



# Transparency Report 2018

**Inspire confidence,  
empower change**

30 June 2018

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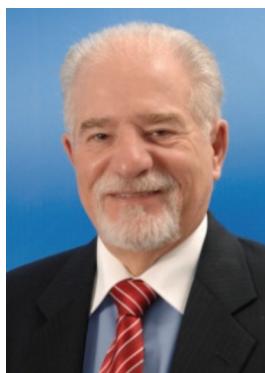


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# Message from the Senior Partner



We are proud of our long tradition in audit quality and we will continue to pursue audit quality initiatives as audit quality is at the heart of everything we do, and as such, is never compromised. Audit quality, which is timeless, is not just about reaching the right opinion, but how we reach that opinion through our

professional expertise, skepticism and integrity.

At KPMG, we inspire confidence and empower change in all we do for clients, our people and society at large. It is something our people focus on and unite around. And it is helping us to become the Clear Choice in professional services in the markets we serve and the communities we represent.

Our people recognize the responsibility that comes with this sense of purpose. That is why everything we do is underpinned by a shared set of values that guide our every action, none more so than our focus on integrity. And it is a commitment which ensures, through the decisions we make and the work we do, we leave our society, global network and one another stronger for the future.

In a world of disruption, rapid change and technological evolution these principles have never been as important as they are today. They enable a culture that brings out the best in our people. One where innovation, deep expertise and a global mindset, combine with passion and working shoulder-to-shoulder to deliver real results that build trust.

This is what it means to work with and for KPMG. This is what makes us different.

The world of audit is continually evolving with changes in accounting and auditing standards as well as the regulatory landscape. As audits are conducted in a dynamic marketplace with increasingly challenging and complex business activities, we are continuously monitoring the policies and procedures of our audit practice as well as professional developments to allow us to make the necessary changes on a timely basis consistently focusing on enhanced audit quality. As the Greek economy

*Throughout this document, "KPMG" ("we," "our," and "us" refers to KPMG Certified Auditors AE and its sub-licensees. KPMG Certified Auditors AE is a member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"). KPMG International, a Swiss entity, provides no client services.*

continues to face significant challenges we are committed to delivering quality in serving the public interest.

On 17 June 2016 new EU reform rules on statutory audit became applicable throughout the European Union. The reform aims to improve audit quality and enhance investor confidence in financial information. The main elements of the reform are based on a revised European Statutory Audit Directive 2014/56/EU regarding the duties of statutory auditors and audit firms and a new European Regulation 537/2014 establishing specific requirements regarding statutory audit of public interest entities. The requirements of the European Statutory Audit Directive have been transposed into Law 4449/2017.

Our Transparency Report is published in compliance with the requirements of Regulation (EU) 537/2014 and Law 4449/2017, which is aligned with the revised EU Directive on statutory audits (2014/56/EU). This regulation and law require Greek statutory auditors of both public interest entities and non-public interest entities to publish annual transparency reports disclosing certain information. Our 2018 transparency report complies with these requirements and covers the financial year ended 30 June 2018.

Although there is a legal requirement for audit firms to produce a Transparency Report, it is a requirement that we strongly support as it provides us with the opportunity to set out our processes in addressing audit quality and the responsibility we have, not only towards our clients, but also in serving the public interest.

This report, which is structured around our unique seven drivers of audit quality, describes the policies and procedures that ensure, for the benefit of our clients and the capital markets we serve, that every KPMG audit is a high-quality audit. These unique drivers assist us to articulate clearly and consistently what audit quality means to us and to highlight how every partner and staff member at KPMG contributes to the delivery of audit quality.

Our focus for the future is to continue to be recognized for our relentless focus on audit quality, ethics, independence, integrity, innovation and professional excellence.

I trust that you will find the information in our report which provides insight, into our audit process as well as all aspects of our business, constructive.

**Marios T. Kyriacou**  
Senior Partner

31 October 2018

# 2 Who we are



## 2.1 Our business

KPMG Certified Auditors AE and its sub-licensees operate in Greece as a multi-disciplinary professional service provider through a number of legal entities and deliver Audit, Tax, Accounting & Payroll, Legal and Advisory services. KPMG Certified Auditors AE is the member firm of KPMG International and KPMG Advisors AE, KPMG Accountants AE and C. Papacostopoulos and Associates Law Firm (CPA Law) are its sub-licensees.

We operate out of our head office and three branch office locations in Greece and had an average of 493 personnel in the year to 30 June 2018 (2017: 448).

Our audit services are delivered through KPMG Certified Auditors AE, the Greek member firm of KPMG International.

Our operations are governed by the Board of Directors of KPMG Certified Auditors AE and each of its sub-licensees, each representing a separate legal entity, hereinafter referred

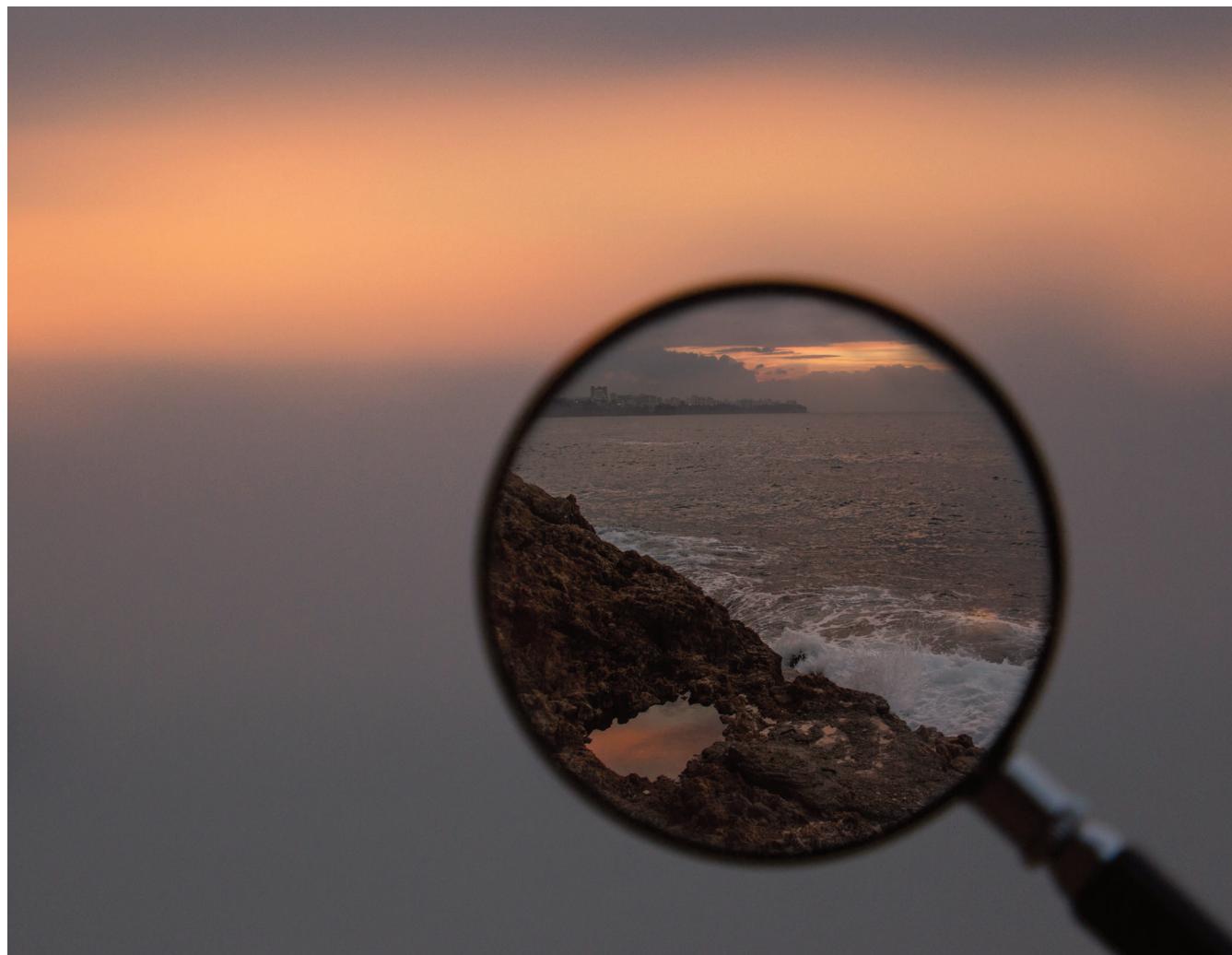
to as "the Board of KPMG in Greece".

Full details of the services offered can be found on our website [www.kpmg.com/gr](http://www.kpmg.com/gr).

## 2.2 Our strategy

Our strategy is set by the Board of KPMG in Greece and has remained consistent for some time. It has determined that our overall ambition remains to be the leading multi-disciplinary professional services firm in Greece and to be a quality service provider to all of our clients.

The Board of KPMG in Greece has also determined that a commitment to quality is one of the most important priorities in our strategy. Therefore, we place significant focus on ensuring that we deliver the quality of service that our clients expect, continually reinforcing the importance of quality across our firm.



### 3.1 Legal structure

#### Legal structure and ownership

KPMG Certified Auditors AE is affiliated with KPMG International Cooperative ("KPMG International"). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. It is the entity with which all the member firms of the KPMG network are affiliated. Further details about KPMG International and its business activities, including our relationship with it, are available in Appendix 1 to the KPMG International Transparency Report *KPMGI Transparency Report*.

