



Transparency Report 2022

Our relentless focus on quality



KPMG Colombia

kpmg.com/transparency

KPMG Values

KPMG is committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public’s trust through our actions and behaviors both professionally and personally.

Our Values 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 of our stakeholders.

Our Values are:

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



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Together. For Better.

Driving quality across all we do

The success of KPMG will always be linked to the quality of the services we provide to those that rely on us. For more than 150 years, quality has helped us become a trusted advisor to so many businesses and stakeholders across the world and the measure of our success will always be determined by the level of quality we provide — no matter how the world turns.

Providing high-quality services takes hard work, dedication and focus, as well as a continued investment in the people and technology that make it happen.

We’re making sure our incredible people — who respect the KPMG Global Code of Conduct, live our Values and care about doing the right thing — are with us every step of the way. These past few years have been challenging and our people’s remarkable resilience and deep commitment to providing services of the highest quality to clients and stakeholders have been inspiring. And we’re helping them expand their careers, supporting their well-being, and building a safe and inclusive workplace. Their individual success is key to our collective growth.

That’s why we’re transforming the audit experience for both our clients and our teams by investing in KPMG Clara — our cloud-based audit methodology and workflows platform. KPMG Clara delivers smarter, data-driven outcomes and deeper insights by blending some of the best technology with the best of our people. This leading technology helps our 90,000 plus audit professionals in 143 countries and territories deliver high-quality audits in a consistent way.

We have also strengthened the consistency and robustness of our system of quality management across our global organization to comply with the new International Standard on Quality Management (ISQM 1). We believe consistent execution and adherence to these requirements and the intent of the professional standards behind them will help drive higher quality across our organization for clients, large and small, no matter where they do business.

And as stakeholders demand more accountability on environmental, social and governance (ESG) issues, and regulators begin to require disclosures across new metrics, we’re investing more than 1.5 billion US dollars to make ESG the watermark running through KPMG. This has empowered our people, who can continue to tap into a diverse set of multidisciplinary skills and capabilities to help provide independent measurement, validation and quality assurance over ESG information as the standards evolve.

Audit has been a fundamental part of our business for generations and, as the world changes dramatically, our fidelity to ensuring the successful working of the capital markets through the robust quality of our audits has stayed constant. It’s why we’ve been successful for 150 years, and the measure of our quality is the reason we expect to be here for 150 more.

We’ll continue to work hard to provide you with quality and earn your trust.

Thank you for trusting KPMG.



Guillermo Jaramillo
Country Senior Partner KPMG
Colombia



Rodrigo Rivera
Head of Audit
KPMG Colombia



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Audit quality

is fundamental to maintaining public trust and is the key measure on which our professional reputation stands.

We define “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 management.

All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

A strong quality control system is key to conducting high-quality audits.

With the entry into force of the international standard on quality management (ISQM 1), this new standard will bring significant changes and will require that all member firms have implemented and proven the operational effectiveness of quality controls designed throughout the practice to perform quality audits consistently.



At KPMG Colombia we are working together with KPMG Regional and Global to issue our first report as of September 30, 2023

Ultimately, each firm is responsible for fully complying with the new standard, having to implement a set of quality controls determined at the global level complemented by the controls that are considered necessary at the local level. Due to the magnitude of the project and its importance, at KPMG Colombia we have carried out monitoring at the highest level of the organization, including the Executive Committee, the Audit leader, the head of the Quality & Risk Management department of the firm and the head of audit quality.

The international firm is working with experts in the field and with a working group of member firms to:

- develop and establish quality objectives, risks and responses (policies and controls) for adoption by each firm;
- provide guidance, tools and training to support implementation at the local level

This is a regulatory requirement, so non-compliance can be expected to have consequences, including through regulatory compliance actions.

The tests and tests of the effectiveness of the controls and any necessary remediation must be completed by all firms before September 30, 2023.



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Our global approach to delivering audit quality

We continue to invest significantly in audit quality across the KPMG global organization. We are building on our sound audit quality foundations, in terms of how KPMG firms are managed and how they execute their audit engagements.

Across our global organization, we have strengthened the consistency and robustness of our system of quality management that enables compliance with the International Standard on Quality Management (ISQM 1), issued by the International Auditing and Assurance Standards Board (IAASB), which will take effect on 15 December 2022. We consider this a transformational and fundamental change for KPMG firms.

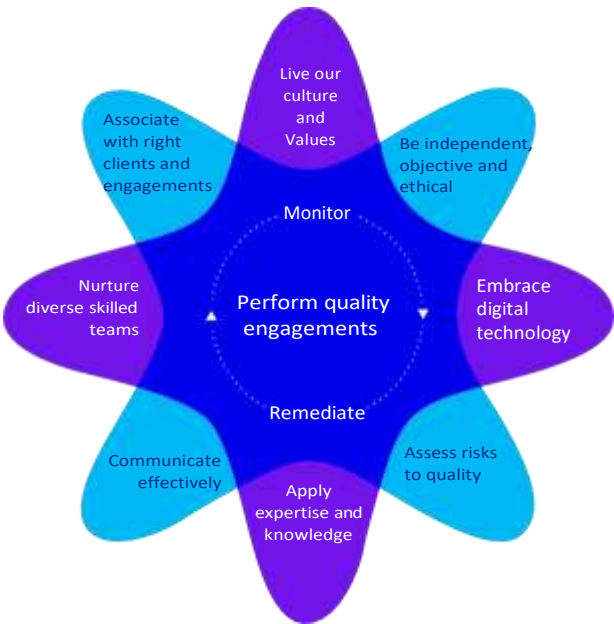
Our globally consistent approach to ISQM 1 drives the robustness of our responses to the risks of achieving the quality objectives set out in the standard. For each component in the standard, we have established minimum required quality objectives, quality risks and responses for all KPMG firms.

We have also established a risk assessment process required to be used by KPMG firms in identifying additional firm-specific quality objectives, quality risks, and responses and requirements for testing and evaluation of their system of quality management, together with guidance, tools and templates to support the consistent implementation of ISQM 1 across KPMG firms.

The new requirements apply to all KPMG firms within our global organization. The objective of this centralized approach is to drive the consistency, robustness and accountability of responses within KPMG firms’ processes.

In preparation for ISQM 1, we adopted a Global Quality Framework to outline how we deliver quality at KPMG, and how all KPMG professionals are accountable for its delivery. The principle of ‘Perform quality engagements’ sits at the core along with our commitment to monitor and remediate our processes as necessary. Our Quality Drivers give clear direction to encourage the right behaviors in delivering audit quality.

The Global Quality Framework also meets the International Code of Ethics for Professional Accountants (including International Independence Standards), issued by the International Ethics Standards Board for Accountants (the IESBA Code of Ethics), which apply to professional services firms that perform audits of financial statements. While this KPMG International Transparency Report summarizes KPMG’s approach to audit quality, it also applies across the organization, as many KPMG quality management procedures and processes are cross-functional and apply equally to other services offered by KPMG firms. In this report we use our Global Quality Framework to describe our approach to quality.



