



# Transparency report

KPMG in Indonesia

April 2019



[home.kpmg/id](http://home.kpmg/id)







**Tohana Widjaja**  
Managing Partner



**Budi Susanto**  
Head of Audit and Assurance

# Message from the leadership

Welcome to our first Transparency Report, where we outline the approach KPMG in Indonesia takes to governance and quality. This report enables us to share with our numerous stakeholders the paramount importance and care we place on delivering the best in audit quality.

With increasing demands and expectations, the auditors play a significant role in inspiring confidence and building the trust of our stakeholders. We take this very seriously and we recognize how it supports our ability to build a greater public trust and while positively contributing to society.

Despite the fast-changing environment, one thing that always remains significant is our relentless focus on audit quality. Everyone in our firm shares the same vision on this, and it is clearly reinforced by our top Leadership.

Audit quality is a business imperative but it needs to be grown and maintained in a suitable environment. We continually strive to build a workplace that enables our people to consistently and continuously grow and develop as professionals while at the same time being objective and impartial in how they carry out their work.

Underpinning our actions at KPMG is a common set of Values that are continually reinforced. These Values guide us when dealing with clients and colleagues alike, helping us to establish a culture where people act with integrity.

The auditing standards, accounting standards and legal requirements that we need to comply with are evolving and increasing. We have designed a strong and supportive learning and development program led by our Learning and Development Department to ensure that our people stay up to date and are able to deliver the best in audit quality.

To sustain and improve our level of quality, we have also put a proper monitoring program in place which enables us to effectively and efficiently identify any quality issues, identify the root cause and immediately implement a corrective action plan.



# Contents

<b>Who we are</b>	1
Our business	1
Our strategy	1
Our governance structure	1
<b>System of quality control</b>	3
Tone at the top	5
Association with the right clients	8
Clear standards and robust audit tools	10
Recruitment, development and assignment appropriately qualified personnel	12
Commitment to technical excellence and quality service delivery	16
Performance of effective and efficient audits	19
Commitment to continuous improvement	22
<b>Appendices</b>	25
A.1 Network arrangements	26
A.2 Our clients in Indonesian Stock Exchange	28
A.3 KPMG core values	29

# Who we<sup>1</sup> are

## Our business

KPMG in Indonesia is affiliated with KPMG International<sup>2</sup>, a Swiss cooperative which is a legal entity formed under Swiss law. Today, with more than 782 Indonesian and expatriate professionals, we are one of the largest professional services firms in Indonesia with a balanced mix of international and local clients.

We deliver Audit, Tax and Advisory services. Our audit and assurance services in Indonesia are delivered through Siddharta Widjaja & Rekan - Registered Public Accountants, License No.: 916/KM.1/2014 ("the Firm"). Full details of the services offered by us can be found on our website <http://www.home.kpmg/id/en/home>.

One of our key priorities is to have a respectful and trusted relationship with audit and other regulators as we have a common interest in building public trust by promoting audit quality and, in consequence, the health of the capital markets.

## Our strategy

Our strategy is set by our Executive Committee ("EXCOM"). It has determined that our overall ambition remains to be the number one multi-disciplinary professional services firm in Indonesia. We will lead the profession in Quality and Innovation, which will drive sustainable growth and address the regulatory and business imperative.

The EXCOM has determined that a commitment to quality is crucial. Audit quality ranks first at KPMG. The imperative to perform top-quality services is driven from the top by our leadership and is a critical part of our culture and values. In pursuit of this goal, we actively recruit extraordinary people, we strive to earn and maintain the trust of the public and, as a result, our clients perceive the differences that set us apart from our competitors. This is how we remain the Clear Choice in Audit.

## Our governance structure

The Firm is governed and managed by the Managing Partner, Deputy Managing Partner and EXCOM.

