



Dynamic Audit

Delivering Audit Quality &
Value in the Digital Age

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Dynamic Audit

Delivering
value via
KPMG Tech—
Enabled **Audit**
Methodology

Audit quality in an age of disruption

We live in a world of unprecedented and rapid change. The economic environment is increasingly complex. Innovation is everywhere and disrupting established business models. Data dominates our lives and is at the heart of how business today is strategized and conducted. The audit needs to reflect this shift if it is to stay relevant and bring key stakeholders the value they are looking for.

Technology is one of the keys to delivering this value and ensuring audit quality. Our Tech-Enabled Audit Methodology (TEAM), operating on our KPMG Clara smart audit platform, integrates data and analytic capabilities, combined with a growing use of cognitive technology and machine learning, to ensure our audits keep in tune with the needs of the times and deliver insights that do more than comply with auditing standards.

But delivering audit quality and value is not only about technology. Our approach - Dynamic Audit - also means developing and applying new methodologies, for example in our risk assessment, and ensuring our audits are delivered by a rich array of dedicated and innovative professionals. The public and companies need to derive value from and have trust in audit. This is what drives KPMG's Dynamic Audit.

It's about the value of audit. Regulators, standards setters, audit committees and investors have told us that they are looking for more than a statutory audit. Through our extensive discussions with such stakeholders over an extended period of time, it is clear that they are looking for audits that provide greater clarity and consistency of metrics being reported, improved transparency around disclosures, and greater assurance around the governance, culture and internal controls in an organization.

Delivering value from an audit to all parties is one of our guiding principles. Through our use of technology, we seek to go broader and deeper to unlock the fullest degree of insight from the data that's available – helping organizations take stock of their financial position, learn about their performance, understand where they could be doing better, and prepare for what the future may bring.

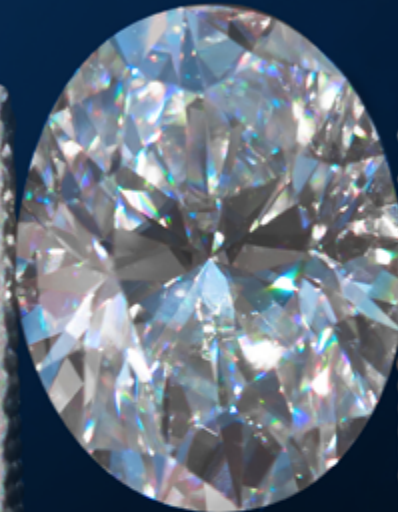
In the following pages, we will share with you the ways in which we are working to build a truly Dynamic Audit, fit for today's digital world.

It's a Dynamic Audit for the digital age.



Dynamic Audit

A passion
for **Quality**
from day
one



Trust built on quality

Underlying everything we do is one simple goal: to earn trust by delivering audits of the highest possible quality.

Our commitment to audit quality informs everything — passionate about audit quality, we aspire to be the standard of trust in our profession. We recognize that trust is not a given — it must be earned. That's why we have a globally deployed audit quality framework and a System of Quality Management to ensure that all of our people, wherever they are, have what they need to work to one consistent set of standards and deliver the service levels and quality our clients and stakeholders expect.

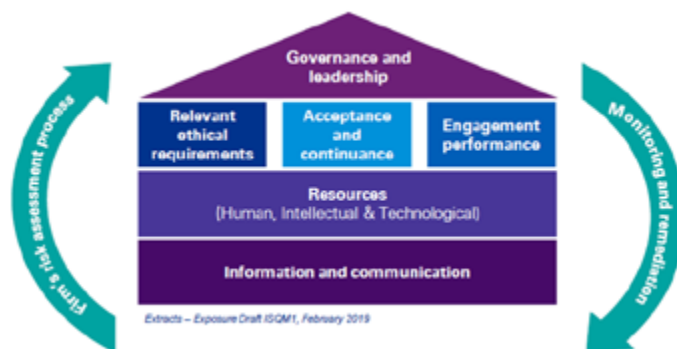
The eight components of our System of Quality Management are:

- Governance and leadership
- Relevant ethical requirements
- Acceptance and continuance
- Engagement performance
- Resources
- Information and communication
- Risk assessment process
- Monitoring and remediation

It's an exciting phase in the development of the audit — the focus on trust and quality and the potential for our work as auditors to add greater and deeper value, to clients and wider stakeholders in the capital markets.