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Our role in climate disclosures and ESG assurance

The ESG agenda is rapidly changing how businesses assess their own purpose and performance.

KPMG continues to support the reporting of consistent, high-quality, decision-useful information for stakeholders, and we are committed to performing our work in full compliance with existing standards. We recognize, however, that some stakeholders want broader information than current standards require.

As standards evolve to consider non-financial reporting, we fully support the International Sustainability Standards Board (ISSB) as it develops global corporate reporting standards, which are an essential part of the system change required to address the needs of global capital markets and broader society.

KPMG is committed to fulfilling our public interest role in providing robust assurance that can benefit investors and other stakeholders. We believe the same level of professionalism, quality, consistency and trust should apply to ESG disclosures as to financial data.

That’s why KPMG firms globally are making significant investments in [putting ESG at the heart of the organization](#).

During 2022, as part of our commitments to meeting both the public interest and market demands, we appointed a [Global Head of ESG Assurance](#), launched an online [sustainability reporting resource center](#) and continued to provide guidance on the [financial reporting impacts of climate change](#).

Our commitment to audit quality during significant external events

Significant external events, such as the conflict in Ukraine, the COVID-19 pandemic and the emerging impacts of climate change, have contributed to rising inflation and interest rates, supply chain disruption and increased global economic uncertainty.

Matters such as going concern, asset impairments and valuations will likely require careful judgment as organizations deal with elevated uncertainty and market volatility. KPMG firms’ role as auditors is to evaluate these judgments.

We maintain an online [financial reporting resource center](#) to assist financial statement preparers and other stakeholders in understanding the potential accounting and disclosure implications of significant external events.

KPMG International issues extensive guidance to assist engagement teams in addressing the financial reporting, auditing and reporting-related matters arising from these external events, addressing the potential implications for matters including going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, subsequent events, audit evidence, and communications with those charged with governance.

KPMG International’s guidance is continually updated as new significant accounting, auditing and reporting issues emerge.

KPMG is a technology-enabled organization, with technical accounting and auditing resources, guidance, platforms and tools available electronically, which enables our engagement teams to effectively operate in office and remote-working environments.

Operating in different regulatory environments

The regulatory requirements under which KPMG operates differ across jurisdictions, and KPMG firms are committed to operating according to the laws and regulatory environment of their jurisdiction.

KPMG is supportive of international initiatives to promote greater consistency in regulatory requirements for the capital markets, while recognizing that different jurisdictions will have different requirements. Again, we recognize that we serve the public interest.



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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.

Fostering the right culture, starting with tone at the top

As a global organization, we recognize that strong and clear leadership from KPMG International is critical to set the tone at the top and provides the blueprint for accountability to all KPMG firms.

Our global leadership, working with regional and KPMG firm leadership, plays a critical role in establishing our commitment to quality and the highest standards of professional excellence. A culture based on integrity, accountability, quality, objectivity, independence and ethics is essential in an organization that carries out audits and other services on which stakeholders rely. KPMG International has taken steps to strengthen our governance, with a focus on accountability for quality. All KPMG firms are committed to a common set of Values, standards and service-quality expectations.

KPMG’s global leadership drives an awareness that everyone across the organization who is involved in performing an audit, or any client engagement across tax and advisory, has a responsibility for quality and a part to play.

Clear Values and a strong Code of Conduct

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 form the foundation of a resilient culture ready to meet challenges 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.

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

Everyone at KPMG is held accountable for behavior consistent with the Code and are required to confirm their compliance with it. They are all required to take annual training that covers the Code. We are committed to holding ourselves accountable for behaving in a way that is consistent with the Code. Individuals are encouraged to speak up if they see something that makes them uncomfortable or is not in compliance with the Code or our Values.

Everyone at KPMG is required to report any activity that could potentially be illegal or in violation of our Values, our policies, applicable laws, regulations or professional standards.

To safeguard this principle of holding each other accountable, 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 laws or regulations.

The [KPMG International hotline](#) is a further mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International, activities of KPMG firms or KPMG personnel. We take reports received by the International hotline seriously, and for each of them we respond, and take appropriate action.



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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.

In addition to the processes outlined above, the Global People Survey provides KPMG International leadership with insights related to upholding our Values.

Consistent quality and risk management policies

KPMG International has quality and risk management policies that are included in the Global Quality & Risk Management Manual (GQ&RM Manual) and apply to all KPMG firms and KPMG personnel.

These policies and associated procedures are designed to assist KPMG firms in complying with relevant professional standards and regulatory and legal requirements, and have recently been updated to reflect the requirements of ISQM 1. The IESBA Code of Ethics applies to all of the services KPMG firms provide.

KPMG firms are required to implement KPMG International’s policies and procedures and adopt their own additional policies and procedures that are designed to address rules and standards applicable to their own jurisdictions as well as applicable legal and regulatory requirements.

Our global leadership takes responsibility for audit quality

KPMG’s global leadership plays a critical role in driving the quality agenda for the organization. In respect to audit quality, our Global Head of Audit and Global Head of Audit Quality provide reports to the Global Audit Quality Committee of the Global Board and have responsibility for oversight of audit quality across KPMG for KPMG International.

Certain global steering groups drive the execution of the quality strategy. Each of these global groups have their specific areas of focus, and they work closely with one

another on quality matters, along with regional and KPMG firm leadership, to:

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

The overall governance structure of KPMG International and further detail on global leadership groups are provided in the ‘Governance and leadership’ section of this report.

The audit Analyst has the operational responsibility to provide audit engagement team services with a focus on audit quality and professional scepticism. Demonstrates a strong tone and culture supporting audit quality through a commitment to maintain objectivity, professional skepticism, ethics and integrity. Provides audit operational support on engagements with the focus on the preparation, delivery, reporting and evaluation of the results of the audit engagement in response to the needs of stakeholders and external regulators.

The Global Audit role profile includes two key components: technical competencies and behavioral competencies which have been designed to work together to provide a holistic view of expectations.

The Global Audit technical competencies provide clarity and consistency of expectations to ensure the minimum audit technical requirements are being met by level to drive Audit Quality, which is fundamental to achieving our ambition to become the most trusted and trustworthy firm. These support and supplement our existing Audit Quality accountabilities.

The technical competencies outline the minimum Audit specific requirements by level. The Global Audit technical competencies support and supplement our mandatory Audit Quality accountabilities which include: Tone and culture (including Code of Conduct), Portfolio management, Resource management, Monitoring and quality initiatives.

The Global behavioral competencies: clarity of behaviors is essential to achieve our strategy and ambition, outlining elements we need to demonstrate as a firm and as individuals. Behavioral competencies work together with the audit specific technical competencies to ensure both technical and behavioral expectations are defined.



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Including behaviors e.g. our firmwide Everyone a Leader (EAL) framework in local role profiles ensures the behaviors critical for success within Audit are captured.

Responsibilities and obligations of KPMG firms

KPMG firms’ membership agreements with KPMG International require they comply with KPMG International’s policies, procedures 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 multinational clients, manage risk, and deploy global methodologies and tools.