### The EXCOM

The EXCOM consists of the Managing Partner, Deputy Managing Partner, Head of Audit and Assurance, Head of Tax, Head of Advisory, Head of Quality and Risk, Head of Clients and Markets, and Head of People, Performance and Culture.

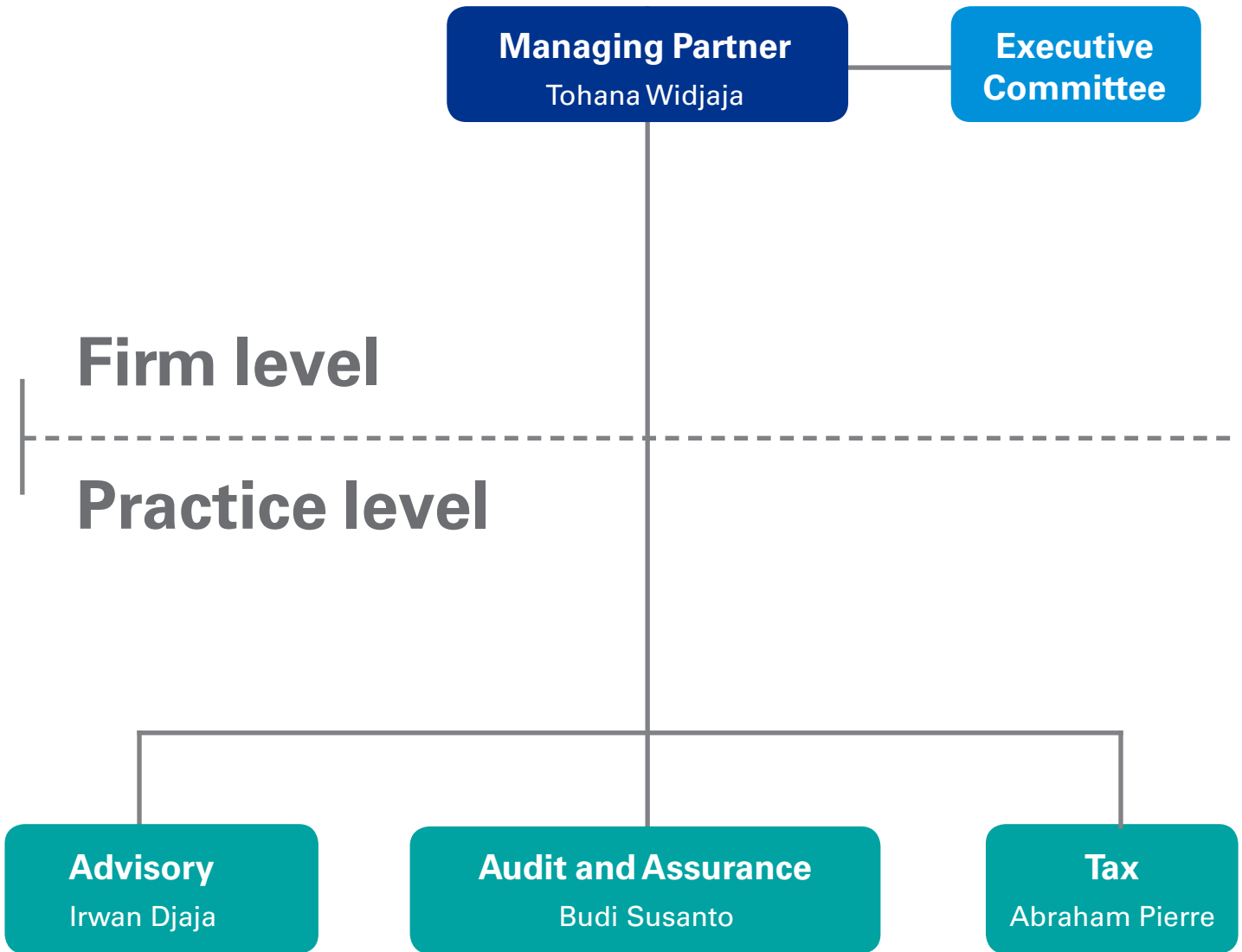
The EXCOM meets from time to time to undertake certain statutory duties for the Firm, including approving the annual financial statements and the transparency report.