KPMG Certified Auditors AE and its sub-licensees are part of a global network of professional services firms providing Audit, Tax and Advisory services to a wide variety of public and private sector organizations. KPMG International's structure is designed to support consistency of service quality and adherence to agreed values wherever its member firms operate.

KPMG Certified Auditors AE is an anonymous eteria incorporated under the Laws of Greece and is governed by Greek Law. The shareholders as at 30 June 2018 are as follows:

- Marios T. Kyriacou, Senior Partner
- Aspasia Ermioni Kyriacou, Partner & Chief Operating Officer
- Michael A. Kokkinos, Partner
- VERICON PROFESSIONAL SERVICES LIMITED

During the year to 30 June 2018, there was an average of 7 partners in KPMG Certified Auditors AE (2017: 7 partners).

The following certified auditors are signing partners/directors but not shareholders of the audit firm:

- Nick Vouniseas (Partner)
- Anastasios E. Panayides (Partner)
- Harry Sironis (Partner)
- Ioannis Achilas (Partner)
- Philippou Kassos (Partner)
- Marina Kapetanaki (Partner)
- Panayiotis Bountros (Director)
- Ioannis Kottinis (Director)
- Anastasios Kyriacoulis (Director)
- Evangelia Karatsori (Director)
- Dimitrios Tanos (Director)
- Alexandros Veldekitis (Director)

In addition to the audit firm (KPMG Certified Auditors AE which is the member firm), there are two sub-licensee anonymous eteries, KPMG Accountants AE and KPMG Advisors AE, incorporated under the laws of Greece. These entities are also governed by Greek law. Furthermore, there

is a legal firm, namely C. Papacostopoulos and Associates Law Firm (CPA Law) which is also a sub-licensee incorporated as a Greek partnership.

KPMG Accountants AE provides tax, accounting advisory services, bookkeeping and payroll.

KPMG Advisors AE provides tax and advisory services.

CPA Law provides tax and legal services.

### 3.2 Name, ownership and legal relationships

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

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

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

### 3.3 Responsibilities and obligations of member firms

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

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

Member firms commit to a common set of KPMG values (see section 4.1).

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

regulations set by KPMG International or any of its other obligations toward KPMG International.

## 3.4 Governance structure

### National governance

We apply high standards of corporate governance.

#### Our Senior Partner

The Senior Partner is responsible for ensuring that the members of the Board of KPMG in Greece receive accurate, timely and clear information and ensuring effective communication and relationships with the members at large. The Senior Partner also meets with the partners and directors at least quarterly. The Senior Partner, Marios T. Kyriacou, is the founding partner of the Firm and has held the position of Senior Partner since its incorporation.

The governance structure comprises two governing bodies, the Board of KPMG in Greece and the Operations Committee which is chaired by Marios T. Kyriacou.

Specifically, the Board of KPMG in Greece refers to the following Board of Directors:

- KPMG Certified Auditors AE which is chaired by the Managing Director, Aspasia Ermioni Kyriacou
- KPMG Accountants AE which is chaired by Eleni (Liana) Kosmatou and the Managing Director is Konstantinos Zafiris
- KPMG Advisors AE which is chaired by Eleni (Liana) Kosmatou and the Managing Director is Evangelos Apostolakis

#### The Board of KPMG in Greece

The principal governance and oversight body of KPMG Certified Auditors AE and its sub-licensees is the Board of KPMG in Greece, which provides leadership to the organization and is responsible for our long term growth and sustainability, setting our strategy and overseeing its implementation, monitoring performance against our business plan and protecting and enhancing the KPMG brand.

#### The Board of KPMG Certified Auditors AE

The Board of KPMG Certified Auditors AE consists of the Managing Director, the Head of Quality and Risk and seven additional members which are set out below. The constitution of the Board is as determined by local Company Law and in accordance with the freewill of the Board members. The Board meets from time to time to undertake certain statutory duties for KPMG Certified Auditors AE in addition to the duties noted above (including approving the annual accounts and the

transparency report). The Board met nine times in the year 1 July 2017 to 30 June 2018. The Board of KPMG Certified Auditors AE, last elected on 19 December 2016, is as follows:

- Aspasia Ermioni Kyriacou, Chairwoman and Managing Director
- Michael A. Kokkinos, Member
- Nick Vouniseas, Member
- Ioannis Achilas, Member
- Dimitra Caravelis, Member
- Anastasios E. Panayides, Member
- Harry Sironis, Member
- Philippou Kassos, Member
- Marina Kapetanaki, Member

#### Operations Committee

The Chairman of the Operations Committee appoints the other members of the Operations Committee, all of whom are partners of the firm.

The Operations Committee meets every two weeks and as the need arises. A schedule of matters to be monitored regularly by the Operations Committee includes matters of fundamental importance to the firm such as operating and financial performance, annual business plans and budgets, new business proposals (considered individually), marketing, technology development, recruitment and retention, remuneration and risk management policies.

#### Other

Below are our audit partners in charge of various areas:

- Ethics, Independence and Risk Management - Marios T. Kyriacou and Dimitra Caravelis
- International Financial Reporting Standards - Nick Vouniseas
- Audit Methodology and Training - Harry Sironis and Michael A. Kokkinos
- Quality Reviews - Dimitra Caravelis
- Professional Practice, Regulatory matters and compliance – Dimitra Caravelis and Michael A. Kokkinos
- Money Laundering Officer - Michael A. Kokkinos
- Operations - Aspasia Ermioni Kyriacou

## 3.5 Partner

KPMG International as well as the accounting profession use the term "Partner" to apply to the people in the accounting firms that have the authority to undertake responsibility for the execution and completion of an audit. This arises from the past when all such firms operated as partnerships. Today such "Partners" can be employees, shareholders or members of the Board.

## Overview

A robust and consistent system of quality control is an essential requirement in performing high quality services.

Accordingly, KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (Global Q&RM Manual) available to all personnel. These policies and associated procedures are designed to assist member firms in complying with relevant professional standards, regulatory and legal requirements and in issuing reports that are appropriate in the circumstances, as well as help member firm personnel act with integrity and objectivity and perform their work with diligence.

These policies and procedures are based on the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB) and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). Both of these are relevant to member firms that perform statutory audits and other assurance and related services.

KPMG Certified Auditors AE and its sub-licensees implement KPMG International policies and procedures and KPMG Certified Auditors AE adopts additional policies and procedures that are designed to address rules and standards issued by the Accounting and Auditing Standards Oversight Board (ELTE) and other relevant regulators such as the US Public Company Accounting Oversight Board (US PCAOB) as well as applicable legal and regulatory requirements.

Amendments to risk and quality policies, including ethics and independence policies, are included in quality and risk management alerts and are communicated by email. KPMG Certified Auditors AE and its sub-licensees are required to implement changes specified in the email alerts and this is checked through internal monitoring.

Quality control and risk management are the responsibility of all KPMG Certified Auditors AE and sub-licensee entities' personnel. This responsibility includes the need to understand and adhere to firm policies and associated procedures in carrying out their day-to-day activities. The system of quality control applies to KPMG personnel wherever they are based.

While many KPMG quality control processes are cross-functional and apply equally to tax and advisory work, the remainder of this section focuses on the delivery of quality audits.

## Audit quality framework

At KPMG Certified Auditors AE, audit quality is not just about reaching the right opinion, but how that opinion is reached. It is about the processes, thought and integrity behind the auditors' report. The outcome of a quality audit is the delivery of an appropriate and independent opinion in compliance with relevant professional standards and applicable legal and regulatory requirements.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG International developed the Audit Quality Framework. This Framework uses a common language that is adopted by all KPMG member firms, including KPMG Certified Auditors AE to describe what the KPMG network believes drives audit quality, and to highlight how every audit professional at each KPMG member firm contributes to the delivery of audit quality.

'Tone at the top' sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviors permeate across the entire KPMG network. All of the other drivers are presented within a virtuous circle because each driver is intended to reinforce the others. Each of the seven drivers is described in more detail in the following sections of this report.



## 4.1 Tone at the top

The culture of KPMG International and KPMG member firms is underpinned by a strong set of values and supporting policies and processes and enables the right attitudes and behaviors to permeate throughout the KPMG network. At KPMG Certified Auditors AE and its sub-licensees we promote a culture in which consultation is encouraged and recognized as a strength.

Tone at the top means that KPMG Certified Auditors AE and its sub-licensees' leadership demonstrate commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders and society at large.

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG Value: "Above all, we act with integrity". Integrity means constantly striving to uphold the highest professional standards, providing sound good-quality advice to our clients and rigorously maintaining independence. We are committed to achieving a high standard of ethical behavior in everything we do.

Our Values, which have been explicitly codified for a number of years, are embedded into the working practices and values-based compliance culture at KPMG Certified Auditors AE and its sub-licensees. Our Values form the foundation of our culture and set the tone at the top. They also form the foundation of our approach to audit and shape how we work together.

We communicate our Values clearly to our people and embed them into our people processes – induction, performance development and reward. Specific consideration is given to our KPMG Values for management level promotions.

Our Values are set out in Appendix A.2.

### Code of conduct

Building on the KPMG Values is the KPMG International Global Code of Conduct. Member firms, including KPMG Certified Auditors AE and its sub-licensees are required to adopt, as a minimum, the Global Code of Conduct.