Your KPMG audit team has had a passion for quality instilled from the day they joined KPMG. Our System of Quality Management helps us ensure standards are met consistently and each day. Our goal is quite simply to carry out the highest quality audits in the marketplace.

It's the yardstick we aspire to be measured by — and what building a Dynamic Audit is ultimately all about.



Dynamic Audit

Digital innovations: data & analytics in the audit



Unleashing potential from your data

Digital audits apply advanced and powerful data & analytics (D&A) to focus on exceptions and drive more risk focused conversations.

The exponential explosion of data in business has fostered unprecedented advances in data processing capability and analytical power. And this applies to the audit just as much as elsewhere. At KPMG, we are bringing advanced and powerful D&A capabilities and digital innovations into the audit. These enable us to obtain a more robust understanding of potential business risks and provide independent insights. Using the latest in visualization techniques and predictive data analytics, the auditor can visualize the impact of various scenarios on asset projections. Interactive dashboards provide greater insight, allowing variables to be adjusted and outcomes visualized instantaneously enabling a more objective assessment of the subjective elements in financial reporting.

Data & analytics is the key to unlocking the rich information that businesses hold. For the audit, D&A provides better insights into an organization's controls and risks, thereby enabling the auditor to further challenge assumptions and conclusions, and give a truly independent view of the business.

The future can't be predicted – but having a view of what it is likely to bring can make a significant difference. An audit can play a major role in identifying the future risks facing an organization. Through predictive analytics, using historical performance trends and giving effect to current market events, we are better prepared to assess future performance and, where appropriate, share sensitivity analysis with management and the audit committee.

The platform for delivering all of these insights is KPMG Clara. It's a powerful yet simple, intelligent and scalable platform that can integrate our advanced capabilities and industry knowledge and allow our teams to engage with clients in real time like never before – delivering instant audit status updates and bringing actionable insights to drive a better quality audit.

KPMG Clara can unleash the potential of organizations' data by helping us see meaningful patterns across business units and geographies, and at a deeper level than before, giving a more holistic view of the customer and competitive environment.

By focusing more on the exceptions and outliers for a business, we will be able to enter into more focused conversations about risks, and what they mean for the audit and the business.

KPMG Clara allows us to work smarter – and our clients too.



Dynamic Audit

Enabling our
people: They're
at the heart of
how we work
and what we do



KPMG people - auditors of the future

You can't deliver an audit without people. And you can't deliver the best audits without exceptional people. Innovators, data scientists and, in the near future, bots, will work together to provide services that are relevant in a digital world. We are innovating our workforce, adding new skill sets to do different kinds of work and drive innovation — incorporating digital labor to better inform our human judgment and enhance professional skepticism. We have a keen focus on understanding and developing the auditor of the future — knowing it will continually evolve. Investing hugely in our people, they're right at the heart of how we work and what we do.

Digital transformations will change the landscape for accounting, finance, financial reporting and auditing for decades to come. We are proud to be drivers of new educational models needed to prepare today's accounting

workforce. For instance, KPMG is collaborating with several leading universities in China to develop and deliver D&A focused modules to ensure the next generation of auditors and finance professionals is properly equipped for the business world. Auditing today's leading companies often requires more than a deep knowledge of accounting and auditing. In an increasingly data-rich world industry professionals need to be savvy about data & analytics, and have the critical thinking skills needed to translate data patterns and anomalies into relevant and meaningful business insights. The level of collaboration between academia and KPMG will empower university professors, KPMG professionals, and graduate students to innovate on the future of accounting. More of these kinds of partnerships with academia are happening across our network, as we look to help the global academic community.