The EXCOM is responsible for the long-term growth and sustainability of the Firm. It provides leadership to the organization, sets the Firm's strategy, oversees its implementation and monitors performance against our business plan.

1. Throughout this document, "KPMG" ("we", "our", "us", and "Firm") refers to KPMG in Indonesia

2. Further details about KPMG International and its business are set out in Appendix A.1.

# Our governance structure



# System of quality control

## 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 ("GORM") Manual available to all KPMG 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 engagements.

KPMG in Indonesia is required to implement KPMG International policies and procedures and also adopts additional policies and procedures that are designed to address rules and standards issued by local regulators 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 in Indonesia is required to implement changes specified in the email alerts and this is checked through internal monitoring.

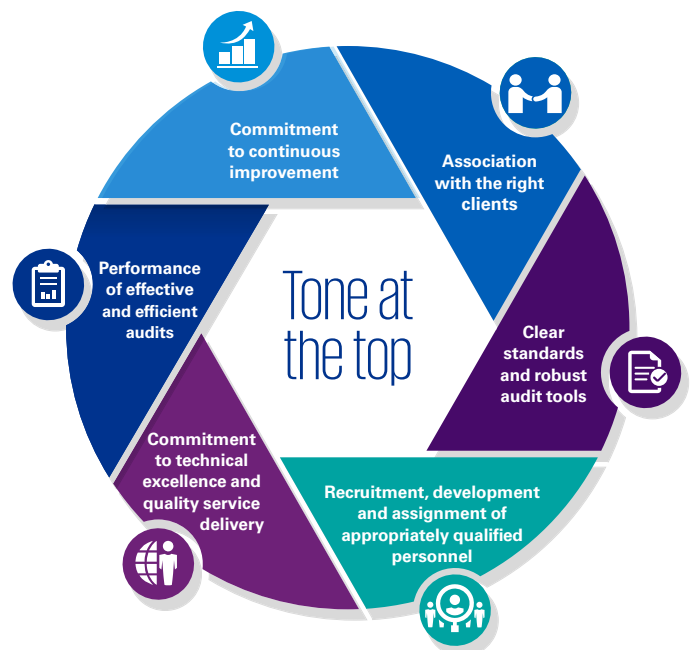
Quality control and risk management are the responsibility of all KPMG in Indonesia's personnel. This responsibility includes the need to understand and adhere to firm policies and associated procedures in carrying out their day-to-day activities. The system of quality control applies to all KPMG personnel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

While many KPMG's 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 in Indonesia 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 has developed the Audit Quality Framework. This framework uses a common language that is adopted by all KPMG member firms, including KPMG in Indonesia 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 create 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.





# KPMG approach to audit quality

## Tone at the top



Good governance



Audit quality in focus



Code of Conduct

## Right clients



Assess client

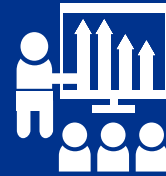


Independence and Capability



Portfolio management

## Technical excellence



102

Average training hours per person



Energy Plantations Food & beverage  
Real estate Retail  
Consumer and industrial markets Financial services

Industry experience



Consultation and support-  
EQCR, DPP, Methodology, Risk

## Our people

29

Audit partners and partner equivalents

15.5



Years of experience of audit partners and partners equivalents

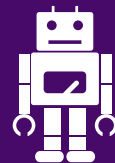
447

Audit staff

Secondees

More than 20 professionals  
in 6 countries

## Standards and tools



Technology



KPMG Audit Manual

## Performance



Exercise professional skepticism and judgement



Coaching

## Continuous improvement

159

Client satisfactory survey questionnaires were sent to Audit Clients

12

Audit clients interviewed

10

Engagements reviewed as part of KPMG Quality Performance Review ("QPR") program



No unsatisfactory result

Note: Data as of 30 June 2018

# Tone at the top

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 our entire firm.