The KPMG Certified Auditors AE and its sub-licensees' Code of Conduct incorporates the KPMG Values and defines the standards of ethical conduct that is required from all KPMG people.

It sets out our ethical principles and helps partners and employees at KPMG Certified Auditors AE and its sub-licensees to understand and uphold those principles. In addition, the Code of Conduct emphasizes that each partner

and employee is personally responsible for following the legal, professional and ethical standards that apply to his or her job function and level of responsibility. The Code of Conduct includes provisions that require KPMG personnel to:

- Comply with all applicable laws, regulations and KPMG Certified Auditors AE and its sub-licensees' policies
- Report any illegal acts whether committed by KPMG Certified Auditors AE and its sub-licensees' personnel, clients or other third parties
- Report breaches of KPMG policies
- Uphold the highest levels of client confidentiality
- Not offer, promise, make, solicit or accept bribes (whether directly or through an intermediary).

All KPMG Certified Auditors AE and its sub-licensees' personnel are required to:

- Confirm their understanding of, and compliance with, the Code of Conduct upon joining the firm, and annually thereafter; and
- Complete training on the Code of Conduct upon joining the firm and on a biennial basis thereafter.

Our personnel are encouraged to raise their concerns when they see behaviors or actions that are inconsistent with our Values or professional responsibilities and required to do so when they see breaches of KPMG policies, laws and regulations, and professional standards.

We have procedures and established channels of communication so that our personnel can report ethical and quality issues and individuals who report in good faith will not suffer any adverse impact regardless of whether the concern is ultimately substantiated.

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

At KPMG Certified Auditors AE and its sub-licensees, we regularly monitor the extent to which our people feel we live our Values through the Global People Survey (refer to section 4.4.6).

### 4.1.1 Leadership responsibilities for quality and risk management

KPMG Certified Auditors AE and its sub-licensees demonstrate commitment to quality, ethics and integrity and communicate our focus on quality to clients, stakeholders and society. Our leadership plays a critical role in setting the

right tone and leading by example – demonstrating an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.

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

The following individuals have leadership responsibilities for quality and risk management at KPMG Certified Auditors AE and its sub-licensees.

### **Senior partner**

In accordance with the principles in ISQC 1, our Senior Partner Marios T. Kyriacou has assumed ultimate responsibility for KPMG Certified Auditors AE system of quality control and risk management. A key aspect of the firm's culture is a commitment to quality. The Board of KPMG in Greece and our Senior Partner help create a culture of quality within the firm through a number of mechanisms. We communicate our strategy widely and is available to all of our people on our intranet. The quality message is also reinforced in communications from leadership including from the Senior Partner.

### **National Risk Management Partner**

Operational responsibility for the system of quality control, risk management and compliance in KPMG Certified Auditors AE and its sub-licensees has been delegated to the National Risk Management Partner (RMP), Dimitra Caravelis, who is responsible for setting the overall professional risk management and quality control policies and monitoring the firm's compliance. She has a direct reporting line to the Senior Partner. The RMP consults with the appointed Area Quality and Risk Management Leaders.

The fact that the role is a national governance position with the Operations Committee and the seniority of the reporting lines, underlines the importance the firm places on risk and quality issues. The RMP is supported by a team of partners and professionals in each of the functions.

### **Ethics and Independence Partner (EIP)**

The Ethics and Independence Partner has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG Certified Auditors AE and its sub-licensees and reports on ethics and independence issues to the Senior Partner and the Operations Committee.

### **The Audit, Tax and Advisory functions – Function Heads**

The three heads of the client service functions (Audit, Tax and Advisory) are accountable to the Senior Partner for the quality of service delivered in their respective functions. Between them, they determine the operation of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the RMP. These procedures make it clear that at the engagement level, risk management and quality control is ultimately the responsibility of all professionals.

KPMG Certified Auditors AE Head of Audit is responsible for leading a sustainable high-quality Audit practice that is attractive to KPMG personnel. This includes:

- Setting the right 'tone at the top' by demonstrating an unwavering commitment to the highest standards of professional excellence, including skepticism, objectivity and independence
- Developing and implementing strategies to monitor and maintain knowledge and skills required of partners and employees to fulfil their professional responsibilities
- Working with the RMP to monitor and address audit quality and risk matters as they relate to the Audit practice, including an annual evaluation of activities considered to be key to audit quality.

### **Audit Leadership Team**

The Audit Leadership Team of KPMG Certified Auditors AE meets monthly and these meetings include regular discussions about current and emerging audit quality issues arising from external and internal quality review processes, queries being raised by engagement teams, root cause analysis procedures and other quality matters identified from a variety of sources. These are debated together with other observations collected from client-facing teams, are considered and actions agreed. Typically, most of these actions are short term, in which case they are developed and communicated through the regular technical briefings issued to the whole Audit function and also, if considered of sufficient magnitude, included in the next mandatory training.

For more complex issues (which might require amendments to KPMG's global audit methodology or audit tools), these will be raised with KPMG International's Global Audit groups for consideration and potential development of solutions by the Global Services Centre (GSC) and the International Standards Group (ISG). For more information about the GSC and the ISG refer to section 4.5.4.

In addition, during these meetings, matters relating to maintaining and improving audit quality are discussed together with findings (and related actions) from external regulatory reviews, the internal Quality Performance Review program and other quality control programs. Furthermore, the aforementioned matters are also discussed at the Operations Committee meetings.

## 4.2 Association with the right clients

### 4.2.1 Acceptance and continuance of clients and engagements

Rigorous client and engagement acceptance and continuance policies and processes help protect KPMG's reputation, support our brand and are an important part to our ability to provide high-quality professional services.

Accordingly, KPMG International has established policies and procedures which all member firms are required to implement in order to decide whether to accept or continue a client relationship and whether to perform a specific engagement for that client.

### 4.2.2 Client and engagement acceptance process

#### Client evaluation

KPMG Certified Auditors AE and its sub-licensees undertake an evaluation of every prospective client.

This involves an assessment of the prospective client's principals, its business and other service-related matters. This also involves obtaining and analyzing 'know your client information' on the prospective client, its key management and significant beneficial owners. A key focus is on the integrity of management at a prospective client and the evaluation considers breaches of law and regulation, anti-bribery and corruption and ethical business practices, including human rights among the factors to consider.

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

#### Engagement evaluation

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

system) as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of personnel assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG Certified Auditors AE and sub-licensee personnel and includes review by quality and risk management leadership as required.

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

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

We follow specific procedures (detailed further in section 4.3.2.7) to identify and evaluate threats to independence for prospective audit clients that are public interest entities.

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 there are other quality and risk issues that cannot be appropriately mitigated.

### 4.2.3 Continuance process

KPMG Certified Auditors AE undertakes an annual re-evaluation of all its audit clients. For non-audit clients, this re-evaluation is carried out by the sub-licensees.

The re-evaluation identifies any issues in relation to continuing association and 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 annual re-evaluation.

In addition, clients and engagements are required to be re-evaluated if there is an indication that there may be a change in their risk profile.

#### 4.2.4 Withdrawal

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

#### 4.2.5 Client portfolio management

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

Each partner's client portfolio is regularly reviewed by the respective Function Head to ensure that the partner has sufficient time to manage the portfolio and to ensure that the risks are being appropriately managed.

### 4.3 Clear standards and robust audit tools

All KPMG Certified Auditors AE and its sub-licensees' professionals are expected to adhere to KPMG International and KPMG Certified Auditors AE and sub-licensees' policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical and quality control standards and other relevant laws and regulations.

#### 4.3.1 Audit methodology and tools

Significant resources are dedicated to keeping our standards and tools complete and up to date. The global audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of the International Standards on Auditing (ISAs). The global audit methodology is set out in KPMG International's Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, which KPMG International believes enhance the quality of the audit. KPMG member firms may add local requirements and/or guidance in KAM to comply with additional professional, legal or regulatory requirements.

The global audit methodology is supported by eAudit, KPMG International's electronic audit tool, which provides our auditors with the methodology, guidance and industry knowledge needed to perform high-quality audits.

eAudit's activity-based workflow provides engagement

teams with ready access to relevant information at the right time throughout the audit, thereby enhancing effectiveness and efficiency and delivering value to stakeholders.

KAM contains examples and guidance for, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks.

The global audit methodology encourages use of specialists when appropriate and also requires involvement of relevant specialists in the core audit engagement team when certain criteria are met or where the audit team considers it appropriate or necessary.

KAM includes the implementation of quality control procedures at the engagement level that provide us with reasonable assurance that engagements comply with the relevant professional, legal, regulatory, and KPMG International policy requirements.

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Q&RM Manual that is applicable to all KPMG member firms, functions and personnel.

#### Data & Analytics (D&A) and Clara

Technology and innovation are changing the way we execute our audit engagements, empowering our people to deliver greater quality and value. Making data and analytics (D&A) a core part of the KPMG audit is critical to our mission of driving audit quality.

KPMG Clara, the KPMG smart audit platform, was launched in mid-2017 and we are in the process of rolling it out. It will put technology and D&A right at the heart of our approach, bringing advanced capabilities and knowledge together in one environment.

KPMG Clara will integrate all of KPMG's advanced capabilities and knowledge, and empower our people to work in smarter ways, unlocking the power of innovation to help deliver a robust and leading-edge audit. It is our gateway to continued audit innovation, and incremental additions will be made over time.

