responsible for funding pensions and most other benefits. The final allocation of profits to partners is made by KPMG in Canada after assessing each partner's performance for the year. The Partner Compensation Committee approves this process and oversees its application.

There are two elements to partner remuneration:

- A proportion of KPMG in Canada's budgeted profits are allocated to partners as base component; this is effectively partner salary. The amount of base component reflects the role and seniority of each partner; and

---

**KPMG IN  
CANADA IS  
COMMITTED  
TO BUILDING  
A DIVERSE AND  
EQUITABLE  
FIRM THAT  
IS INCLUSIVE  
TO ALL.**

---

- Profit-related performance component rewards performance in the year by each partner against individual objectives previously agreed and the overall profits of their part of KPMG in Canada as a whole. Our policies for this variable element of partner remuneration take into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and living the KPMG values. Audit partners are not permitted to have objectives related to, or receive any remuneration from, selling non-audit services to their audit clients. In addition, a part of their performance-related component is based on an assessment of their ability to deliver audit quality.

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

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

Business unit leaders are responsible for the partner assignment process. Key considerations include partner experience and capacity – based on an annual partner portfolio review – to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e., the engagement team composition and specialist involvement).

Audit teams generally comprise an audit partner, manager, an in-charge senior accountant, and junior team members.

Larger engagements often have more than one audit partner to support the signing partner.

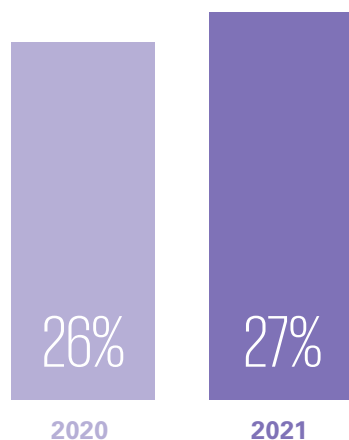
Audit partners are required to be satisfied that their engagement teams have appropriate competencies, training and capabilities, including time, to perform audit engagements in accordance with our methodology, professional standards, and applicable legal and regulatory requirements. This may include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

The Department of Professional Practice monitors the partner and senior manager assignment process of each business unit to ensure appropriate factors are taken into consideration, including:

- An understanding of, and practical experience with, audit engagements of a similar nature and complexity
- An understanding of professional standards and legal and regulatory requirements
- Appropriate technical skills, including those related to relevant information technology and specialized areas of accounting or auditing
- Knowledge of relevant industries in which the client operates
- Ability to apply professional judgment
- Can understanding of KPMG in Canada's quality control policies and procedures
- Quality Performance Review (QPR) results and results of regulatory inspections.



### Average partner & manager hours in client service engagements



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

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

KPMG in Canada is committed to advancing the audit profession by offering the training and experience our people need to accelerate their careers in a data-driven world. We recognize that serving today's global companies requires more than a deep knowledge of accounting and auditing.

Harnessing the power of data requires industry professionals that are savvy about data and analytics, and have the critical thinking skills needed to translate data patterns and anomalies into higher quality audits, all while providing relevant and meaningful business insights.

Offered through Simon Fraser University - Beedie School of Business, KPMG Digital Academy is an industry-leading program that provides our audit professionals the opportunity to build their skills for the future through specialized courses on the latest advancements in technology and data and analytics, and prepares them for an era of machine learning, artificial intelligence, and other digital advances.

In 2021, we had 62 program participants earning a Graduate Certificate in Accounting with Digital Analytics. Following successful completion of the Graduate Certificate program, students are able to continue their learning to earn a Master of Science Degree in Accounting with Cognitive Analytics. Working in teams, students developed advanced and innovative applications of data analytics in the Audit practice.

### Commitment to technical excellence and quality service delivery

All of our professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and partners in the professional practice department who have extensive experience in audit, reporting and risk management, for consultation. Where the right resource is not available within KPMG in Canada, we are able to access a network of highly skilled professionals in other member firms affiliated with KPMG International.

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

### Lifetime learning strategy

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at global, and by KPMG in Canada in consideration of changes to professional standards and regulations, and information obtained from a variety of sources such as quality performance reviews and external inspections.

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

In relation to audit, KPMG in Canada deploys a variety of learning solutions that are designed to reinforce the KPMG values and ensure our professionals get the fundamentals right, develop the necessary skills and attitudes to make appropriate judgments, and apply professional skepticism to enhance audit quality and the value of audit.