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



**Good  
governance**



**Audit quality  
in focus**



**Code of  
Conduct**



## Our culture, values and Code of Conduct

KPMG's tone at the top provides a clear focus on quality through:

- **Culture, values and code of conduct** clearly stated and demonstrated in the way we work
- **Focused and well-articulated strategy** incorporating quality at all levels
- **Standards** set by our leadership
- **Governance structure and clear lines of responsibility for quality** skilled and experienced people in the right positions to influence the quality agenda.

# "Commitment to quality, ethics and integrity"

For us, integrity means constantly striving to uphold the highest professional standards in our work, providing sound advice to our clients and rigorously maintaining our independence and objectivity. Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG core value – we act with integrity. Our core values are further described in Appendix A.3.

## Leadership responsibilities for quality and risk management

While we stress that all professionals are responsible for quality and risk management, the following individuals and committee have leadership responsibilities.

### 1) Managing Partner ("MP") and Country Head of Audit and Assurance ("HOAA")

The MP oversees strategy implementation, protects and enhances the KPMG brand and oversees management of the Firm. KPMG International has outlined a fundamental system of quality control to all member firms so as to comply with ISQC 1. In accordance with the principles in Indonesian Standard of Quality Control 1 ("SQC 1") (equivalent to ISQC 1), at KPMG in Indonesia, the Country HOAA assumes ultimate responsibility for our system of quality control and is accountable for the quality of service delivered in the Audit Practice. The HOAA determines the operation of the risk management, quality assurance and monitoring procedures within the framework set by the Country Risk Management Partner ("RMP"). These procedures make it clear that at the engagement level, risk management and quality control is ultimately the responsibility of all professionals.

Our MP and the Country HOAA also actively participate in interactions with the ASEAN Audit Regulators Group ("AARG") to facilitate the consideration of audit quality matters across the region.

### 2) Country RMP

Operational responsibility for the system of quality control, risk management and compliance at KPMG in Indonesia has been delegated to the Country RMP, who is responsible for setting overall professional risk management and quality control policies and monitoring compliance across all business practices – Audit, Tax and Advisory. The Country RMP is supported by a team of professionals in each of the practices. The Country RMP has a seat on the EXCOM and has a direct reporting line to the MP.

Within the Audit Practice, the Country HOAA with the Country RMP are responsible for setting the framework for performance of high quality audits, including expected behaviors. They are committed to building a culture based on quality, integrity and ethics, demonstrated through their actions, written communications, presentations to teams and one-on-one discussions. The focus and consistency of their message is important to reinforce our commitment to audit quality.

**3) Department of Professional Practice (“DPP”)**

The role of DPP is crucial in terms of the support that it provides to the Audit Practice. The DPP, made up of senior professionals with extensive experience in audit and financial reporting and led by a partner, is the national center of technical excellence responsible for: conducting technical research, interacting with local and global professional standard-setters and regulators, and providing technical financial reporting and auditing guidance and support to our people in the field. The DPP works closely with Learning & Development (“L&D”) on technical training matters.

**Number of DPP professionals**

---



**30 June 2017    30 June 2018**

8

8

**4) Audit Quality Partner**

The Audit Quality Partner is responsible for assisting the Country HOAA and Country RMP to roll-out the compliance measures for the Audit Practice. At KPMG in Indonesia, the Audit Methodology and Deployment Partner takes this important role and works directly and closely with audit quality representatives identified by each business unit, communicates key audit quality messages and provides input into the development of national audit quality initiatives.

**5) Audit Methodology and Deployment Partner**

Our Audit Methodology and Deployment Partner disseminates to audit teams guidance and information relating to our interpretations of auditing standards and national initiatives to enhance quality, identify improvement opportunities and lead our methodology coaches.