Further details on innovation in audit tools and technology are set out in the KPMG International Annual Review.

#### 4.3.2 Independence, integrity, ethics and objectivity

##### 4.3.2.1 Overview

KPMG International has detailed independence policies and procedures, incorporating the requirements of the IESBA

Code of Ethics. These are set out in KPMG's Global Q&RM Manual. Automated tools facilitate compliance with these requirements.

These policies are supplemented by other processes to ensure compliance with the standards issued by the Institute of Certified Auditors and Accountants of Greece and those of the Accounting and Auditing Standards Oversight Board (ELTE). These policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, firm financial relationships, post-employment relationships, partner rotation and approval of audit and non-audit services.

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

KPMG Certified Auditors AE and its sub-licensees have a designated Ethics and Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG Certified Auditors AE and its sub-licensees.

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications. Member firms are required to implement changes as specified in the email alerts and this is checked through the internal monitoring programs described in section 4.7.1.

KPMG Certified Auditors AE and its sub-licensees' personnel are required to consult with the EIP on certain matters as defined in the Global Q&RM Manual.

#### **4.3.2.2 Personal financial independence**

KPMG International policies require that each KPMG member firm and its professionals are free from prohibited financial interests in, and prohibited relationships with, KPMG's audit clients, their management, directors and significant owners. The policies also extend the IESBA Code of Ethics restrictions on ownership of audit client securities to every KPMG member firm partner in respect of any audit client of any member firm.

KPMG Certified Auditors AE and sub-licensees' professionals are responsible for making appropriate inquiries and taking other appropriate actions on an on-going basis to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes.

In common with other KPMG member firms, we use a web-based independence compliance system (KICS) to assist our professionals in complying with personal independence investment policies. This system contains an inventory of publicly available investments.

Partners and all client-facing personnel who are manager grade or above are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in KICS, which automatically notifies them if their investments subsequently become restricted and they must dispose of that investment within five business days of the notification. We monitor partner and manager compliance with this requirement as part of our program of independence compliance audits of a sample of professionals.

In 2018, 23 of KPMG Certified Auditors AE and its sub-licensees' personnel were subject to these audits (this included approximately 44% of our partners).

#### **4.3.2.3 Employment relationships**

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

Former members of the audit team or former partners of KPMG Certified Auditors AE are prohibited from joining an audit client in certain roles unless they have disassociated from KPMG Certified Auditors AE financially and have ceased participating in KPMG Certified Auditors AE business and professional activities.

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

We communicate and monitor requirements in relation to employment of KPMG Certified Auditors AE professionals by audit clients.

#### **4.3.2.4 Firm financial independence**

KPMG Certified Auditors AE and its sub-licensees also use KICS to record their own investments in SEC entities and affiliates (including funds), locally listed companies and funds, direct and material indirect investments held in

pension and employee benefit plans (including non-public entities and funds).

Additionally, KPMG Certified Auditors AE and its sub-licensees are required to record in the system all borrowing and capital financing relationships, and custodial, trust and brokerage accounts that hold member firm assets.

On an annual basis, KPMG Certified Auditors AE and its sub-licensees confirm compliance with independence requirements as part of the Risk Compliance Program.

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

KPMG Certified Auditors AE and its sub-licensees have policies and procedures in place that are designed to ensure their business relationships are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements.

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

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

#### **4.3.2.6 Business acquisitions, admissions and investments**

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

#### **4.3.2.7 Independence clearance process**

KPMG Certified Auditors AE follow specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as 'the independence clearance process', must be completed prior to accepting an audit engagement for these entities.

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

KPMG Certified Auditors AE and its sub-licensees provide all relevant personnel (including all partners and client service professionals) with independence training appropriate to their grade and function on an annual basis. New personnel are required to complete this training, and must do so by the earlier of (a) thirty days after joining KPMG Certified Auditors AE and its sub-licensees or (b) before providing any services to, or becoming a member of the chain of command for, any audit client, including any of its related entities or affiliates.

We also provide all personnel with training on the Code of Conduct and ethical behavior, including KPMG's anti-bribery policies, compliance with laws, regulations and professional standards and reporting suspected or actual non-compliance with laws, regulations, professional standards and KPMG's policies on a biennial basis. New personnel are required to complete this training within three months of joining the firm.

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

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

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

We have policies, that are consistent with IESBA principles and applicable laws and regulations, which address the scope of services that can be provided to audit clients.

We are required to establish and maintain a process to review and approve all new and modified services that are

developed by KPMG Certified Auditors AE and its sub-licensees. KPMG Certified Auditors AE and its sub-licensees' EIP is involved in the review of potential independence issues and the Global Independence Group is involved in the case of services developed which are intended to be delivered to audit or assurance clients in more than one jurisdiction.

In addition to identifying potential conflicts of interest, Sentinel™, facilitates compliance with these policies. Certain information on all prospective engagements, including service descriptions and fees, must be entered into Sentinel™ as part of the engagement acceptance process. Using Sentinel™, lead audit engagement partners are required to: maintain group structures for their publicly traded and certain other audit clients as well as their affiliates, and identify and evaluate any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats. Sentinel™ enables lead audit engagement partners, for those entities for which group structures are maintained, to review and approve, or deny, any proposed service for those entities worldwide.

In accordance with applicable auditor independence rules, none of our audit partners are compensated on their success in selling non-audit services to their audit clients.

#### 4.3.2.10 Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the member firm expressing the audit opinion. In particular, KPMG International's policies require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years:

- This would be disclosed to those charged with governance at the audit entity; and
- A Senior Partner from another KPMG member firm would be appointed as the EQC reviewer.

No audit client accounted for more than 10 percent of the total fees received by KPMG Certified Auditors AE and its sub-licensees over the last two consecutive years.

#### 4.3.2.11 Conflicts of interest

Conflicts of interest can arise in situations where KPMG personnel have a personal connection with the client which may interfere, or be perceived to interfere, with their ability

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

All KPMG member firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived by a fully informed, reasonable observer, to have an impact on a member firm or its personnel in their ability to be objective or otherwise act without bias.

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

KPMG Certified Auditors AE and its sub-licensees have risk management resources (Resolver) who are responsible for reviewing an identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which must be documented. It may be necessary to apply specific procedures to manage the potential for a conflict of interest to arise, or be perceived to arise, so that the confidentiality of all clients' affairs is maintained. Such procedures may, for example, include establishing formal dividers between engagement teams serving different clients, and making arrangements to monitor the operation of such dividers.

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

Any potential conflict matters that raise important points of principle for our firm are referred to our Risk Management Partner for resolution; in cases of difficulty such matters are brought to the attention of the Operations Committee for resolution.

#### 4.3.2.12 Breaches of independence policy

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

KPMG Certified Auditors AE and its sub-licensees have a documented disciplinary policy in relation to breaches of independence policies. The disciplinary policy is communicated to all professionals and applies to all breaches

of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations. Any breaches of auditor independence regulations are reported to those charged with governance at the audit client, on the basis agreed with them.

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

#### **4.3.2.13 Compliance with laws, regulations and anti-bribery and corruption**

Compliance with laws, regulations and standards is a key aspect for all KPMG Certified Auditors AE and sub-licensee personnel. In particular, we have zero tolerance for bribery and corruption.

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

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

#### **4.3.2.14 Partner and firm rotation**

##### **Partner rotation**

KPMG International partner rotation policies are consistent with the IESBA Code of Ethics and require all member firms to comply with any stricter applicable rotation requirements, which in Greece means we also comply with the Accounting and Auditing Standards Oversight Board (ELTE) and Law 4449/2017 regarding statutory audits.

KPMG Certified Auditors AE partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations and independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide statutory audit services to a client, followed by a 'time-out' period during which 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 or in any way influence the outcome of the audit.

KPMG Certified Auditors AE monitors the rotation of audit engagement leaders (and any other key roles such as the Key Audit Partner and EQC Reviewer, where there is a rotation requirement) and develops transition plans to enable

allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients. The partner rotation monitoring is subject to compliance testing.

##### **Firm rotation**

Under the new EU Audit legislation, KPMG Certified Auditors AE is required to act as an auditor for a public interest entity for a maximum period of ten years and not to act as auditor for such clients for a period of four years thereafter (referred to as the 'cooling-off period'). KPMG Certified Auditors AE has processes in place to track and manage audit firm rotation.

### **4.4 Recruitment, development and assignment of appropriately qualified personnel**

One of the key drivers of quality is ensuring that our professionals have the appropriate skills and experience, passion and purpose, to deliver the highest quality in audit. This requires appropriate recruitment, development, promotion, retention and assignment of professionals. KPMG Global behaviors, which are linked to the KPMG Values, are designed to articulate what is required for success – both individually and collectively. One of KPMG's global behaviors is 'Delivering Quality'.

#### **4.4.1 Recruitment**

KPMG Certified Auditors AE and its sub-licensees strive to be an employer of choice by creating an environment where our people can fulfil their potential and feel proud and motivated to give their best.

Our recruiting strategies are focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools.

KPMG Certified Auditors AE and its sub-licensees also recruit experienced and partner level professionals.