Rich learning experiences are available when needed through virtual classroom training, performance support tools, coaching and just-in-time learning, available at the click of a mouse and aligned with job specific role profiles and learning paths. We have also developed tools designed to reinforce the importance of independence and objectivity, and to assist engagement teams in demonstrating professional skepticism.

We support a coaching culture throughout KPMG as part of enabling KPMG professionals to achieve their full potential and provide courses to enhance personal effectiveness

and develop leadership and business skills. Our partners and employees are further developed for high performance through mentoring on the job, stretch assignments and country rotational and global mobility opportunities.

### Licensing

All KPMG in Canada professionals are required to comply with applicable professional licensing rules and satisfy the Continuing Professional Development requirements of the Chartered Professional Accountant body in the Province where they practice. KPMG's policies and procedures are designed to facilitate compliance with license requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the financial reporting framework applicable to the engagement.

### Mandatory requirements – U.S.GAAP engagements

KPMG has specific assignment requirements for engagements where the financial statements or financial information is prepared in accordance with U.S. GAAP and/or audited in accordance with U.S. auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR). These require that at a minimum, all partners, managers, engagement in-charges and EQC reviewers assigned to such engagements have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

---

**KPMG IN  
CANADA  
DEPLOYS A  
VARIETY OF  
LEARNING  
SOLUTIONS  
THAT ARE  
DESIGNED TO  
REINFORCE THE  
KPMG VALUES.**

---

## Personal development

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

1. Global role profiles; (including role profiles specific to audit quality accountabilities and responsibilities);
2. A goal library (including audit quality content); and
3. Standardized review forms (with provision for audit quality ratings).

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

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

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

At KPMG, we are proud that our culture has been recognized by many organizations, including:







# Associating with the right clients and engagements

## Rigorous global client and engagement acceptance and continuance policies are vital to our ability to provide high-quality professional services.

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

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

### Accepting appropriate clients and engagements

KPMG in Canada undertakes an evaluation of every prospective client to make informed decisions about the acceptability of the client's risk profile. This evaluation includes completion of a comprehensive questionnaire and obtaining background information from public sources on the client, its key management, directors and beneficial owners to surface any integrity-related risks. To maximize objectivity, a centralized team has been established in Risk Management to carry out these due diligence procedures on behalf of engagement teams.

A second partner, as well as the evaluating partner, approves each prospective client evaluation. Where the client is considered to be high risk the Risk Management Partner or a sufficiently skilled and experienced delegate is involved in approving the evaluation.

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict

of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, public perception, whether the services would be unethical or inconsistent with our Values, as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of partners and personnel assigned to staff the engagement. The evaluation includes review by quality and risk management leadership as required.

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

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

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

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

## Continuance process

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

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

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

## Withdrawal process

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

## Managed portfolio of clients

KPMG in Canada's business unit leaders appoint engagement partners who have the appropriate competence, capabilities, time and authority to perform the role for each engagement. Each audit partner's client portfolio is reviewed at least annually through individual discussions with the audit partner. The review considers 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.





Being  
independent,  
objective  
and ethical

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

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

These policies are supplemented by other policies and processes to ensure compliance with Canadian professional standards and regulations as well as the requirements of the United States Securities and Exchange Commission and the Public Company Accounting Oversight Board (PCAOB), as applicable. These policies and procedures cover areas such as firm independence, personal independence, firm financial relationships, employment relationships, partner rotation and approval of audit and non-audit services.

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

KPMG in Canada has a designated Ethics and Independence Partner and a Chief Compliance Officer who are responsible for communicating and implementing KPMG

International policies and procedures and ensuring that local policies and procedures are established and effectively implemented when they are more stringent than the KPMG International requirements. These responsibilities are fulfilled through:

- Implementing/monitoring the ethics and independence quality control process and structure within the firm;
- Overseeing the processes related to the evaluation of specific independence threats in connection with clients and prospective clients;
- Participating in the development and delivery of training materials,
- Implementing procedures to address non-compliance; and
- Overseeing the disciplinary process for ethics and independence matters.

Amendments to KPMG International's ethics and independence policies are included in regular quality and risk communications with KPMG firms. KPMG firms are required to implement changes as specified in the communications, and this is checked through our internal monitoring programs.

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

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

### **Personal financial independence**

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

Our people are responsible for making appropriate inquiries and taking other appropriate actions on an ongoing basis to ensure they do not enter into or have any prohibited personal financial interests.