Each KPMG firm takes responsibility for its management and the quality of its work and commits to a common set of KPMG Values.

A firm’s status as a KPMG member firm and its participation in the KPMG 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.

Further details of KPMG International’s governance structure can be found in the ‘[Governance and leadership](#)’ section of this report.



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

Consistent audit and assurance methodology and tools

The KPMG audit and assurance methodology, tools and guidance, which enable a consistent approach to planning, performing and documenting audit procedures over key accounting processes, are:

- Globally consistent and fully compliant with the applicable standards, including International Standards on Auditing (ISA), Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) and are supplemented to comply with local auditing standards and regulatory or statutory requirements by KPMG firms;
- Inclusive of KPMG methodology interpretations that drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed;
- Centered on identifying risk, focusing on risks of material misstatements and the necessary audit response;
- Made available to all KPMG audit and assurance professionals and required to be used, where necessary;
- Applied even where local auditing standards may be less demanding than the ISAs; and
- Based on the requirements of the International Standard on Assurance Engagements (ISAE) and aligned to assurance products in response to the growth of 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 workflows) and includes KPMG interpretation of how to apply ISAs, which we believe enhance audit quality.

The KPMG Assurance Manuals provide the requirements and guidance for a consistent approach to performing assurance engagements in accordance with the ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

The audit and assurance methodologies emphasize applying appropriate professional skepticism in the execution of procedures and require compliance with relevant ethical requirements, including independence.

Enhancements to the audit and assurance methodologies, guidance and tools are made regularly to maintain compliance with the applicable standards and address emerging auditing and assurance areas of focus and audit quality results (internal and external). For example, the current focus on ESG assurance is driving updates to our assurance methodologies, tools and guidance. KPMG firms may add local requirements and/or guidance to the globally prescribed minimum requirements in the KPMG Audit Manual, the KPMG Audit Execution Guide and the KPMG Assurance Manuals to comply with additional professional, legal or regulatory requirements.

Access to specialist networks

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

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.



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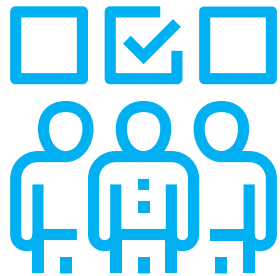
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Auditors must have experience to tackle work in companies that operate with new technologies in the current information age, or at least have access to experts on certain topics. Data analytics, robotics, artificial intelligence, are some of the essential emerging tools for growth in many companies and sectors. This introduces a dynamic to the marketplace: companies hire the experts they need to take advantage of these tools, and KPMG offers its services with a business case in a global economy, where technology is critical to modern entities.

The multidisciplinary approach has adapted to the changing environment of the economies and offers methodologies that incorporate specialists to offer effective and efficient audit services. Specialists: with experience in fields outside the accounting profession, such as information technology, cybersecurity, financial risks, statistical models to estimate asset impairment, financial projections to determine accounting estimates, among others, are used in the External Audit services.



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At KPMG, we are committed to serving the public interest and creating value through continuous innovation. We are transforming the audit experience for our professionals and clients by leveraging the data and insights of leading technologies and enhancing audit quality by increasing our ability to focus on the issues that matter.

Intelligent, standards-driven audit workflows

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

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

Likewise, the DPP professional practice department provides the audit teams with bulletins and communications that support the performance of audit work at the methodological, regulatory and procedural levels, also disseminating alerts issued by the Global Audit Methodology Group (GAMG), KPMG Global Solutions Group (KGSG), among others.

Evolving our audit workflows

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 we reimagined our audit platform, workflows and methodology to provide enhanced consistency and support to our audit engagement teams, deliver detailed insights, 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 workflows and revised audit methodology is an important milestone in KPMG’s journey to innovate, digitalize and transform the audit experience. It is a significant investment that underlines our commitment to audit quality, consistency and innovation.

As a result of the implementation of the KCW tool during the year 2021, for the audits corresponding to the 2022 period, 97% of the clients were executed in KPMG Clara Workflow while 3% of the clients remained in eAudit.

KPMG Clara

The digital audit is increasingly integral to how KPMG 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 KPMG audits.

KPMG Clara is helping auditors see meaningful patterns across a business, whether conducting risk assessment, tracing transactions through a complex revenue process, or simply adding up the accounts. Examples of current capabilities include:

- Analysis of account balances and journal entry data;
- Automation of ‘period-on-period’ balances comparison and ‘time series’ evolution information;
- Analysis of sub-ledger, transactional data over certain business processes and accounts; and
- Integration (where applicable) with industry-specific digital procedures and solutions.
- Optimize audit execution times with the use of advanced capabilities
- Facilitate sample extraction
- Identification and classification of risks through the use of available libraries



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

Our vision of the future

KPMG Clara was developed to be a foundational technology platform for KPMG to deliver audit quality. It delivers this by being the base technology providing new capabilities in a globally consistent way, enabling the audit workflows and providing a fully digital experience for KPMG audit professionals.

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

At the local level, the audits carried out in the KPMG Clara Workflow tool are expected to go from 97% of client in 2022 to 100% in 2023.



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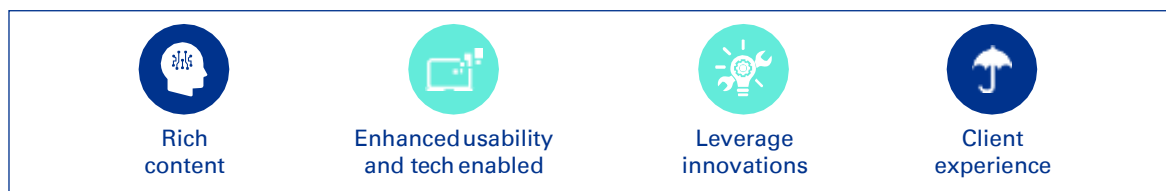
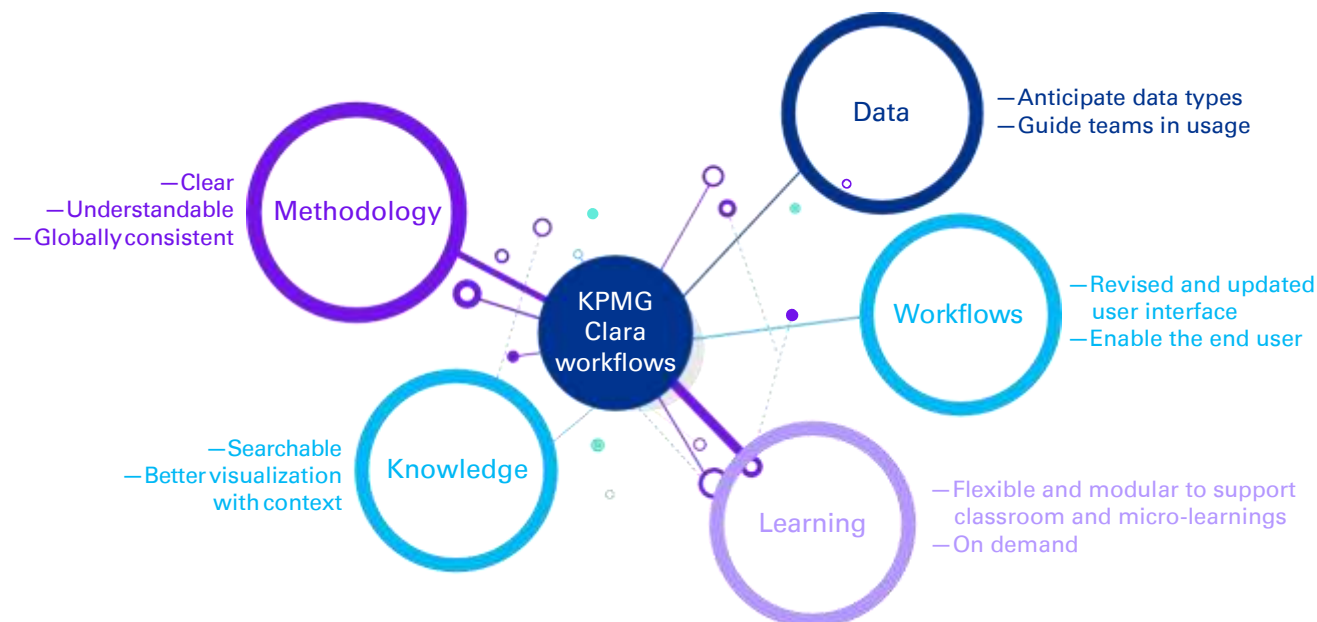
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KPMG Clara workflows