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

KPMG Certified Auditors AE and its sub-licensees recruited 82 new people in the year ended 30 June 2018 (30 June 2017: 142) analyzed by function as follows:

Function	Recruitments 30 June 2018	Recruitments 30 June 2017
<b>Audit</b> (KPMG Certified Auditors AE - member firm of KPMG)	6	38
<b>Advisory</b>	50	37
<b>Tax</b>	22	55
<b>Central services</b>	4	12
<b>Total</b>	<b>82</b>	<b>142</b>

Where individuals are recruited for senior grades, an independence discussion is conducted with them by the Ethics and Independence Partner or a delegate. KPMG Certified Auditors AE and its sub-licensees do not accept any confidential information belonging to the candidate's former firm/employer.

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

#### 4.4.2 Personal development

It is important that all our professionals have the necessary business and leadership skills in addition to technical skills to be able to perform quality work (see section 4.5.1).

In relation to audit, opportunities are provided for professionals to develop the skills, behaviors and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership and business skills.

KPMG Certified Auditors AE and its sub-licensee professionals are also developed for high performance through access to coaching and mentoring on the job, stretch assignments and country rotational and global mobility opportunities.

#### 4.4.3 Inclusion and Diversity programs

KPMG Certified Auditors AE and its sub-licensees work hard to foster an inclusive culture. Being inclusive enables us to bring together successful teams with the broadest range of skills, experiences and perspectives.

Our leadership and management teams also need to reflect

the diversity within our firm and the diversity of our clients.

We believe that the established Global Inclusion and Diversity strategy of KPMG International provides the framework to drive the actions that are necessary to promote inclusive leadership at KPMG Certified Auditors AE and its sub-licensees and across the KPMG network.

#### 4.4.4 Performance and Reward

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

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

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

KPMG Certified Auditors AE and its sub-licensees monitor quality and compliance incidents and maintain quality metrics in assessing overall evaluation, promotion and remuneration of partner and certain personnel. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

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

Performance ratings are awarded following a robust calibration process to effectively address rating inconsistencies and ensure fairness in the rating process.

#### Reward

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

The results of the annual performance evaluation directly affect the compensation of personnel, including partners and in some cases, their continued association with the firm. This is achieved through our global performance development process, which is supported by a web-based application.

Reward decisions are based on consideration of both individual and organizational (member firm) performance. The extent to which our people feel their performance has been reflected in their reward is measured through the Global People Survey, with action plans developed accordingly (refer to section 4.4.6) below.

## Promotion

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

## Partner admissions

Admission to partnership is through an Assessment Center process. Such process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. Our criteria for admission to the KPMG Certified Auditors AE and its sub-licensee partnership are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice. These are strongly aligned to KPMG's behavioral capabilities and are based on consistent principles.

Each candidate for the partnership, whether via potential direct-entry hire or internal nomination, is nominated by an existing partner, approved by the Function Head and then undergoes a series of tests and interviews by an appropriate committee. Furthermore, the Partner in Charge of the Ethics and Compliance Group coordinates a comprehensive compliance review for each partner candidate. Once accepted the senior partner proposes the individuals for admission to partnership to the meeting of all existing partners and if the partners approve, the individuals are admitted to partnership.

### 4.4.5 Assignment of professionals

KPMG Certified Auditors AE and its sub-licensees have procedures in place to assign both the engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience and the nature of the assignment or engagement.

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 (that is, the engagement team composition and specialist involvement).

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 KAM, professional standards, and applicable legal and regulatory requirements. This may include involving specialists from our own firm or other KPMG member firms.

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

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

As an additional control in Audit (where the services are more of a recurring nature than across much of the rest of our business), our Head of Audit performs an annual review of the portfolio of all of our audit engagement partners. The purpose of this portfolio review is to look at the complexity and risk of each audit and then to consider whether or not taken as a whole the specific engagement partner has the appropriate time and the right support to enable them to perform a high-quality audit for each client in their portfolio.

### 4.4.6 Insights from our people – Global People Survey (GPS)

Biannually KPMG Certified Auditors AE and its sub-licensees invite all their people to participate in an independent Global People Survey which measures their overall level of engagement with the firm. The GPS provides an overall Employee Engagement Index (EEI) and a Performance Excellence Index (PEI) as well as insights into areas driving engagement which may be strengths or opportunities. The survey also identifies opportunities to strengthen those

levels of engagement. Results can be analyzed by functional or geographic area, grade, role etc., to provide additional insight. Additional insight is provided on how we are faring on categories known to impact employee engagement.

The survey also specifically provides leadership with information on employee and partner attitudes to quality, leadership and tone at the top,

KPMG Certified Auditors AE and its sub-licensees participate in the GPS, monitor results and take appropriate actions to communicate and respond to the findings of the survey.

This includes monitoring GPS results including those related to audit quality and tone at the top, referred to in the GPS as 'leadership', and employee engagement through the EEI, and performance excellence through the PEI.

The results of the GPS are also aggregated for the KPMG network and are presented to the Global Board each year and appropriate follow-up actions agreed.

## 4.5 Commitment to technical excellence and quality service delivery

All KPMG Certified Auditors AE and its sub-licensee professionals are provided with the technical training and support they need. This includes access to networks of specialists and the professional practice department, which are made up of senior professionals with extensive experience in audit, reporting and risk management, either to provide resources to the engagement team or for consultation. Where the right resource is not available within KPMG Certified Auditors AE and its sub-licensees, access is provided to a network of highly skilled KPMG professionals in other KPMG member firms.

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

### 4.5.1 Lifetime learning strategy

In addition to personal development discussed in the section above, our lifetime learning strategy is underpinned by policies requiring all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

### Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering

groups at the global and regional level and, where applicable, KPMG Certified Auditors AE. Training is delivered using a blend of classroom, e-digital learning and performance support to assist auditors on the job. Audit Learning and Development teams work with subject matter experts and leaders from the GSC, the ISG and member firm Department of Professional Practice (DPP), as appropriate, to ensure the training is of the highest quality, is relevant to performance on the job and is delivered on a timely basis.

### Mentoring and on the job training

Learning is not confined to the classroom – rich learning experiences are available when needed through coaching and just-in-time learning, available at the click of a mouse and aligned with job specific role profiles and learning paths. All classroom courses are reinforced with appropriate performance support to assist auditors on the job.

In relation to audit, KPMG Certified Auditors AE:

- Deploys a variety of learning solutions that are designed to reinforce our Values and ensure our professionals get the fundamentals right, and develop the necessary skills and attitudes to make judgments, and apply professional skepticism that enhance audit quality and the value of audit.
- Provide instructor-led and virtual classroom training, performance support tools, coaching guides and just-in-time learning. Guidance is available on judgmental audit topics – this is used by audit teams and this guidance is embedded across audit learning solutions.
- Have also developed professional judgment tools, designed to reinforce the importance of independence and objectivity and to assist engagement teams in demonstrating professional skepticism.
- Provide courses to enhance professional effectiveness and develop leadership and business skills. Our personnel are developed further for high performance through coaching and mentoring on the job, stretch assignments and country rotational and global mobility opportunities.

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

#### Licensing

All KPMG Certified Auditors AE professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development (CPD) requirements in the jurisdiction where they practice. Policies and procedures are designed to facilitate compliance with

license requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience in the local predominant financial reporting framework.

Specifically, audit professionals responsible for signing audit reports are required to meet the requirements of the Institute of Certified Auditors and Accountants and the Accounting and Auditing Standards Oversight Board (ELTE) in Greece as well as the requirements of Law 4449/2017.

KPMG Certified Auditors AE is authorized by the Accounting and Auditing Standards Oversight Board (ELTE) in Greece as registered Auditors and is licensed to carry out audit work.

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

In addition, we have specific requirements for partners and managers working on IFRS engagements in countries where IFRS is not the predominant financial reporting framework. Similar policies apply to engagements performed outside the U.S. to report on financial statements or financial information prepared in accordance with U.S. GAAP and/or audited in accordance with U.S. auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR). These require that the partner, manager and EQC reviewer have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

#### **4.5.3 Access to specialist networks**

KPMG Certified Auditors AE engagement teams have access to a network of local KPMG specialists as well as specialists in other KPMG member firms. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills.

The need for specialists (e.g. Information Technology, Tax, Treasury, Actuarial, Forensic, Valuation) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process. Specialists who are members of an audit team and have overall responsibility for specialist involvement on an audit engagement have the competencies, capabilities and objectivity to appropriately fulfil their role. Training on audit concepts is provided to these specialists.

#### **4.5.4 Consultation**

KPMG Certified Auditors AE promotes a culture in which consultation is recognized as a strength and that encourages

personnel to consult on difficult or contentious matters. To assist audit engagement professionals in addressing difficult or contentious matters, protocols have been established for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, our Global Q&RM Manual includes mandatory consultation requirements where certain matters are identified such as concerns over client integrity.

Appropriate consultation support is provided to audit engagement professionals through our professional practice resources.

Auditing and technical accounting support is available to all member firms and their professionals through the GSC and the ISG as well as the US Capital Markets Group for SEC foreign registrants. Internal consultation is a fundamental contributor to quality and is mandated in certain circumstances and always encouraged.

Across KPMG Certified Auditors AE, the Role of DPP is crucial in terms of the support that it provides to the Audit Function. It provides technical guidance to client service professionals on specific engagement related matters, develops and disseminates specific topic related guidance on emerging local technical and professional issues and disseminates international guidance on IFRS and ISA.