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

All of our partners and client-facing managers are required to use KICS prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments

in KICS, which automatically notifies them if any investment subsequently becomes restricted. Newly restricted investments must be disposed of within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of professionals.

The Global Independence Group provides guidance and required procedures relating to the audit and inspection by KPMG firms of personal compliance with KPMG's independence policies. This includes sample selection criteria and the minimum number of professionals to be audited annually.

In 2021, 329 KPMG in Canada personnel were subject to KICs audits (405 in 2020), including 18% of our partners (32% in 2020).

### **Employment relationships**

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

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

Key audit partners and members of the chain of command for an audit client that is a public interest entity are subject to time restrictions (referred to as cooling-off periods)



that preclude them from joining that client in certain roles until a defined period of time has passed.

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

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

### **Firm financial independence**

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

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

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

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

### **Business relationships/suppliers**

KPMG in Canada has policies and procedures in place that are designed to ensure its business relationships with audit and assurance clients are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements, such as those promulgated by the SEC.

These include establishing and maintaining a process to evaluate potential supplier arrangements with regard to whether they have a bearing on auditor independence.

All significant prospective business relationships with audit clients are evaluated to identify potential auditor independence and conflicts of interest issues.

If KPMG in Canada is in the process of considering the acquisition of, or investment in, a business or another firm, it is required to perform sufficient due diligence procedures on the prospective target to identify and address any potential independence and risk management issues prior to closing the transaction. Specific consultations with the Global Independence Group and Global Quality & Risk Management are required to enable independence and other issues to be addressed when integrating the business into KPMG in Canada and the wider global organization.

### **Independence clearance process**

In addition to the standard acceptance evaluation performed for every engagement, which includes an evaluation of independence, KPMG in Canada follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public

interest entities. These procedures, also referred to as 'the independence clearance process' are required to be completed prior to accepting an audit engagement for these entities.

### **Independence training and confirmations**

All KPMG in Canada partners and client service professionals, as well as certain other individuals, must complete independence training that is appropriate to their grade and function upon joining KPMG in Canada and annually thereafter. This training must be completed by the earlier of (a) thirty days after joining the firm or (b) before providing any services to or becoming a member of the chain of command for, any audit client, and on an annual basis thereafter.

We also provide our people with training on the KPMG Code of Conduct and compliance with laws, regulations, and professional standards.

New partners and employees are required to complete this training within three months of joining KPMG in Canada.

All KPMG partners and employees are required to sign, upon joining KPMG and thereafter, an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year.

### **Non-audit services**

All KPMG firms are required, at a minimum, to comply with the IESBA Code of Ethics and applicable laws and regulations related to the scope of services that can be provided to audit clients.

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.

In addition to identifying potential conflicts of interest, Sentinel™ facilitates compliance with independence requirements. Certain information on all prospective engagements, including detailed service descriptions, deliverables and estimated fees are required to be entered into Sentinel™ as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential independence threats and safeguards is also required to be included in the Sentinel™ submission.

Lead audit engagement partners are required to maintain group structures for their publicly traded and certain other audit clients including their related entities or affiliates in Sentinel™. They are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats.

For entities for which group structures are maintained, Sentinel enables LAEPs to review and request revision, approve, or deny, any proposed service for those entities worldwide. For approved proposed services, Sentinel designates a timeframe during which the approval remains valid. Upon expiration of the established timeframe, the services are required to be complete or be re-evaluated for permissibility; otherwise, the services are required to be exited.

---

**ALL KPMG  
IN CANADA  
PARTNERS AND  
CLIENT SERVICE  
PROFESSIONALS,  
AS WELL AS  
CERTAIN OTHER  
INDIVIDUALS,  
MUST COMPLETE  
INDEPENDENCE  
TRAINING THAT  
IS APPROPRIATE  
TO THEIR  
GRADE AND  
FUNCTION UPON  
JOINING KPMG  
IN CANADA  
AND ANNUALLY  
THEREAFTER.**

---

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

### **Fee dependency**

KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the KPMG firm expressing the audit opinion. These policies include mandatory consultations requirements where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In addition, if the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years, these policies further require that:

1. This information be disclosed to those charged with governance at the audit client; and
2. A partner from another KPMG member firm be appointed as the engagement quality control (EQC) reviewer.