Our belief is that supervised cognitive technology — the combination of cognitive capabilities with the skills and knowledge of audit professionals — may be the best approach to an audit, bringing unstructured elements of data together with the structured data that has always been the focus of the audit professional. So there is a need for individuals who are not only at ease with quickly evolving technology — but also able to make the final call on the audit opinion.

For all the importance of technology, it's still the auditor who makes the critical decisions and offers the key analysis and insights in a high quality audit of an organization's financial statements.

That's why our people are, and will remain, key.



Dynamic Audit

Multidisciplinary:
an integrated team
to deliver audit
quality



Integrated team to deliver audit quality

The business world is increasingly complex. Technology is challenging existing business models. Regulation is expanding. Companies need to be quick and agile to respond to developments, challenges and risks. In this environment, the traditional audit, delivered by trained accountants, is unlikely to be able to deliver the quality and value that clients, regulators, shareholders and the market expect.

It is logical that part of the audit response to this new world is increased involvement of specialists in the audit, working as part of the core audit team, for example in testing the reliability of IT processes and controls; the security of data; compliance with tax regulations; and the robustness of financial models used for valuation and impairment testing. An integrated team, with the skills required to match the client's complexity, ensures our audit teams better understand clients' operations and identify the applicable risks.

In response to demands for enhanced audit quality and value, the Audit of the Future is likely to see an even broader range of specialists involved in the audit. For example, data scientists and analysts to ensure the audit leverages the data available to gain insight and focus on exceptions to identify risks and assess their significance, probability and velocity.

Multi-skilled teams to address increasing complexity.





Dynamic Audit

Adding Trust:
bringing an
independent &
objective view to
an organization's
value-drivers

Assurance services - expanding trust beyond Audit

There is a widening gap between investor needs and the scope of information being assured by auditors. Investors have long recognized the importance of financial and non-financial key performance indicators (KPIs) in assessing business value, but assurance has remained focused on financial statements. The result is that investment decisions are being based on unassured data that has not been through the rigor of traditional financial reporting processes.

The world has changed and assurance needs to respond. Companies are increasingly publishing KPIs and this is an important step in helping stakeholders make more informed decisions. Providing independent assurance over those KPIs in turn leads to higher confidence all round.

By applying consistent methodologies and professional standards with the same rigor that is brought to the financial statement audit, we provide assurance over a wide range of topics to support business objectives.

We bring an independent and objective view to an organization's value-drivers, qualities that make providing assurance over KPIs a natural extension of our audit proficiency. Our professionals work across a variety of industries and technical subject matter areas, which equips us to deliver assurance on a broad spectrum of topics and offer practical insights based on our experience.

Expanded assurance over KPIs is the new dawn of corporate reporting and delivers significant value for investors and other/ stakeholders. As businesses and consumers increasingly consume information from a vast array of sources and often in real time, this is an area of growing importance.

Assurance over all aspects of KPIs provides the critical information that is used to manage, govern, transact with and invest in your organization.



A large herd of wildebeest is shown in a natural setting. In the foreground, a zebra with distinct black and white stripes is visible, looking towards the right. The wildebeest are densely packed, with many heads and horns visible. The background is slightly blurred, emphasizing the animals in the foreground.

Dynamic Audit

Our values

Our values create a sense of shared identity. They define what we stand for and how we do things. Our values help us to work together in the most effective and fulfilling way.

We **lead by example** at all levels in a way that exemplifies what we expect of each other and member firms' clients.

We **work together** to bring out the best in each other and create strong and successful working relationships.

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

We **seek the facts and provide insight** by challenging assumptions and pursuing facts to provide insight as trusted and objective business advisers.

We **are open and honest** in our communication and share information, insight and advice frequently, and constructively manage tough situations with courage and candor.

We **are committed to our communities** to act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities.

Integrity is a critical characteristic that stakeholders expect and rely on. Therefore, above all, we **act with integrity** and are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

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