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

The ISG also supports the following groups to facilitate information sharing between the DPP network, and to ensure sector-specific issues are dealt with proactively:

- The Global ISA Panel, chaired by the Global Audit Quality and Risk Management Partner includes senior DPP partners from key member firms and is responsible for monitoring the development of ISA guidance and the development of response letters to the International Auditing and Assurance Standards Board (IAASB) and/or regulators
- Global Topic Teams, which formulate guidance on IFRS accounting and reporting practice on sector specific or specific technical areas and act as central contact points for their regions/home practices in identifying and addressing issues related to relevant topics
- The Global IFRS Panel is responsible for monitoring

the development of IFRS guidance and response letters to the International Accounting Standards Board and/or regulators by the ISG and the Topic Teams. The panel is chaired by the Global IFRS Leader and includes global IFRS topic leaders.

### **Global Services Centre (GSC)**

The GSC develops, maintains and deploys KPMG's global audit methodology and technology-based tools used by KPMG audit professionals to facilitate effective and efficient audits.

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

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

Further details about the GSC and ISG and its activities are available in the KPMG International Transparency Report *KPMGI Transparency Report*.

#### **4.5.5 Developing business understanding and industry knowledge**

A key part of quality is having a detailed understanding of the client's business and industry.

For significant industries global audit sector leads are appointed to support the development of relevant industry information, which is made available to audit professionals within eAudIT. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes). In addition, industry overviews are available which provide general and business information in respect of particular industries, as well as a summary of the industry knowledge provided in eAudIT.

## **4.6 Performance of effective and efficient audits**

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

### **4.6.1 KPMG Audit Process**

Our audit workflow is enabled through eAudIT, KPMG International's activity based workflow and electronic audit

file. eAudIT integrates the KPMG audit methodology, guidance and industry knowledge and the tools needed to manage audits consistently. The KPMG high-quality audit process includes:

- Timely partner and manager involvement
- Timely access to the right knowledge – specialists, accredited individuals and relevant industry expertise
- Critical assessment of audit evidence – exercise of professional judgment and professional skepticism
- Ongoing mentoring, supervision and review
- Appropriately supported and documented conclusions
- Robust challenge and review, including EQC review.

#### **4.6.1.1 Timely partner and manager involvement**

To help identify and respond to the significant audit risks applicable to each audit, the engagement team requires an understanding of the client's business, its financial position and the environment in which it operates.

The engagement partner is responsible for the direction, supervision and performance of the engagement and therefore responsible for the overall quality of the audit engagement.

Involvement and leadership from the engagement partner during the planning process helps set the appropriate scope and tone for the audit, and helps the engagement team obtain maximum benefit from the partner's experience and skill. Timely involvement of the engagement partner at other stages of the engagement allows the engagement partner to identify and appropriately address matters significant to the engagement, including critical areas of judgment and significant risks.

The engagement partner is responsible for the final audit opinion and reviews key audit documentation. In particular, documentation relating to significant matters arising during the audit and conclusions reached. The engagement manager assists the engagement partner in meeting these responsibilities and in the day-to-day liaison with the client and team, building a deep business understanding that helps the partner and team deliver valued insights.

#### **4.6.1.2 Critical assessment of audit evidence with emphasis on professional skepticism**

We consider all audit evidence obtained during the course of the audit, including consideration of contradictory or inconsistent audit evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We critically assess audit evidence obtained from all sources. For the purpose of obtaining sufficient appropriate audit evidence each team member is required to exercise

# Environment

professional judgment and maintain professional skepticism throughout the audit engagement.

Professional skepticism involves a questioning mind and alertness to contradictions or inconsistencies in audit evidence. Professional skepticism features prominently throughout auditing standards and receives significant focus from regulators. The KPMG Audit Quality Framework emphasizes the importance of maintaining an attitude of professional skepticism throughout the audit.

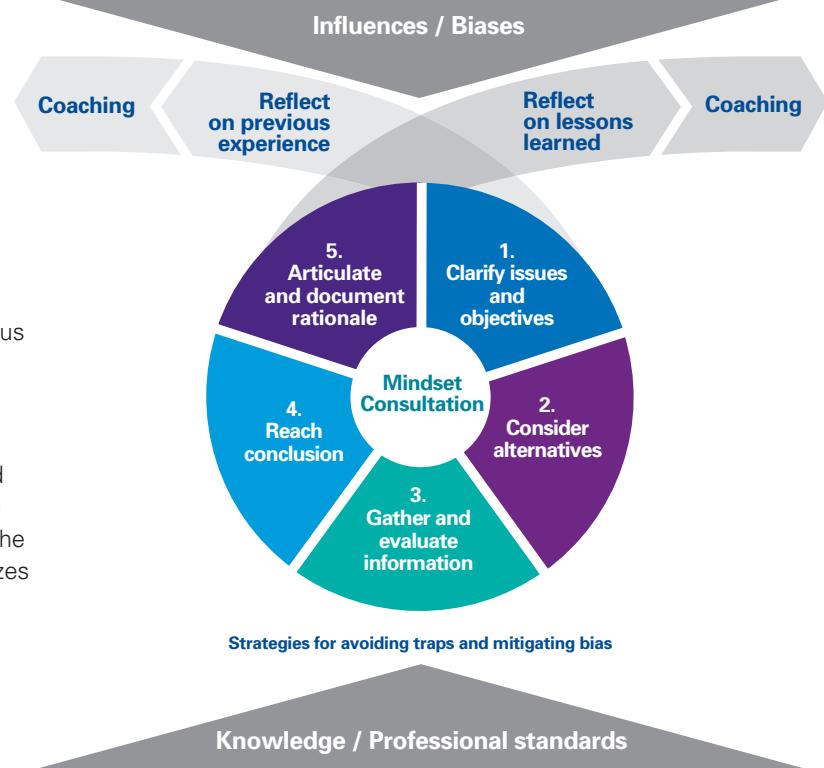
The KPMG professional judgment process facilitates good judgment by introducing a structured approach to auditing areas that require significant judgment. It also reinforces the importance of independence and objectivity and emphasizes the importance of having the right mindset – the need to apply professional skepticism.

Our professional judgment process recognizes the need to be aware of, and alert to, biases which may pose threats to good judgment. The structured approach to auditing areas that require significant judgment involves:

- Considering alternatives
- Critically assessing audit evidence by challenging management's assumptions and following up contradictory or inconsistent information
- Documenting the rationale for conclusions reached on a timely basis as a means of evaluating their completeness and appropriateness.

The use of the professional judgment process and the application of professional skepticism is reinforced through coaching and training, acknowledging that judgment is a skill developed over time and with difficult experiences.

Professional judgment training has been embedded in our core Audit Technical training program for junior professionals as well as being included in our periodic and annual update training for qualified and experienced professionals and partners.



### 4.6.1.3 Ongoing mentoring, supervision and review

We understand that skills build over time and through exposure to different experiences. To invest in the building of skills and capabilities of KPMG professionals, without compromising on quality, KPMG Certified Auditors AE promotes a continuous learning environment and supports a coaching culture.

The engagement partner, supported by the engagement manager, is responsible for driving a culture of coaching and continuous learning throughout the audit process and setting an example in the performance of the audit to drive a culture of continuous audit quality improvement.

Ongoing mentoring, coaching and supervision during an audit involves:

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

A key part of effective mentoring and supervision is timely

review of the work performed so that significant matters are promptly identified, discussed and addressed.

#### **4.6.1.4 Appropriately supported and documented conclusions**

KPMG Certified Auditors AE uses the KAM and KPMG International's electronic audit tool, eAudit, to provide guidance, mechanisms for and documentation of, the supervision and control of the audit engagement. Audit documentation records the audit procedures performed, evidence obtained and conclusions reached on each audit engagement. KPMG policies require review of documentation by more experienced engagement team members.

KAM recognizes that documentation prepared on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before our report is finalized.

Engagement teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is ordinarily not more than 60 calendar days from the date of the auditors' report but may be more restrictive under certain applicable regulations.

The key principle that engagement team members are required to consider when preparing audit documentation is whether an experienced auditor, having no previous connection with the engagement, will understand:

- The nature, timing and extent of audit procedures performed to comply with the ISAs, KAM and other requirements
- Applicable legal and regulatory requirements
- The results of the procedures performed and the audit evidence obtained
- Significant findings and issues arising during the audit, and actions taken to address them (including additional audit evidence obtained)
- The basis for the conclusions reached and significant professional judgments made in reaching those conclusions.

#### **4.6.1.5 Appropriate involvement of the EQC reviewer**

EQC reviewers are independent of the engagement team and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

An EQC reviewer is required to be appointed for audits,

including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the risk management partner or country head of audit.

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

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

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

KPMG Certified Auditors AE is continually seeking to strengthen and improve the role that the EQC reviewer plays in audits, as this is a fundamental part of the system of audit quality control. In recent years, a number of actions have been taken to reinforce this, including:

- Issuing leading practices guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers
- Incorporating specific procedures in eAudit to facilitate effective reviews
- Implementing policies relating to recognition, nomination and development of EQC reviewers, as well as monitoring and assessing the nature, timing and extent of their involvement.

#### **4.6.1.6 Reporting**

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

In preparing auditors' reports, engagement partners have access to extensive reporting guidance and technical support through consultations with our DPP, especially where there are significant matters to be reported to users of the auditors' report (e.g. a modification to the opinion or through

the inclusion of an 'emphasis of matter' or 'other matter' paragraph, as well as key audit matters to be communicated).