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

### **Resolving conflicts of interest**

Conflicts of interest can arise in situations where partners or employees have a personal connection with the client which may interfere, or be perceived to interfere, with

their ability to remain objective, or where they are personally in possession of confidential information relating to another party to a transaction. Consultation with the RMP or the EIP is required in these situations.

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

All KPMG firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived to have an impact on a firm's and/or its partners' or employees' ability to be objective or otherwise act without bias.

All KPMG firms are required to use Sentinel™ for potential conflict identification so that these can be addressed in accordance with legal and professional requirements. KPMG in Canada has a risk management resource who is responsible for reviewing any identified potential conflict and working with the affected member firms and engagement partners to resolve the conflict. The outcome of this review is required to be documented.

Escalation and dispute resolution procedures are in place for situations in which agreement cannot be reached on how to manage a conflict. If a potential conflict issue cannot be appropriately mitigated, the engagement is declined or terminated.



## Independence breaches

All KPMG in Canada personnel are required to report an independence breach as soon as they become aware of it to the EIP. In the event of failure to comply with our independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy.

All breaches of independence requirements of the IESBA Code or other external independence requirements must be reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed to with those charged with governance.

KPMG in Canada has a documented and communicated disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations.

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

## Zero tolerance of bribery and corruption

Compliance with laws, regulation and standards is expected of everyone at KPMG in Canada. In particular, we have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery — even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third parties, including by our clients, suppliers or public officials.

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

## Partner rotation

KPMG International partner rotation policies are consistent with the requirements of the IESBA Code of Ethics. All KPMG in Canada partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide audit services to a client, followed by a time-out period during which time these partners may not participate in the audit, provide quality control for the audit, consult with the engagement team or the client regarding technical or industry-specific issues, in any way influence the outcome of the audit, lead or coordinate professional services at the client, oversee the relationship of the firm with the audit client; or have any other significant or frequent interaction with senior management or those charged with governance.

KPMG in Canada monitors the rotation of audit engagement leaders (such as the engagement partner, the engagement quality control reviewer and any other key partner role, where there is a rotation requirement) through a Partner Rotation Database and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.



# Performing quality engagements

How an audit is conducted is as important as the final result. KPMG in Canada partners and employees are expected to demonstrate certain key behaviors and follow certain policies and procedures in the performance of effective and efficient audits.

## **Encouraging a culture of consultation**

We encourage a strong culture of consultation to support our teams throughout their decision-making processes. We believe this is a fundamental contributor to audit quality. We promote a culture in which consultation is recognized as a strength and that encourages personnel to consult on difficult or contentious matters.

To assist our professionals in addressing difficult or contentious matters, protocols have been established for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, our audit methodology and the GQRMM include mandatory consultation requirements on certain matters.

## **Technical consultation and global resources**

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

KPMG's audit methodology is developed and maintained by the GAMG based on the requirements of the applicable auditing standards – International Standards on Auditing, PCAOB and AICPA.

The KGSG is responsible for the envisioning, development and deployment of global audit solutions, including new technology and automation innovations.

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

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

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

The PCAOB Standards Group (PSG) is a dedicated group of professionals with background in PCAOB auditing standards who promote consistency of interpretation of PCAOB auditing standards applied globally in audits of foreign private issuers and non-US components of issuers. The PSG also



develops and facilitates trainings for auditors who work on PCAOB audit engagements.

KPMG in Canada's Department of Professional Practice (DPP) plays a crucial role in supporting the Audit function. It provides technical guidance to client service professionals on specific engagement related matters, develops and disseminates specific topic related guidance on emerging local technical and professional issues and disseminates international guidance on IFRS and ISAs.

DPP resources also assist engagement teams in resolving differences of opinion should they arise either within teams or with the EQC reviewer. Unresolved differences are required to be escalated to senior partners for final resolution. In exceptional circumstances, a matter may be referred to our Head of Audit, Head of DPP, Head of Quality and Risk or ultimately the Senior Partner.

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

On all KPMG audits, the nature and extent of the audit evidence we gather is responsive to the assessed risks. We consider all audit evidence obtained during the course of the audit including contradictory or inconsistent audit evidence.

Each team member is required to exercise professional judgement and maintain professional skepticism throughout the audit engagements. Professional skepticism involves a questioning mind and alertness to contradictory or inconsistencies in the audit evidence. Professional judgement encompasses the need to be aware of an alert to biases that may pose threats to good judgements.

Documentation of our final judgments is also critical. We reinforce the exercise of professional skepticism through coaching and education, acknowledging that judgment is a skill developed over time and with different experiences.