# Association with the right clients

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



**Assess client**



**Independence  
and Capability**



**Portfolio  
management**

## Acceptance and continuance of clients and engagements

Rigorous client and engagement acceptance and continuance policies and processes are vital to our ability to provide high-quality professional services and to protect KPMG's reputation and support its brand.

Accordingly, KPMG International has established policies and procedures which all member firms<sup>3</sup> must implement in order to decide whether to accept or continue a client relationship, and whether to perform a specific engagement for that client.

## Prospective client and engagement evaluation process

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

When the engagement is for provision of audit services, additional risk assessment steps are undertaken. These include focusing on whether we are capable of delivering a quality audit, performing a review of any non-audit services provided to the client and any other relationship that may compromise audit independence.

If a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional and firm standards, or there are other quality and risk issues that cannot be appropriately mitigated, we will decline a prospective client or engagement.

## Continuance process

An annual re-evaluation of all audit clients and audit engagements is undertaken. In addition, clients and engagements are re-evaluated earlier if there is an indication that there may be a change in their risk profile. Recurring or long-running engagements are also subject to re-evaluation.

Where we are unable to deliver to our expected level of quality, or if we consider that it would not be appropriate to continue to be associated with the client, we will decline to continue to act for any client. We also use the re-evaluation to consider whether or not any additional risk management or quality control procedures need to be put in place for the next engagement.

## Client portfolio management

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

## Client confidentiality, information security, and data privacy

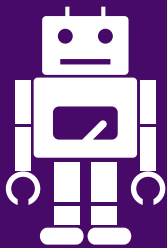
The importance of maintaining client confidentiality is emphasized through a variety of mechanisms including the Code of Conduct, training and the annual affidavit/confirmation process that all of our professionals are required to complete.

We have clear policies on information security that cover a wide range of areas. Data privacy policies are in place, which govern the handling of personal information, and associated training is required for all KPMG personnel.

3. Further details about KPMG network or member firms are set out in Appendix A.1

# Clear standards and robust audit tools

Professional practice, risk management and quality control are the responsibilities of every KPMG professional. Our professionals are expected to adhere to KPMG policies and procedures (including independence policies), and are provided with a range of tools to support them in meeting these expectations. The policies and procedures set for audit incorporate the relevant requirements of accounting, auditing, ethics and quality control standards, and other relevant laws and regulations



**Technology**



**KPMG Audit Manual**

## Audit methodology and tools

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

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

# Independence, integrity, ethics and objectivity

## Overview

Independence of an auditor from its client is critical and is a cornerstone of international professional standards and regulatory requirements. Audit reform legislation in a number of jurisdictions means businesses and their auditors face a variety of differing and increasingly complex independence regulations.

To facilitate compliance, KPMG International has detailed independence policies and procedures that incorporate the requirements of the IESBA Code of Ethics. These are set out in KPMG's GORM Manual. Automated tools facilitate compliance with these requirements. These tools include KPMG's web-based application Sentinel™ which must be used for every prospective engagement to identify potential independence and conflict of interest issues. Where there are additional applicable independence standards locally, KPMG in Indonesia adds specific procedures to network-wide processes.

These policies and processes cover areas such as personal independence, firm financial independence, business relationship, compliance with laws, regulations and requirements of anti-bribery and corruption standards, partner rotation and approval of audit and non-audit services.

Our people annually undergo training and confirm their compliance with these policies and procedures.

## Personal independence

Our partners and staff must be free from prohibited financial interest in, and prohibited relationship with, our audit clients, their management, directors and significant owners. Our people are responsible for making appropriate inquiries and

taking other appropriate actions on an ongoing basis to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes.

## Firm financial independence

We maintain a record of our investments in the web-based independence tracking system. This is monitored through our compliance process.