Effective for December 2017 year ends onward in compliance with the new IAASB requirements and local legal and regulatory requirements, we have enhanced auditor reporting for those auditors' reports prepared under the ISAs. The changes in auditors' reporting gives users more insight into the audit and improve transparency.

#### **4.6.1.7 Insightful, open and honest two-way communication**

Two-way communication with those charged with governance, often identified as the audit committee, is key to audit quality and is a key aspect of reporting and service delivery.

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

Communications with audit committees include:

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

We ensure such communications meet the requirements of professional standards.

#### **Audit Committee Institute**

In recognition of the demanding and important role that audit committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, our 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 40 countries across the globe and

provides audit committee members with authoritative guidance (such as the ACI Audit Committee Handbook) 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.

#### **4.6.1.8 Focus on effectiveness of group audits**

The KPMG audit methodology covers the conduct of group audits in detail. We stress the importance of effective two-way communication between the group engagement team and the component auditors which is key to audit quality. The group audit engagement partner is required to evaluate the competence of component auditors, irrespective of whether they are KPMG member firms, as part of the engagement acceptance process.

Consistent methodology and tools are used across the KPMG network. Lead audit engagement partners are provided with information on component auditors within the KPMG network to help them evaluate their competence and capabilities. In addition, for PCAOB engagements, the results of relevant inspections related to the KPMG component member firms are made available to the lead audit engagement partner.

Lead audit engagement partners may review component auditor engagement documentation in person or obtain electronic access.

Additional guidance, training and material has been issued in this area as follows:

- eAudIT includes guidance and functionality based on revised ISA 600 for group audit engagements and heightened attention is being given to key risk areas for group audits, for example emerging markets and business environments that may be subject to heightened fraud risk
- Training for partners and managers for 2017 reinforced key principles and requirements about the responsibility of the group engagement team for the work undertaken by component auditors.

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

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

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

We have clear policies on information security that cover a wide range of areas. Data Privacy policies are in place governing the handling of personal information and associated training is required for all KPMG Certified Auditors AE and its sub-licensees' personnel.

## 4.7 Commitment to continuous improvement

We commit to continually improve the quality, consistency and efficiency of our audits. Integrated quality monitoring and compliance programs enable member 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 member firm's system of quality control. KPMG International's integrated quality and monitoring programs include the Quality Performance Review (QPR) program, the Risk Compliance Program (RCP) and the Global Compliance Review (GCR) program.

The quality monitoring and compliance programs are globally administered and consistent in their approach across member firms, including the nature and extent of testing and reporting. KPMG Certified Auditors AE compares the results of its internal monitoring programs with the results of those of any external inspection programs and take appropriate action.

### 4.7.1 Internal monitoring and compliance programs

Our monitoring programs evaluate both:

- Engagement performance in compliance with the applicable standards, applicable laws and regulation and KPMG International policies and procedures
- KPMG Certified Auditors AE and its sub-licensee's compliance with KPMG International policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

The results and lessons from the integrated monitoring programs are communicated internally and the overall results and lessons from the programs are considered and appropriate action is taken at local, regional and global levels. Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented and operates effectively.

Two KPMG International developed and administered inspection programs are conducted annually across the Audit, Tax and Advisory functions, namely: QPR and RCP.

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

#### 4.7.1.1 Audit Quality Performance Reviews (QPRs)

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

##### Risk-based approach

Each engagement leader is reviewed at least once in a three-year cycle. A risk-based approach is used to select engagements.

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

##### Reviewer selection, preparation and process

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

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

##### Evaluations from Audit QPR

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

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

## Reporting

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

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

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

The QPR review which was carried out in May 2018 and completed in August 2018, did not identify any issues considered to have a material effect on the conduct of the firm's accounting and auditing practice.

### 4.7.1.2 Risk Compliance Program (RCP)

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

The objectives of the RCP are to:

- Monitor, document and assess the extent of compliance of KPMG Certified Auditors AE and its sub-licensees' system of quality control with Global Quality & Risk Management policies and key legal and regulatory requirements relating to the delivery of professional services.
- Provide the basis for KPMG Certified Auditors AE and its sub-licensees to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

Where deficiencies are identified, we are required to develop appropriate action plans.

The RCP review, which was carried out during the period May 2018 through August 2018, did not identify any issues considered to have a material effect on the conduct of the firm's risk management practice.

### 4.7.1.3 Global Compliance Review (GCR) Program

Each member firm is subject to a GCR conducted by KPMG International's GCR team, independent of the member firm, at least once in a 3-year cycle.

The GCR provides independent oversight of our assessment of our system of quality control, including:

- Our commitment to quality and risk management (tone at the top) and the extent to which the overall structure, governance and financing support and reinforce this commitment
- The completeness and robustness of our RCP.

The GCR team performing the reviews is independent of KPMG Certified Auditors AE and its sub-licensees, objective and knowledgeable of Global Quality and Risk Management policies.

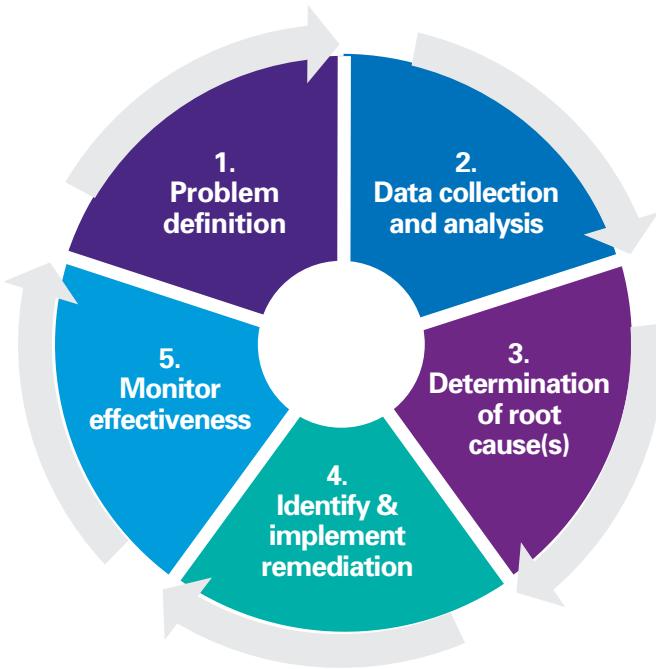
We develop action plans to respond to all GCR findings and agree these with the GCR team. Our progress on action plans is monitored by the GCR central team. Results are reported to the Global Quality & Risk Management Steering Group (GQRMSG) and, where necessary, to appropriate KPMG International and regional leadership, to help ensure timely remedial actions taken by the member firm.

Greece was subject to a GCR review in the year ended 30 June 2016. The GCR review was conducted in May 2016 and no major issues were identified.

### 4.7.1.4 Root Cause Analysis (RCA)

KPMG Certified Auditors AE performs root cause analysis to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of our continuous improvement. In 2017, RCA training based on our Global RCA 5-Step Principles was attended by those individuals at KPMG Certified Auditors AE who will be performing RCA or directing those performing RCA. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA).

The Global RCA 5 Step Principles are as follows:



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

KPMG Certified Auditors AE's Head of Audit is responsible for the development and implementation of action plans as a result of RCA including identification of solution owners. The Risk Management Partner monitors their implementation.

#### 4.7.2 Recommendations for improvements

At a global level, through the GAQIC and the GQRMSG, KPMG International reviews the results of the quality monitoring programs, analyzes member firm root causes and action plans and develops additional global actions as required.

The GAQIC considers network-wide issues arising from internal quality control reviews and external inspections, monitors progress being made in addressing audit quality issues and makes recommendations to the Global Audit Steering Group (GASG) on audit quality issues.

To date, Global remediation plans developed by KPMG International aimed at changing culture and behavior across the KPMG network and at driving consistent engagement team performance within KPMG member firms. The remediation plans have been implemented through the development of global training, tools and guidance to drive consistency, ensure the fundamentals are right and that best

practice is shared across the network.

#### 4.7.3 External feedback and dialogue

##### Regulators

In Greece the Accounting and Auditing Standards Oversight Board (ELTE) has been carrying out independent inspections for a number of years.

The Accounting and Auditing Standards Oversight Board (ELTE) carried out an ISQC 1 compliance review in October 2009. In addition, a review was carried out by the Institute of Certified Auditors and Accountants in Greece in November 2010. None of these prior year external inspections have identified any issues that have a material impact on the conduct of our statutory audit business. In 2014 a follow-up ISQC 1 compliance review and a quality review was carried out by the Accounting and Auditing Standards Oversight Board (ELTE) which did not result in any material findings.

The Institute of Certified Auditors and Accountants in Greece completed their work on the 2016 inspection of KPMG Certified Auditors AE in November 2016 and no issues have been identified that have a material impact on the conduct of our statutory audit business.

KPMG Certified Auditors AE is registered with the Public Company Accounting Oversight Board (PCAOB) and as such is accredited to carry out audits for companies listed in the United States. We have not had any inspections from the US PCAOB to date.

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) to discuss audit quality findings and actions taken to address such issues at a network level.

In Greece, our firm has regular two-way communication with our local regulator, the Accounting and Auditing Standards Oversight Board (ELTE), to discuss regulatory changes and any other matters relevant to our audit business.