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

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

Ongoing mentoring, coaching and supervision during an audit involves:

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

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

## Engagement quality control reviewer

The Engagement Quality Control (EQC) review is an important part of KPMG's framework for quality. An EQC reviewer is required to be appointed for audits, including any related reviews of interim financial information, of all listed entities, non-listed entities with high risk or a high public profile, and other engagements as designated by our Risk Management Partner.

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

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

The audit is complete only when the EQC reviewer is satisfied that all significant questions raised have been resolved. 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 judgments 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.

KPMG is continually seeking to strengthen and improve the role that the EQC reviewer plays in audits and has taken a number of actions to reinforce this, including issuing leading practice guidance, incorporating specific review requirements into our audit workflow, and developing policies relating to recognition, nomination and development of EQC reviewers.

## Reporting

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

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

## Engagement documentation

KPMG in Canada's audit documentation is completed and assembled according to the timeline established by KPMG International policy, which is shorter than that required by relevant auditing standards. We have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and firm information.

---

**THE  
ENGAGEMENT  
QUALITY  
CONTROL (EQC)  
REVIEW IS AN  
IMPORTANT  
PART OF KPMG'S  
FRAMEWORK  
FOR QUALITY.**

---



# Assessing risks to quality



At a global level, through the Global Audit Quality Council and the Global Quality & Risk Management (GQ&RM) Steering Group, KPMG International reviews the results of the quality monitoring programs, reviews firm root causes and planned remedial actions and develops additional global remediation actions as required.

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

At a local level, we are working towards full implementation of the Canadian equivalent to ISQM 1. This Standard requires us to obtain an understanding of the conditions, events, circumstances, actions or inactions that may adversely affect our ability to achieve quality objectives as part of our risk assessment process.

Our operating model facilitates this understanding and the early identification of potential risks to audit quality. Each business unit is supported by a local team of experienced professional practice partners who are actively involved in the day-to-day operations of the business unit while working closely with the national department of professional practice. This communication bridge makes it possible for leadership to learn about challenges and changing conditions early and respond to potential quality risks quickly.

As a result of our decentralized structure, the number of partners in each business unit is relatively small, and the support and escalation processes are apparent and readily available to all audit professionals. There is no hesitation in escalating matters

that may represent a potential risk to quality because our culture encourages open and honest communication, collaboration, and consultation.

Additionally, business unit professional practice partners are familiar with the entities and industry sectors in their local markets that exhibit higher risk characteristics. This insight helps us identify the risks within our audit engagement portfolio for which proactive mitigation plans may be required.

The Audit Quality Council, chaired by the Partner-in-Charge, Department of Professional Practice, provides input to and oversight of issue identification, analysis and remediation relating to the most significant matters relative to audit quality, including the:

- Accumulation of information relative to audit quality matters on a timely and consistent basis (e.g., from internal and external inspections, DPP consultations, litigation and regulatory matters)
- Analysis of such information and identification of common themes and related root causes
- Development of appropriately focused remedial actions in response to those root causes
- Timely implementation, execution and effectiveness of the remedial action plans



# Communicating effectively

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

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

Two-way communication with those charged with governance, often identified as the Audit Committee, is key to audit quality and an important aspect of our reporting and service delivery.

At KPMG in Canada 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 achieve this through a combination of reports and presentations, attendance at Audit Committee or board meetings, and, when appropriate, ongoing informal discussions with management and members of the Audit Committee.

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 judgments, 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.

### **KPMG Board Leadership Centre**

The demands facing Boards have never been so great. In today's world, more is expected of directors and Audit Committee members than ever before. KPMG in Canada's [Board Leadership Centre](#) provides perspectives, insights and tools needed to help directors deliver on their mandate.

### **KPMG Global IFRS Institute**

[KPMG's Global IFRS Institute](#) provides information and resources to help Board and Audit Committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial reporting framework.





# Monitoring and remediation

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

## Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG audits. The internal quality monitoring and compliance programs further described below are globally administered and consistent in their approach across all member firms, including the nature and extent of testing and reporting. KPMG in Canada compares the results of its internal monitoring programs with the results of external inspection programs and takes appropriate action to address findings.