Our previous platform, eAudit, is being replaced with new workflows embedded with our revised audit methodology and enabled by the KPMG Clara smart audit platform.

Phased full deployment of the KPMG Clara workflows (with the exception of very small and less complex national audits), commenced globally in 2020 with planned completion of global transition for the 2022 fiscal period-end audits. Global transition for very small and less complex national audits, leveraging enhanced scaling capability, has commenced in 2022 and will be completed by 2023.

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

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

We continue to enhance the KPMG Clara smart audit platform to accommodate evolving security demands, further integrate existing audit applications into a single platform, and develop new capabilities to digitalize additional audit processes.



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Client confidentiality, information security and data privacy

Our responsibility includes maintaining the security of information and the privacy of the personal data of our stakeholders. The protection of information is essential to support our professionals in the delivery of services for our clients.

At KPMG Colombia we are aware that information is one of our most valuable assets and we are committed to constantly meeting and improving the applicable requirements of information security management systems, business continuity and personal data processing to protect the privacy, integrity, availability and confidentiality of the information of our stakeholders through risk management, the assurance of our processes and compliance with legal obligations and business requirements.

We have operational policies and global information security standards that are aligned with the ISO/IEC 27001 standard. Some advantages of complying with international security standards are: the implementation of adequate controls to ensure confidentiality, integrity, availability and privacy of data, management of information protection risks, and compliance with different regulations.

KPMG firms have a document-retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with applicable laws, regulations and professional standards. KPMG provides training on confidentiality, information protection and data-privacy requirements to all KPMG personnel annually



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Nurturing diverse skilled teams

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

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

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

Recruitment

KPMG has invested in understanding how we can attract the talent we need now and in the future across the organization. This includes building an extraordinary people experience for all current and prospective partners and employees.

KPMG International provides KPMG firms with guidance and training on sourcing high-quality talent with the necessary skills, expertise and qualifications to deliver organizational objectives and with the ability to make a positive contribution to the Values, capabilities and goals of the organization.

Additionally, we require that KPMG firms perform candidate application screening that is based on fair and job-related criteria to ensure that candidates possess the appropriate skills and experience to perform competently and are suitable and best placed for their roles. The KPMG policies also require that new employees undergo rigorous reference and background checks subject to legal and regulatory requirements.

KPMG is consistently ranked as one of the world's most attractive employers among business students. As the audit evolves, we are focused on improving our attractiveness to business and STEM (science, technology, engineering and mathematics) talent in the future.

Inclusion, diversity & equity programs

In KPMG Colombia Inclusion, diversity and equity (IDE) are fundamental for our culture, and the building of strong and safe teams. We respect and understand that diverse ideas allow us to see beyond from multiple points of view and develop greater creativity and innovation, encouraging us to stand up, live our Values and do what is right.

We give our people trainings and key concepts related with IDE and empower our leaders by sharing leadership strategies that lead to better decision making to improve our inclusive environments and the advantages that a diverse work team brings.

We are committed with our Global IDE Collective Action Plan, aligning our actions to advance in our inclusion, diversity, and equity agenda across the firm with local corporate citizenship strategies that comes with the opportunity and responsibility to achieve and push for an equitable society.

Reward and promotion

All KPMG firms are required to have compensation and promotion policies that are informed by market data and are clear, simple, fair and linked to the performance and talent review process. Such policies help our people understand what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved by assessing relative performance across a peer group to inform reward decisions. Reward decisions are based on the consideration of both individual and firm performance.

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

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



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Assigning an appropriately qualified team

Partner assignments

All KPMG firms are required to have procedures in place to assign engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads 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).

The assignment of partners in audit assignments, as well as the assignment of Statutory Auditors in Colombia, are carried out within the quality standards required by regulatory entities and within the global quality frameworks required by international auditing standards. Therefore, a permanent commitment of KPMG is to have professionals with the best technical skills and the best experience in the different industries where audit and Statutory Auditing services are provided.

Going to the guidelines of the code of ethics and putting in place a series of safeguards (including rotation) make it possible to eliminate threats that represent risks to the quality of the audit.

Engagement teams

Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies, training and capabilities, including time to perform audit engagements in accordance with the KPMG audit methodology, professional standards, and applicable legal and regulatory requirements.

If the right resource is not available within the KPMG firm, the firm accesses a network of highly skilled KPMG professionals from other KPMG firms.

Investing in data-centric skills, including data mining, analysis and visualization

KPMG is strategically investing in our talent pipeline by partnering with world-class institutions to sustain our strong leadership, while also looking forward to cultivating the skills and capabilities that will be needed in the future. We are recruiting and training professionals who specialize in software, cloud capabilities and artificial intelligence and who can bring leading technology capabilities to our smart audit platform.

KPMG provides training on a wide range of technologies to ensure that professionals not only meet the highest professional standards, but are also upskilled in new technologies. With this approach we are bringing together the right people with the right skills and the right technology to perform quality audits.

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

Commitment to technical excellence and quality service delivery

All KPMG professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and the professional practice department for consultation.

Lifetime learning strategy

Annual training priorities for development and delivery are identified by the audit learning and development groups at the global, regional and, where applicable, KPMG firm level. Mandatory learning requirements for audit professionals across the organization are established annually.

Ongoing mentoring and on-the-job coaching

Learning is not confined to a single approach — rich learning experiences are available when needed through coaching and just-in-time learning and aligned with job- specific role profiles and learning paths.