##### Client feedback

We proactively seek feedback from clients through in-person conversations and third-party surveys to monitor their satisfaction with services delivered. We endeavor to take this feedback and make dynamic changes at both the engagement level and firm level to meet clients' needs. Any actions arising from client feedback are followed up by the Head of Audit or a designated partner by the Operations Committee to ensure that concerns on quality are dealt with on a timely basis and the respective feedback is provided to the engagement partner.

The gross revenues of KPMG Certified Auditors AE and its sub-licensees for the financial year ended 30 June 2018, derived from its 2018 books and records of each entity, are analyzed as follows:

**Segment Reporting for 30 June 2018 and 30 June 2017**

(The amounts are in thousands of Euro)

Services	Revenues 30 June 2018	Revenues 30 June 2017
<b>Statutory Audit of Annual and Consolidated Financial Statements Services</b>	6 873	8 885
<b>Assurance Services</b>	5 371	6 015
<b>Total Revenue of KPMG Certified Auditors AE</b>	<b>12 244</b>	<b>14 900</b>
<b>Tax Services</b>	7 875	6 608
<b>Legal Services</b>	440	643
<b>Advisory Services</b>	15 994	11 681
<b>Total Revenue of sub-licensees of KPMG Certified Auditors AE</b>	<b>24 309</b>	<b>18 932</b>
<b>Total Revenue of KPMG Certified Auditors AE and its sub-licensees</b>	<b>36 553</b>	<b>33 832</b>
Services	Revenues 30 June 2018	Revenues 30 June 2017
<b>Statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity</b>	5 815	8 006
<b>Statutory audit of annual and consolidated financial statements of other entities (non-public-interest entities)</b>	6 429	6 894
<b>Total Revenue of KPMG Certified Auditors AE</b>	<b>12 244</b>	<b>14 900</b>
<b>Permitted non-audit services to audited entities</b>	1 628	3 252
<b>Non-audit services to non-audited entities</b>	22 681	15 680
<b>Total Revenue of KPMG Certified Auditors AE and its sub-licensees</b>	<b>36 553</b>	<b>33 832</b>

Revenues are reported gross, inclusive of expenses incurred in the performance of audits. Gross revenues include amounts paid to other KPMG member firms who have assisted in the performance of statutory audits, also including any KPMG member firms located outside of the EU/EEA.





Remuneration of partners is determined by the senior partner in consultation with appropriate operations' committee members, based on the objectives set for each partner on a number of matters relevant to their role in the group. These include quality of work, excellence in client service, growth in revenue and profitability, leadership and living the Values of KPMG Certified Auditors AE and its sub-licensees. Audit partner remuneration setting takes no account of the level of non-audit services provided to the partner's audit clients.

Specifically, there are three elements to partner remuneration:

- Base component - fixed amount as a base component
- Performance related bonus - rewards performance in the year by each partner against individual objectives
- Profit share - a share of residual profits not retained for future investment in the business.

## 7.1 Legal Structure

The independent member firms of the KPMG network (including KPMG Certified Auditors AE and its sub-licensees) are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law.

KPMG International carries on business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients.

Professional services to clients are exclusively provided by member firms.

One of the main purposes of KPMG International is to facilitate the provision by member firms of high-quality Audit, Tax and Advisory services to their clients. For example, KPMG International establishes and facilitates the implementation and maintenance of uniform policies, standards of work and conduct by member firms, and protects and enhances the use of the KPMG name and brand.

KPMG International is an entity that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

More information about the KPMG network can be found in the 2017 International Annual Review Report [2017 International Annual Review Report](#).

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

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

Aggregated revenues generated by KPMG audit firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was Euro 2.7 billion during the year ended 30th September 2017.

An updated statement of aggregated EU/EEA statutory audit revenues for the year ended 30th September 2018 will be available within Appendix 2 to the 2018 KPMG International Transparency Report, also to be published in December 2018 on [kpmg.com](#). The aggregated EU/EEA statutory audit

revenue figures are presented to the best extent calculable and translated at the average exchange rate prevailing in the year ended 30th September 2017 (and 30th September 2018 for the updated numbers to be published in the KPMG International Transparency Report).

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

## 7.2 Responsibilities and obligations of member firms

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

Each member firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG Values.

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

## 7.3 Professional Indemnity Insurance

A substantial level of insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis and is principally written through a captive insurer that is available to all KPMG member firms.

## 7.4 Governance structure

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

### Global Council

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit that KPMG International has no share capital and, only has members, not shareholders).

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 58 member firms that are "members" of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

### Global Board

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG International and approving policies and regulations. It also admits member firms.

The Global Board includes the Global Chairman, the Chairman of each of the three regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East and Africa (EMA)) and a number of senior partners of member firms.

It is led by the Global Chairman, who is supported by the Executive Committee, consisting of the Global Chairman, the Chairman of each of the regions and currently four other senior partners of member firms. The list of Global Board members, as at 1 October 2017 is available in the International Annual Review [2017 International Annual Review Report](#).

One of the other Global Board members is elected as the lead director by these Global Board members who are not also members of the Executive Committee of the Global Board ("non-executive" members). A key role of the lead director is to act as a liaison between the Global Chairman and the "non-executive" Global Board members.

### Global Management Team

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing global strategy by working together with the Executive Committee. The Global Management Team also supports the member firms in their execution of the global strategy and is responsible for holding them accountable for commitments.

It is led by the Global Chairman and includes the Global Chief Operating Officer, the Global Chief Administrative Officer, global function and infrastructure heads and the General Counsel.

The list of Global Management Team members, as at 1 October 2017, is available in the International Annual Review [2017 International Annual Review Report](#).

### Global Steering Groups

The Global Steering Groups work closely with regional and member firm leadership to:

- Establish and communicate appropriate audit and quality/risk management policies
- Enable effective and efficient risk processes to promote audit quality
- Proactively identify and mitigate critical risks to the network.

The Global Steering Groups act under the oversight of the Global Management Team. The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in Appendix 1 to the KPMG International Transparency Report [KPMGI Transparency Report](#).

Each member 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 or Executive Officer, representation from any sub-regions and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in the implementation of KPMG International's policies and processes within the region.

Further details about KPMG International including the governance arrangements, can be found in Appendix 1 to the KPMG International Transparency Report, which is available at [KPMGI Transparency Report](#).

## 7.5 Area Quality & Risk Management Leaders

The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders who:

- Assess the effectiveness of a member firm's quality and risk management efforts to identify and mitigate significant risks to the member firm and network, and actively monitor alignment with global quality and risk management strategies and priorities
- Share leading best practices in quality and risk management
- Report to Global Head of Quality, Risk and Regulatory.

# Statement by the Board of Directors of KPMG Certified Auditors AE on the effectiveness of quality controls and independence

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

The Board of KPMG Certified Auditors AE has considered:

- The design and operation of the quality control systems as described in this report;
- the findings from the various compliance programs operated by our firm (including the KPMG International Review Programs as described in section 4.7.1 and our local compliance monitoring programs); and
- findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of this evidence together, the Board of Directors of KPMG Certified Auditors AE confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 30 June 2018.

Further, the Board of Directors of KPMG Certified Auditors AE confirms that an internal review of independence compliance within our firm has been conducted in the year to 30 June 2018.

**Aspasia Ermioni Kyriacou**  
*Chairwoman and Managing Director*



## A.1 Public Interest Entities

The list of public interest entity audit clients for which KPMG Certified Auditors AE has signed an audit/review opinion in the year ended 30 June 2018 is given below. The definition of public interest for this purpose is that given under the provisions of Law 4449/2017 and EU Directive 2014/56/EU, where an EU public interest entity is an issuer whose transferable securities are admitted to trading on a regulated market in the European Union and the audit of which is a statutory audit within the meaning of Law 4449/2017, as well as banks and insurance companies whose transferable securities are not admitted to trading on a regulated market in the European Union.

Attica Bank A.T.E. (1)

Karelia Tobacco Company Inc. A.E. (1)

Athens Medical Center E.A.E. (1)

Allianz Mutual Funds (3)

Greek Organisation of Football Prognostics A.E. (OPAP) (1)

Allianz Hellas Insurance Company S.A. (2)

Interasco A.E.G.A. (2)

Sfakianakis S.A. (1)

NN Hellenic Life Insurance Co. S.A. (4)

Agrotiki Insurance A.E. (4)

D.A.S. Hellas Insurance (4)

(1) Listed entity - statutory semi-annual (30 June 2017) and annual audit (31 December 2017)

(2) Non-listed entity - statutory annual audit (31 December 2017)

(3) Listed mutual funds – statutory semi-annual (30 June 2017) and annual audit (31 December 2017)

(4) Non-listed entity - statutory annual audit (31 December 2016)

## A.2 KPMG's Values

KPMG people work together to deliver value to clients. We believe strongly in a common set of shared values which guide our behavior when dealing with both clients and each other:

<b>We lead by example:</b>	At all levels we act in a way that exemplifies what we expect of each other and our clients.
<b>We work together:</b>	We bring out the best in each other and create strong and successful working relationships.
<b>We respect the individual:</b>	We respect people for who they are and for their knowledge, skills and experience as individuals and team members.
<b>We seek the facts and provide insight:</b>	By challenging assumptions and pursuing facts, we strengthen our reputation as trusted and objective business advisers.
<b>We are open and honest in our communication:</b>	We share information, insight and advice frequently and constructively and manage tough situations with courage and candor.
<b>We are committed to our communities:</b>	We act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities and protecting the environment.
<b>Above all, we act with INTEGRITY:</b>	We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.



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