## Internal monitoring and compliance programs

KPMG in Canada's monitoring programs are created by KPMG International and applied across KPMG firms. The programs evaluate both:

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

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

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

Total QPR audit & assurance reviews performed	2021	2020	2019
	84	113	66
% of engagement partners reviewed	2021	2020	2019
	26	34	21
# of reviewers from outside of Canada	2021	2020	2019
	10	13	12
% of reviewers from outside of Canada	2021	2020	2019
	12	13	18

## Audit Quality Performance Reviews (QPRs)

The QPR program assesses engagement level performance and identifies opportunities to improve engagement quality. Each engagement leader in every KPMG firm is reviewed at least once in a three-year cycle. A risk-based approach is used to select engagements.

For the five-year period ended September 30, 2021, our QPR program has not identified any issues considered to have a material effect on the conduct of the firm's audit practice. Like most companies with quality review

programs, we identify areas for continuous improvement. Where warranted we conduct formal root cause analysis over audit quality issues and design remedial actions that are responsive to the underlying root causes. These actions include the enhancement of policies and guidance, communications and training for our partners, managers and staff.

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

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

Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations. Audit engagements selected for review are rated as 'Satisfactory', 'Performance Improvement Needed' or 'Unsatisfactory'. Findings from the QPR program are disseminated to firm professionals through written communications, internal training tools, and periodic partner and manager update calls. Areas of the audit where findings are identified are emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

Lead audit engagement partners are notified of unsatisfactory ratings on their respective cross-border engagements. Additionally, lead audit engagement partners of parent companies/head offices are notified where the subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR.

### **Risk Compliance Program (RCP)**

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

The objectives of the RCP are to:

- Document, assess and monitor the extent of compliance of KPMG in Canada's system of quality control with Global Quality & Risk Management (GQ&RM) policies and key legal and regulatory requirements; and
- Provide the basis for evaluating whether the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

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



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

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

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

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

KPMG in Canada develops action plans to respond to all GQ&CR findings and agrees these with the GQ&CR team. Our progress on implementing the action plans is monitored by the GQ&CR central team and reported to GQ&RM Steering Group and, where necessary, to appropriate KPMG International and regional leadership.

## Area Quality & Risk Management Leaders

The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders (ARLs) who serve a regular and ongoing monitoring function to assess the effectiveness of a member firm's efforts and processes to identify, manage and

report significant risks that have the potential to damage the KPMG brand. Significant activities of the ARL, including member firm issues identified and related member firm response/remediation, are reported to GQ&RM leadership.

## External regulatory reviews

In October 2021, the Canadian Public Accountability Board (CPAB) released its 2021 Interim Audit Quality Insights Report which summarizes the results of engagement file inspections conducted across Canada's four largest public accounting firms, including KPMG in Canada. A copy of this report is available on CPAB's website at [www.cpab-ccrc.ca](http://www.cpab-ccrc.ca).

KPMG in Canada and CPAB share the common goals of improving audit quality and maintaining the public's trust in the capital markets. The inspection of public accounting firms represents an important element of this initiative and we fully support CPAB's responsibility.

CPAB inspects KPMG in Canada on an annual basis and issues a confidential report on the results of its inspection. Under CPAB's rules, inspection results and the recommendations or other comments contained in these reports may not be made public by either CPAB or the inspected firms. We have not received CPAB's 2021 inspection report as of yet, but fully intend to implement any recommendations for improvements that CPAB may have related to our quality control processes and engagement execution.

KPMG in Canada issues audit opinions on the financial statements of registrants with the U.S. Securities & Exchange Commission (SEC). As a result, we are also registered with the PCAOB, and have been inspected annually by the PCAOB from 2005 to 2017, and bi-annually since then.

---

**KPMG IN  
CANADA AND  
CPAB SHARE  
THE COMMON  
GOALS OF  
IMPROVING  
AUDIT  
QUALITY AND  
MAINTAINING  
THE PUBLIC'S  
TRUST IN  
THE CAPITAL  
MARKETS.**

---

Consistent with prior inspections of KPMG in Canada, the PCAOB selected a cross-section of audit engagements to review and performed certain procedures relating to our quality control systems for its 2021 inspection.

The PCAOB's reports are presented in two parts. Part I is a public document containing observations relating to specific engagements reviewed by the PCAOB. Part II is a private document containing the PCAOB's observations regarding our quality control systems related to audit performance and firm-wide functions. This part of the report will be made public only to the extent that any of the PCAOB's comments and observations have not been adequately addressed within 12 months of the date of the report.