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

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

Licensing and mandatory requirements for IFRS® Standards and US GAAP engagements

Specific requirements apply to partners, managers and engagement quality control (EQC) reviewers working on IFRS Standards engagements in jurisdictions where IFRS Standards are not the predominant financial reporting framework.

Similar policies apply to engagements performed outside the US to report on financial statements or financial information prepared in accordance with US GAAP and/or audited in accordance with US auditing standards, including reporting on the effectiveness of the entity’s internal control over financial reporting (ICOFR).



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These require that at a minimum, all partners, managers and, if appointed, the EQC reviewers (and for engagements conducted in accordance with US GAAP and/or US auditing standards engagements, the engagement partner, engagement manager, engagement in-charge and, if appointed the EQCR reviewers) assigned to the engagement have completed relevant training and that collectively the engagement team has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

Recognizing quality

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

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

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

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

Quality and compliance metrics are considered in assessing the overall evaluation, promotion and remuneration of partners. These evaluations are conducted by performance managers and partners who are able to assess performance.



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

Following the client and engagement acceptance and continuance policies

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

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

Accepting appropriate clients and engagements

Client evaluation process

Every KPMG firm is required to undertake an evaluation of every prospective client. This involves obtaining sufficient information about the prospective client, its key management and significant beneficial owners and then properly analyzing the information to be able to make an informed acceptance decision.

This evaluation includes an assessment of the client's risk profile and obtaining background information on the client, its key management, directors and owners. If necessary, each KPMG firm obtains additional information required to satisfy applicable legal and/or regulatory requirements.

Engagement evaluation process

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 and

whether the services would be unethical or inconsistent with our Values, as well as factors specific to the type of engagement.

For all services, these factors include the competence of the client's financial management team and the skills and experience of KPMG professionals assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG firm personnel and includes additional reviews 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, financial 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.



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Continuance process

An annual continuance or re-evaluation of all audit clients is required to be undertaken by all KPMG firms. The continuance or 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 their risk profile and as part of the continuous independence evaluation process, engagement teams are required to identify if there have been any changes to previously identified threats or if there are new threats to independence. The threats are then evaluated and, if not at an acceptable level, are eliminated or appropriate safeguards are applied to reduce the threats to an acceptable level.

For Advisory services, the continuance process applies annually depending on the level of risk (high) or when the member firm provides assurance services. For Tax & Legal services, the continuance process applies annually depending on the level of risk (high) and when the period of an ongoing engagement has exceeded 12 months from the date of the last engagement acceptance or continuance evaluation if the overall risk rating is “High”).

Withdrawal process

If a KPMG firm comes to a preliminary conclusion that indicates it should withdraw from an engagement or client relationship, it is required to consult internally and identify any required legal, professional and regulatory responsibilities. It is also required to communicate as necessary with those charged with governance and any other appropriate authority.

Managed portfolio of clients

KPMG firms’ leadership appoints engagement partners who have the appropriate competence, capabilities, time and authority to perform their role for each engagement.

They review each audit partner’s client portfolio in individual discussions with the audit partner. The reviews consider the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the partner and wider team to deliver a quality audit for every client.



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

Acting with integrity and living our Values

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

Organization-wide processes are supplemented by KPMG firms’ own policies and processes to ensure compliance with additional local independence standards.

The Head of the Global Independence Group is supported by a core team of specialists to help ensure that KPMG has robust and consistent independence policies and procedures, as well as guidance and tools to help KPMG firms and their personnel comply with these requirements.

The Global Independence Group communicates regularly to KPMG firms on policy changes and enhancements, as well as providing guidance on complying with the independence standards. The Global Independence Group holds various workshops and also provides training over the course of each year.

Each KPMG firm has a designated Ethics and Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence (E&I) policies and procedures locally. The EIP is responsible for communicating and implementing KPMG International’s policies and procedures and ensuring that local independence policies and procedures are established and effectively implemented when they are more stringent than KPMG International’s requirements.

KPMG partners and employees are required to consult with their KPMG firm’s EIP on certain specific independence matters as defined in the GQ&RM Manual. The EIP may

also be required to consult with the Global Independence Group depending upon the facts and circumstances.

KPMG firms are required to clearly communicate their independence policies and procedures to all of their personnel.

Compliance with independence policies and processes is monitored through annual independence confirmations and compliance audits within KPMG firms, as well as through KPMG’s wider monitoring programs described in the [‘Monitoring and remediation’](#) section of this report.

Maintaining an objective, independent and ethical mindset, in line with the Code and policies

Personal financial independence

KPMG partners and employees are required to be free from prohibited financial interests in, and prohibited financial relationships with, audit and assurance clients (by definition, ‘audit client’ includes its related entities or affiliates), their management, directors and, where required, significant owners. All partners — irrespective of their firm or function — are generally prohibited from owning securities of any audit client of any KPMG firm.

KPMG firms use a web-based independence compliance system (KICS) to assist KPMG professionals in complying with personal independence investment policies.

This system contains an inventory of publicly available investments and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e. late reporting of an investment acquisition).



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All partners and manager grade or above client-facing employees are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in publicly available funds and securities registered on recognized or regulated exchanges in KICS, which automatically notifies them if any investment subsequently becomes restricted. Newly restricted investments are required to be disposed of within five business days of the notification. KPMG firms monitor 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 the KPMG independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

Employment relationships

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

Former members of the audit or assurance team or former partners of a KPMG firm are prohibited from joining an audit or assurance client in certain roles unless they have disengaged from all significant connections to the KPMG firm, including payments which are not fixed and predetermined and/or would be material to the KPMG firm, and have ceased participating in the firm’s 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 has passed.

Employment relationships

Any KPMG professional providing services to an audit or assurance client is required to notify the KPMG firm’s EIP if they intend to enter into employment negotiations with that client. For partners, this requirement extends to any audit or assurance client of any KPMG firm that is a public interest entity. Former members of the audit or assurance team or former partners of a KPMG firm are prohibited from joining an audit or assurance client in certain roles unless they have disengaged from all significant connections to the KPMG firm, including payments which are not fixed and predetermined and/or would be material to the KPMG firm, and have ceased participating in the firm’s 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 has passed.

Firm financial independence

KPMG firms are required to also be free from prohibited interests in, and prohibited relationships with, audit clients and their management, directors and, where required, significant owners. KICS is used to record KPMG firms’ 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 firms are required to record in KICS all borrowing and capital financing relationships, as well as custodial, trust and brokerage accounts that hold firm assets.

Business relationships/suppliers

KPMG 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 US Securities and Exchange Commission (SEC).

Ethics and independence — training and confirmations

All KPMG partners and client service professionals, as well as certain other individuals, are required to complete independence training that is appropriate to their grade and function upon joining KPMG and on an annual basis thereafter.

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 E&I and other key policies.

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.

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 (LAEPs) 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.



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

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

KPMG firms are required to establish and maintain a process to review and approve all new and significantly modified services that are developed. Each KPMG firm’s EIP is involved in the review of potential independence issues related to these new or modified services.