## Business relationships/suppliers

We have policies and procedures in place that are designed to ensure that business relationships are maintained in accordance with the IESBA Code of Ethics and any additional applicable independence requirements. Compliance with these policies and procedures is reviewed periodically.

## Compliance with laws, regulations, and antibribery and corruption

Compliance with laws, regulations and standards is a key aspect for all KPMG personnel. In particular, KPMG has zero tolerance of bribery and corruption.

We do not condone involvement in any type of bribery. We do not tolerate bribery by third parties, including by clients, suppliers or public officials. We have appropriate internal controls in place to mitigate the risk of involvement in bribery by our personnel.

## Audit partner rotation

Partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations and independence rules. We monitor the rotation of key audit engagement leaders and have transition plans to enable us to allocate partners with the necessary competence and capability to deliver a consistent quality of service to clients. The rotation monitoring is subject to compliance testing.

## 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.

## Breaches of independence policy

In the event of failure to comply with the Firm's independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. Matters arising are factored into promotion and compensation decision and, in the case of engagement leaders, are reflected in their individual quality and risk metrics. 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.



# Recruitment, development and assignment of appropriately qualified personnel

One of the key drivers of quality is ensuring that KPMG professionals have the skill and experience to deliver the highest quality in audit. This requires recruitment, promotion and retention of professionals and a robust capacity and resource management process. KPMG's global behaviors, which are linked to our values, are designed to help articulate what is required for success – both individually and collectively. One of KPMG's global behaviors is "Delivering Quality"

29 **Audit partners and partner equivalents**

447 **Audit staff**

15.5



**Years of experience of audit partners and partner equivalents**

**Secondees**

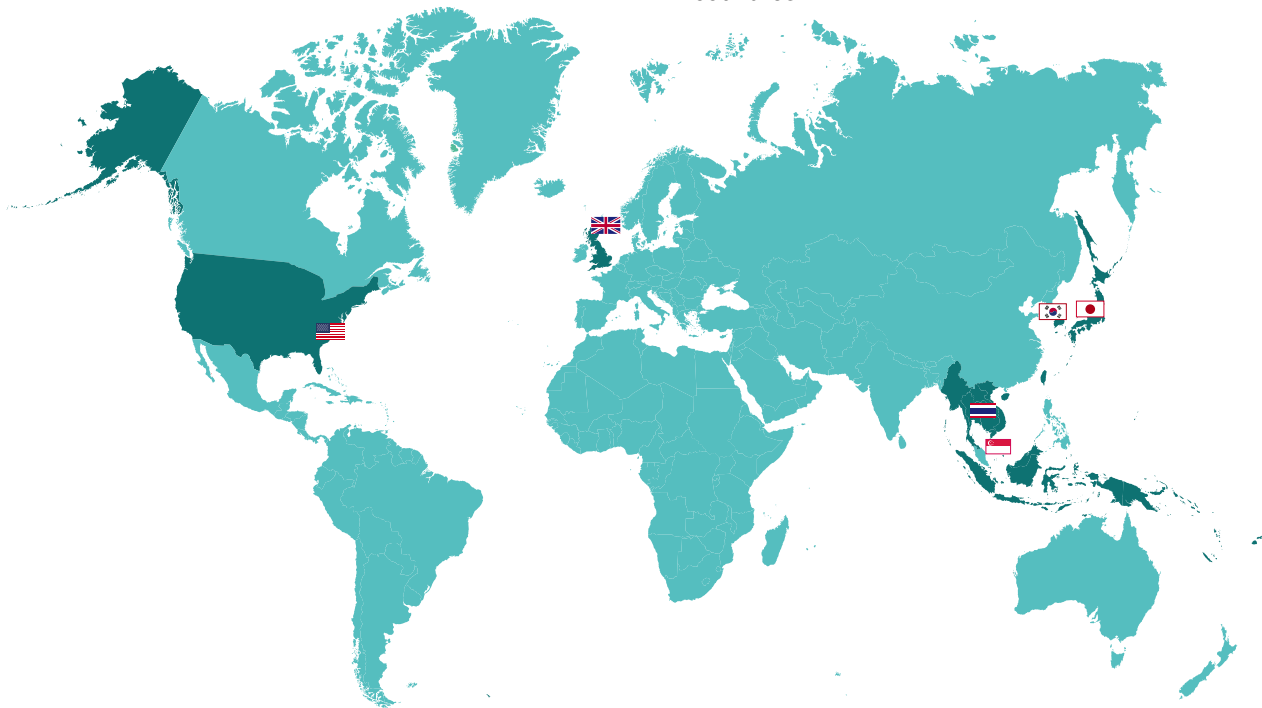
More than **20** professionals  
in **6** countries