We are committed to responding to all reports on a timely basis. The inspection reports for KPMG in Canada are available on PCAOB's website at [www.pcaobus.org](http://www.pcaobus.org).

Our firm is also registered with the UK Financial Reporting Council, the German Auditor Oversight Body, the Luxembourg Commission De Surveillance Du Secteur Financier, and the Norway Financial Supervisory Authority.

We are not aware of any inquiry or investigation by governmental or regulatory authorities against the firm or any of its partners that may adversely affect the firm's operations or its ability to fulfill its obligations as an independent auditor to its clients.

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) to discuss audit quality findings and actions

taken to address such issues across the entire organization.

## Perform root cause analysis

KPMG in Canada conducts Root Cause Analysis (RCA) in respect of audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement. In 2021, RCA training based on our Global RCA 5 Step Principles was attended by those individuals at KPMG in Canada who will be performing RCA or directing those performing RCA. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA.

The Global RCA 5 Step Principles are as follows:



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

KPMG in Canada's Managing Partner of Audit is responsible for audit quality, including the remediation of audit quality issues. The firm's Risk Management Partner monitors the implementation of remediation plans

### **Statement of effectiveness of audit quality controls**

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

KPMG in Canada's CEO, Risk Management Partner and the Managing Partner, Audit have considered:

- The design and operation of the quality control systems as described in this report;
- The findings from the various compliance programs operated by our firm and KPMG International as described above; and
- Findings from regulatory inspections and subsequent follow-up and/or remedial actions.

Taking all of this evidence together, KPMG in Canada's CEO, Risk Management Partner and the Managing Partner, Audit confirm with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to September 30, 2021. Further, we confirm that an internal review of independence compliance within our firm has been conducted in the year ended September 30, 2021.



# Appendices

# Appendix A:

## Our structure and governance

### Legal structure

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

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

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

KPMG International is an entity that is legally separate from each member firm. KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related

entities or any other member firm vis-à-vis third parties, nor does KPMG International or any of its related entities have any such authority to obligate or bind any member firm.

The name of each audit firm that is a member of the organization and the EU/EEA countries in which each firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available [here](#).

KPMG in Canada is part of the KPMG global organization of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. The KPMG organization structure is designed to support consistency of service quality and adherence to agreed Values wherever its member firms operate.

KPMG in Canada is a Canadian limited liability partnership formed under the laws of Ontario. It is wholly owned by its partners. During the year ended September 30, 2021, there was an average of 807 partners in KPMG in Canada (2020: 784 partners).

### Name and ownership

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



Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities.

Member firms may consist of more than one separate legal entity. If that is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

### **Responsibilities and obligations of member firms**

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

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

Member firms commit to a common set of KPMG Values.

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

### **Professional indemnity insurance**

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

### **Governance structure**

The key governance and management bodies of KPMG International are the Global Council, the Global Board, and the Global Management Team. Further details on KPMG International's governance structure can be found in the [2021 KPMG International Transparency Report](#).

KPMG in Canada has two principal governing documents: a Partnership Agreement and Operating Procedures.

Together, these documents establish the structure and principal procedures of governance for KPMG in Canada. The key governance and management bodies of KPMG in Canada are the Management Committee and the Board.

### **Management committee**

The Management Committee consists of the Chief Executive Officer and Senior Partner, the Managing Partners, and such additional partners as may be determined from time to time by the Chief Executive Officer and Senior Partner. The Management Committee has the overall responsibility for managing KPMG in Canada, including the quality, strength and profitability of the firm's operations.

Members of the Management Committee are appointed for an indefinite term until removal by the Chief Executive Officer and Senior Partner.



## The Board

KPMG in Canada's business, property and affairs are managed under the direction of the Board. The Board is responsible for the firm's stewardship, including oversight of strategic planning, risk management and succession planning, as well as the appointment of the Chair and the Deputy Chair of the Board.

The Board is comprised of the Chief Executive Officer and Senior Partner and 17 individual partners. Except for the Chief Executive Officer and Senior Partner, upon the appointment of any member of the Board to the Management Committee, such person shall automatically cease to be a member of the Board. With the exception of the Chief Executive Officer and Senior Partner whose initial term is 5 years, members of the Board are appointed for a 3-year term and are nominated by the Nominating Committee. Board members are eligible for election for two full consecutive terms only.

## Key governance committees

The Board has 6 main committees that deal with key aspects of the governance of KPMG in Canada. These are the Succession Committee, the Operations & Finance Committee, the Partner Compensation Committee, the Communications & Governance Committee, the Partner Rights Committee, and the Partnership Admissions, Acquisitions and Alliances Committee.