Fee dependency

Self-interest or intimidation threats at the KPMG firm level 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. In applying the new IESBA Rules about Fee dependency in force since December 15, 2022, In the event that the total fees from a public interest entity audit client and its related entities represent more than 10 percent of the total fees received by a particular KPMG firm for two consecutive years:

- Disclosure is required to those charged with governance at the audit client; and
- The Firm shall apply some safeguards to reduce the threats to an acceptable level, and if so, apply it.

If total fees from the audit client are more than 15 percent of the total fees received by the firm for five consecutive years, the Firm shall cease to be the auditor after the audit opinion for the fifth year is issued, unless there is a compelling reason to continue as the auditor having regard to the public interest.

For internal monitoring purposes a 10 percent must be applied as is referenced in our Global Quality and Risk Management Manual.

Avoiding conflicts of interest

All KPMG firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that may reasonably be expected to have an impact on the firm’s ability to be objective or act without bias.

KPMG engagement teams are required to use Sentinel to identify potential conflicts so that these can be addressed in accordance with legal and professional requirements.

Personal conflicts

Conflicts of interest can arise in situations where KPMG partners have a personal connection with the client that may interfere, or interfere, with their ability to remain objective, or where they are in possession of confidential information relating to another party or . Consultation with the KPMG firm’s Risk Management Partner (RMP) or the EIP is required in these situations.

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 KPMG firm’s integrity, independence, objectivity or judgment.

Resolving conflicts of interest

Sentinel allows to identify potential conflicts. If a potential conflict is identified, local Independence Team supports the engagement teams or the firms to resolve the conflict, the outcome of which 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 personnel are required to report an independence breach to their KPMG firm EIP as soon as they become aware of it. All breaches of independence requirements of the IESBA Code of Ethics or other external independence requirements are required to be reported to those charged with governance as soon as possible, except where alternative timing for less significant breaches has been agreed to with those charged with governance.

Each KPMG firm is required to have a documented and communicated disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations. In the event of non-compliance with the KPMG independence policies, irrespective of how that non-compliance is identified, KPMG professionals are subject to the disciplinary policy.

Partner rotation

KPMG partner rotation policies are consistent with the requirements of the IESBA Code of Ethics and those promulgated by the US Securities and Exchange Commission (SEC) and require compliance with any stricter local applicable rotation requirements.

KPMG partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy.



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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 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 other professional service delivered to the client, oversee the relationship of the KPMG firm with the client, or have any other significant or frequent interaction with senior management or those charged with governance.

KPMG firms are required to monitor the rotation of audit engagement leaders (and any other key roles where there is a rotation requirement) and develop related transition plans to enable the allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.

Firm rotation

In certain jurisdictions, KPMG firms are only permitted to act as an auditor for a specific audit client for a defined period of time and not to act as auditor for that client for a specified period of time thereafter. KPMG firms in these jurisdictions are required to have processes in place to track and manage compliance with audit firm rotation requirements.

Zero-tolerance approach to bribery and corruption

At KPMG Colombia we have an anti-bribery and anti-corruption policy issued in 2022 aimed at interactions with public officials, which is accompanied by a tool called the Americas Anti Corruption Tool (AACT) through which compliance with the policy is monitored. . KPMG Colombia also implemented the compliance officer area years ago and annually KPMG provides training on money laundering and terrorist financing, as well as on the transparency and business ethics manual, including the anti-bribery and anti-corruption policy.

More about KPMG Colombia's anti-bribery and corruption policy is available here.



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KPMG International reviews the results of quality monitoring programs and develops additional global remediation actions as needed.

Global remediation actions developed by KPMG International are aimed at changing behavior and driving quality and consistency across the global organization. Remediation actions may be implemented through the development of global policies, procedures, training tools and guidance.



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

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

Honest and candid communication with clients, including management and those charged with governance, is a key aspect of our reporting and quality service delivery. KPMG Clara includes a client collaboration portal, allowing clients real-time monitoring of the status of the audit as well as seamless communication with the audit engagement team.

KPMG Colombia interacts with the members of the audit committee and sometimes with the members of the Boards of Directors, periodically disclosing the audit plan, its progress, the main findings, and the presentation of the audit and/or Statutory Audit reports that are required for regulated entities. This approach allows us to minimize the risks of audit surprises and the appropriate business and technical communication that is required.

Communications with those charged with governance

KPMG International stresses the importance of keeping those charged with governance informed of issues arising throughout the audit through guidance and supporting resources. KPMG firms and professionals achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and, when appropriate, ongoing discussions with management and members of the audit committee.

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

Our leading partner of the KPMG Colombia Board Leadership Center has focused on helping Organizations, in this case, through their Boards of Directors, to identify trends, share best practices and promote the implementation of high-value actions. Through academic agendas, he highlights pressing issues at each session that should be high on the Board's agendas for 2023 – 2024.

Audit Committee Institute (ACI)

In recognition of the demanding and important role that audit committees play in driving audit quality and the challenges that they face in meeting their responsibilities, KPMG's Audit Committee Institute (ACI) aims to help audit committee members enhance their commitment and ability to implement effective audit committee processes.

The ACI operates in more than 38 jurisdictions across the globe and provides audit committee members with guidance on matters of interest to audit committees; updates on issues like EU audit reform, changes to accounting standards and other matters of interest to audit committees (such as cyber security and corporate culture); and the opportunity to network with their peers during an extensive program of technical updates and awareness seminars.

The ACI's offerings cover the array of challenges facing audit committees and businesses today — from risk management and emerging technologies to strategy and global compliance. Further details and insights on the ACI are available [here](#).

KPMG in Colombia has launched KPMG's global program called Board Leadship Center, where we focus on helping organizations, in this case, through their Boards of Directors to identify trends, share best practices and promote the implementation of high-value actions. It promotes spaces for conversation among board members and generates valuable knowledge for this important audience of interest in our country. The program was launched in December 2022, in an event with more than 200 board members and with the participation of BLC leaders from KPMG US, UK, Brazil and Spain.

In this 2023 KPMG has developed an agenda that is being implemented around 4 board committees:

- The Sustainable Corporate Governance Committee
- The Equity, Diversity and Inclusion Committee
- The Human Talent Committee
- The Audit and Risk Committee.



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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 and sustainability reporting frameworks.

With the continuous updating of the IFRS International Financial Reporting Standards, KPMG has permanently interacted with the Technical Council of Public Accounting in Colombia to analyze the impacts of the implementation of IFRS 17 Insurance Contracts on the recognition, measurement, presentation, and disclosures of insurance contracts that are within the scope of the Standard. Ensuring proper implementation is relevant to the insurance industry in Colombia.

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

Only with engaged, talented people can KPMG deliver audits in line with our audit quality expectations. Annually all KPMG personnel are invited to participate in KPMG’s GPS to share their perception about their experience of working at KPMG.

The GPS provides a measure of our people’s engagement and insights into areas driving engagement. Results can be analyzed by several factors, for example functional or geographic area, grade and gender to provide additional focus for action. Through the GPS, KPMG gains additional insight on how we are faring on categories known to impact employee engagement.