**Succession Committee** - The role and responsibility of the Succession Committee is to review the processes and procedures regarding the development of future leaders, including client service leaders, industry leaders and firm management. The Succession Committee is comprised of five members, or such other number of members as shall be specified by the Board, who are appointed by the Board for a one-year term.

The Succession Committee meets a minimum of one time per year and may call special meetings as required.

**Operations & Finance Committee** - The role and responsibility of the Operations & Finance Committee is to review the strategic direction set by the Management Committee and to ensure the annual business plan and the financial plan of the firm reflect these strategies. The Operations & Finance Committee is comprised of five members, or such other number of members as shall be specified by the Board, who are appointed by the Board for a one-year term. The Operations & Finance Committee meets a minimum of one time per year, and may call special meetings as required.

## Partner Compensation Committee -

The role and responsibility of the Partner Compensation Committee is to review the Management Committee's annual recommendations for compensation to all partners, the Management Committee, and the Chief Executive Officer and Senior Partner, in accordance with the Partnership Agreement and Operating Procedures. The Partner Compensation Committee is comprised of five members, or such other number of members as shall be specified by the Board, who are appointed by the Board for a one-year term.

The Partner Compensation Committee meets a minimum of one time per year, and may call special meetings as required.

## Communications & Governance

**Committee** – The role and responsibility of the Communications & Governance Committee is to provide direction and oversee KPMG in Canada's approach to governance matters, including recommendation to the Board of appropriate governance processes and structures, reviewing the requirements for committees

of the Board, and monitoring compliance with recognized governance guidelines. The Communications & Governance Committee is comprised of five members, or such other number of members as shall be specified by the Board, who are appointed by the Board for a one-year term.

The Communications & Governance Committee meets a minimum of one time per year, and may call special meetings as required.

**Partner Rights Committee** – The role and responsibility of the Partner Rights Committee is to assist the Board by reviewing appeals by partners related to such matters as compensation, termination and disciplinary actions. The Partner Rights Committee is comprised of five members, who are appointed by the Board for a one-year term. The Partner Rights Committee meets a minimum of one time per year, and may call special meetings as required.

**Partnership Admissions, Acquisitions and Alliances Committee** – The role and responsibility of the Partnership Admissions, Acquisitions and Alliances Committee is to review the recommendations of the Management Committee for the admission of internal and direct entry candidates to the partnership, after giving due consideration

to the process undertaken and the needs of the firm to admit new partners in relation to succession planning, demographics, diversity and growth. The Committee also reviews the recommendations of the Management Committee related to business acquisitions as well as strategic alliances. The Partnership Admissions, Acquisitions and Alliances Committee is comprised of five members, or such other number of members as shall be specified by the Board, who are appointed by the Board for a one-year term.

The committee meets a minimum of one time per year, and may call special meetings as required.

**Chief executive officer and senior partner** – The Chief Executive Officer and Senior Partner is a member of the Board and the Chair of the Management Committee. The Chief Executive Officer and Senior Partner is responsible for the direction of the activities and policies of KPMG in Canada, appoints the members of the Management Committee, and recommends to the Board the allocation of profits to members of the Management Committee. The initial term of the Chief Executive Officer and Senior Partner is 5 years, with eligibility for reappointment for one additional term of 3 years.

# Appendix B:

## Financial information

The following financial information relates to KPMG in Canada's fiscal year ended September 30, 2021. All amounts are stated in millions of Canadian dollars.

Aggregated revenues from the audit of financial statements of non-EU companies with transferable securities trading on regulated markets in the EU (as detailed in Appendix C)	18.2
Aggregated revenues from permitted non-audit services of non-EU companies with transferable securities trading on regulated markets in the EU (as detailed in Appendix C)	1.0
Total gross revenues of KPMG in Canada, including the amounts disclosed above	1,996.0

Gross revenues include amounts paid to other KPMG firms who have assisted in the performance of statutory audits.

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

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

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



# Appendix C: European Union public interest entity audit clients

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

- The Bank of Nova Scotia
- Hydro-Quebec
- Gran Tierra Energy Inc.
- Valeura Energy Inc.
- Taseko Mines Limited
- Total Capital Canada Ltd.

**[kpmg.com/ca](https://kpmg.com/ca)**

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. 13759



**Let's do this.**