We also cover areas of focus that are directly relevant to audit quality; the survey includes specific audit quality-related questions that all individuals who participated in an audit in the previous 12 months are asked to respond to, giving us a particular data set for audit quality-related matters.

The survey also provides KPMG International leadership with insights related to quality and risk behaviors, audit quality, upholding the KPMG Values, employee and partner attitudes to quality, leadership and tone at the top.

All KPMG firms are required to participate in the survey each year and to take appropriate actions to communicate and respond to its findings.

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 for consideration of appropriate remedial action, if needed.



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How an audit is conducted is as important as the result. KPMG partners and employees are expected to demonstrate behaviors consistent with our Values and follow policies and procedures in the performance of effective and efficient audits.

Taking responsibility for audit quality at the KPMG firm level

While KPMG International creates the global framework and policies for audit quality, KPMG firm leadership is responsible for the delivery of that quality.

Each KPMG firm is responsible for establishing and maintaining a system of quality management. Within each KPMG firm, there is a Head of Audit, who has primary responsibility for audit quality and is supported by the firm's Risk Management Partner (RMP) in maintaining a system of quality management.

Encouraging a culture of consultation

KPMG encourages a culture of consultation that supports engagement teams throughout their decision-making processes and is a fundamental contributor to audit quality. KPMG promotes a culture in which consultation is recognized as a strength, and that encourages all KPMG professionals to consult on difficult or contentious matters.

To help with this, KPMG firms are required to have established protocols for consultation and documentation of significant matters, including procedures to facilitate the resolution of differences of opinion on engagement issues. KPMG audit, assurance and reporting manuals also include required consultations. KPMG Colombia has the support of One Américas, which is consulted on specific audit, accounting and methodology matters in order to maintain the quality of audit services we provide to our clients. In addition, the GQ&RM Manual includes mandatory consultation requirements on certain matters.

Technical consultation and global resources

Technical accounting, auditing and assurance support is available to KPMG firms through the Global Audit Methodology Group (GAMG), the KPMG Global Solutions

Group (KGSG), the International Standards Group (ISG) and the PCAOB Standards Group (PSG), all of which report directly to the Global Head of Audit.

Global Audit Methodology Group (GAMG)

KPMG's audit and assurance methodology is developed and maintained by the GAMG. The GAMG develops our audit and assurance methodology based on the requirements of the applicable audit and assurance standards of the IAASB, PCAOB and AICPA.

In this regard, the role played by the DPP Professional Practice Department is essential when reviewing, analyzing and sharing bulletins with the information contained in the GAMG alerts in a timely and accurate manner, so that the audit teams can carry out their work with the quality and integrity standards required by Global.



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aKPMG Global Solutions Group (KGSG)

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

KGSG and GAMG work collaboratively to support KPMG firms through collaboration, innovation and technology. We have made significant investment in our audit and assurance 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 Asia Pacific), the KGSG and GAMG teams comprise professionals with backgrounds in audit, assurance, 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.

More information about KPMG’s global audit methodology and technology-based tools is included in the [‘Embracing digital technology’](#) section of this report.

Additionally, from the Professional Practice Department (DPP), the maintenance windows programmed by KGSG are disclosed through communications, so that the teams are informed about the work carried out by Global and the interruptions in the service of the KPMG Clara Workflow tool; this so that, internally, the teams can coordinate the work with their members and not be affected in a significant way by the maintenance of the tool.



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International Standards Group (ISG)

The KPMG ISG works with IFRS topic teams with geographic representation from around the world, and the IFRS Panel and Methodology Advisory Group (MAG) to promote consistency of interpretation of IFRS Standards and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis. The ISG recently has expanded its remit to encompass the activities of the International Sustainability Standards Board (ISSB), including providing global thought leadership and guidance as the ISSB issues standards.

PCAOB Standards Group (PSG)

The KPMG PSG comprises a dedicated group of professionals with backgrounds in PCAOB auditing standards who promote consistency in the interpretation of those same standards in KPMG firms’ audits of non-US components of US companies and of foreign private issuers and non-US components of SEC issuers, as defined by SEC regulations.

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

Professional practice resources

KPMG firms provide consultation support on auditing and technical accounting matters to their audit professionals through professional practice resources. These resources also assist engagement teams where there are differences of opinion either within teams or with the engagement quality control reviewer. Unresolved differences are required to follow a prescribed escalation protocol for final resolution.

KPMG’s ISG and the PSG are also available for consultation support when required.

Critically assessing audit evidence using professional judgment and skepticism

On all KPMG audits, we design and perform audit procedures whose nature, timing and extent are based on and responsive to the assessed risks to gather audit evidence. We consider all audit evidence obtained during the course of the audit, including contradictory or inconsistent audit evidence.

Each KPMG team member is required to exercise professional judgment and maintain professional skepticism throughout the audit engagement. Professional skepticism involves a questioning mindset and alertness to contradictions or inconsistencies in the audit evidence. Professional judgment encompasses the need to be aware of and alert to biases that may pose threats to good judgments.

Direct, coach, supervise and review

Embedding ongoing coaching, supervision and review

To invest in building the skills and capabilities of KPMG professionals, we promote a continuous learning environment and support a coaching culture.

Ongoing direction, 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 engagement team, including whether they have sufficient time to carry out their work;
- Considering whether the engagement team understands 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; and
- Identifying matters to review and discuss with more experienced team members during the engagement.

The timely review of the work performed so that significant matters are promptly identified, discussed and addressed is also used as a coaching opportunity.

Engagement quality control (EQC) reviews

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

An EQC review is an objective evaluation of significant judgments made by the engagement team and its related conclusions, performed by the EQC reviewer, and completed on or before the date of the report. The EQC reviewer’s evaluation of significant judgments includes an evaluation of the engagement team’s assessment of significant risks, including fraud risks, the related responses and whether the related conclusions are appropriate. The EQC review is completed only after the EQC reviewer is satisfied that all significant matters they raised have been resolved, though the engagement partner is ultimately responsible for the resolution of accounting and auditing matters.



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EQC reviewers are required to meet training, knowledge and experience qualifications to perform the EQC review for a particular engagement.

Reviewers must be objective, cannot be members of the engagement team and must be independent of the audit client.

Appropriately support and document conclusions

Reporting

Auditing standards, either international or local, largely dictate the format and content of the auditors’ report, which includes an opinion on the fair presentation of the reporting entity’s financial statements in all material respects.

Engagement leaders form all audit opinions based on the audit performed and evidence obtained.

In preparing auditors’ reports, engagement partners have access to reporting guidance and technical support through consultations with their Department of Professional Practice.

Engagement documentation

Audit documentation is completed and assembled according to the timeline determined by the KPMG firm in accordance with KPMG International policy and applicable auditing standards. We have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and KPMG firm information.

The policies that KPMG International adopts apply to all KPMG firms to help reduce the time period allowed to assemble audit documentation, which is significantly less than the time period required by the applicable auditing standards.



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

Rigorously monitor and measure quality

Quality Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG firm audits.

The quality monitoring and compliance programs are globally consistent in their approach across all KPMG firms, including the nature and extent of testing and reporting.

Internal monitoring and compliance programs

KPMG International Quality Monitoring and Compliance Programs comprise the annual Quality Performance Review (QPR) Program, KPMG Quality and Compliance Evaluation (KQCE) Program and Global Quality & Compliance Reviews (GQ&CR) Program. These programs are collectively designed to enable member firms to meet both KPMG International’s requirements and applicable professional standards, such as those of ISQM 1. Each functional QPR program is designed by the Global Functional Risk Management Partners (G-F-RMPs) and the GQ&RM-QP team. Execution of the QPR program is the responsibility of each member firm. The Regional Risk Management Partners (R-RMPs) and the Functional Regional Quality Performance Liaison Partners (F-R-QPLP) provide monitoring and oversight. The QPR Program applies to all member firms, sub-licensees and controlled parties, including foreign branches (referred to as firms in the remainder of this document) and covers all services delivered by all functions

Our quality monitoring and compliance programs are created by KPMG International and applied across KPMG firms.

Participation in these internal monitoring programs is mandatory for all KPMG firms.

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

Global Audit Quality Monitoring Group (GAQMG)

The Global Audit Quality Monitoring Group (GAQMG) was formed to drive improvement in the rigor, effectiveness and consistency of QP reviews of audits of LREs by firms.

The (GAQMG) identifies issues to help drive audit quality. The group comprises a team of partners, directors and senior managers experienced in performing quality performance reviews of listed and related entity (LRE) audit engagements. The team also includes partners and professionals with experience in auditing general information technology controls and application controls.

The results of the reviews will form part of the firm results submitted through the PARM - Reporting.

Audit Quality Performance Reviews (QPR) program

The overall objectives of the QPR Program are to:

- Assess the quality of engagements performed and documented in accordance with firm, regulatory and professional standards; and
- Contribute to continuous improvement of engagement quality through identification of issues, analysis of the root causes and development of appropriate action plans; and
- Contribute to the assessment of whether the system of quality management has been appropriately designed, effectively implemented, and operates effectively at the engagement level.



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Each engagement leader is reviewed at least once in a four-year cycle. A risk-based approach is used by KPMG firms to select engagements and the reviews are overseen by an independent experienced lead reviewer.

KPMG International provides training 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 audit practice evaluations, which can then be used to measure improvements in the future.

Lead audit engagement partners (LAEPs) are notified of ‘not compliant’ ratings on their respective cross-border engagements. Additionally, LAEPs of parent companies/ head offices are notified where a subsidiary/affiliate of their client group is audited by a KPMG firm where significant quality issues have been identified during the Audit QPR program.

Reporting Results and Action Plans: A debrief meeting, or equivalent communication of review findings and results takes place, on the completion of each Functional QPR Program within a firm. The purpose of the meeting is to discuss the status and results of the firm’s engagement reviews, issues identified, and engagement ratings assigned, among others matters.



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KPMG Quality & Compliance Evaluation (KQCE) program

The KPMG Quality & Compliance Evaluation program (KQCE program) is a member firm’s self-assessment program which comprises two elements:

1. System of Quality Management (SoQM) which will evidence compliance with International Standard on Quality Management 1 (ISQM1) and the requirements of KPMG’s global SoQM, as relevant for all audits and reviews of financial statements and assurance and related services engagements, through:

- Adoption of globally consistent Quality Objectives, Quality Risks, Process Risk Points and Controls;
- Performance of the Iterative Risk Assessment Process (I-RAP);
- Performance of Control testing, following the Global SoQM Methodology Guide; and an
- Overall Evaluation of the effectiveness of the SoQM in achieving its objectives.

2. Compliance with Global Quality & Risk Management (GQ&RM) Manual policies that are not in scope of the SoQM, either entirely or for certain cross-functional aspects and which support compliance with other professional standards, legal and regulatory requirements, and policies of KPMG International.

The KQCE Program requires appropriate coverage of key local legal and regulatory requirements. These will be specific to each member firm based on the environment in which it operates and so may not be covered by Global policies.

Member firms need to actively identify and monitor key local legal and regulatory requirements which apply to all areas of practice.

Overall Evaluation and Conclusion:

As required by ISQM 1, member firms perform an initial evaluation of the effectiveness of their SoQM within one year of the effective date of ISQM and annually thereafter. Based on the member firm’s evaluation of the SoQM as a whole, the individual(s) assigned ultimate responsibility and accountability for the SoQM is required to conclude the assessment.

Where exceptions are identified, the KPMG firm is required to develop appropriate action plans and then 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 KPMG firm, at various intervals based on identified risk criteria.

The GQ&CR team performing the reviews is independent of the KPMG 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 KPMG firms. The GQ&CR provides an independent assessment of:

- A KPMG firm’s commitment to quality and risk management and the extent to which its overall structure, governance and financing support and reinforce this commitment;
- A KPMG firm’s compliance with key KPMG International policies and procedures; and
- The robustness with which the KPMG firm performs its own quality and compliance program (formerly the RCP; currently the KQCE program).

KPMG firms are required to develop action plans to respond to all GQ&CR findings that indicate improvement is required and agree to these with the GQ&CR team. A KPMG firm’s progress with its action plan is monitored by the GQ&CR central team. Results are reported to the GQ&RMSG and, where necessary, to relevant KPMG International and regional leadership.



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Obtain, evaluate and act on stakeholder feedback

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

Our Department of Professional Practice (DPP) partner and their professional team support the audit function on a 24/7 basis, with the goal of helping teams better respond to complex audit and accounting issues and improve audit quality. Our experts in audit methodology and reports and in accounting and financial reports coordinate all technical audit and accounting inquiries and audit quality monitoring (including our Quality Management System).

Regulators

KPMG Colombia maintains fluid, respectful, and professional communication with regulators, including timely collaboration on their public policy initiatives, response to any questions or report requests required, and adoption of appropriate corrective measures.

Through the National Institute of Public Accountants, we maintain working groups to pronounce ourselves as a union against legislative or governmental initiatives. We value the open, honest and transparent dialogue that is facilitated on national and global audit quality issues.

Client feedback

Client feedback is also important. KPMG firms proactively seek feedback from clients through direct conversations and third-party surveys.

At least once a year we obtain feedback from our clients through virtual questionnaires and/or face-to-face interviews with our clients' senior management to find out the perception of our service and the opportunities for improvement that may arise.

Perform root cause analysis

Root cause analysis is important in order to identify and address audit quality issues and prevent them from recurring in the future. All KPMG firms are required to carry out such analysis.

All Heads of Audit are responsible for audit quality, including the remediation of audit quality issues. Risk Management Partners monitor the implementation of remediation plans.

At a global level, we continue to strengthen our root cause analysis process and drive consistency across the organization.



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Legal Structure

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

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

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Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes being professionally and financially stable; having an ownership, governance and management structure that ensures continuity and stability and long and being able to comply with policies issued by KPMG International, adopt global strategies, share resources (incoming and outgoing), service multi manage risk, and deploy global methodologies and tools.

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Global Steering Groups

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

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

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

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



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