## Recruitment

All candidates for professional positions submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, accounting and English proficiency testing, qualification testing and psychological assessment. Upon joining KPMG in Indonesia, new personnel are required to participate in a comprehensive on-boarding program, which includes training in areas such as ethics and independence. This also includes ensuring that any issues of independence or conflicts of interest are addressed before the individual can commence as an employee with the firm.

## Personal development

In relation to audit, we provide opportunities for professionals to develop the skills, behaviors and personal qualities that form the foundation of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership and business skills. We further develop our personnel for high performance using a continuous learning environment through coaching and mentoring on the job, stretch assignments and global mobility opportunities. We encourage our staff to take short and long-term rotational assignments in other countries, especially in ASEAN, to develop skills and personal qualities to their full potential. Over twenty audit professionals have joined the mobility program in the past five years, in the following countries:



 USA 4     UK 1     Singapore 5     Thailand 2     Japan 7     South Korea 1

## Evaluation, compensation and promotion

All professionals, including partners, undergo annual goal-setting and performance reviews which are documented in our system, MyPD. Each professional is evaluated, by performance managers and partners on his or her attainment of agreed-upon goals, demonstration of KPMG International's global behaviors (one of which is 'Delivers Quality'), technical capabilities and market knowledge. Performance ratings are awarded following a robust calibration process to effectively address rating inconsistencies and ensure fairness in the rating process.

We have compensation and promotion policies that are clear, simple and linked to the performance evaluation process, which for partners includes the achievement of key audit quality and compliance metrics.

## Assignment of personnel

We have procedures in place to assign both the engagement partners and other professionals to specific engagements on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. The Country HOAA is responsible for the partner assignment process. Key considerations include partner experience, accreditation and capacity, based on an annual partner portfolio review, to perform the engagement in view of the size, complexity and risk profile of the engagement and the type of support to be provided. Larger engagements often have more than one audit partner assigned to support the signing partner. We take great care to assign the right people to our clients.

## Partner remuneration

There are two elements to partner remuneration: a base component reflective of role and seniority, and a performance-related bonus, rewarding high performance against previously agreed goals and achievement of Key Performance Indicators which include compliance with various metrics and audit quality. Compensation is based on factors including results of internal and external inspections, risk management and independence monitoring, leadership, quality client impact, delivering on our strategy, coaching and developing staff and living the values of the Firm.

## Employee engagement

Bi-annually, KPMG International globally invites all partners and staff to participate in the Global People Survey ("GPS"), which measures our people's attitudes and provides an overall Employee Engagement Index ("EEI"). Starting in 2018 onwards, GPS will be conducted annually. The results, by country and function, provide leadership with information about drivers of business performance, employee engagement and motivation and enable us to see how we are progressing against strategic priorities, as well as providing warning indicators if there are areas of concern. The latest GPS was conducted in 2016 with response rates for KPMG in Indonesia shown below:

### GPS 2016 response received from KPMG in Indonesia



### Most improved areas



Profiles of KPMG audit personnel	30 June 2017	30 June 2018
No. of audit partners and partner equivalents	30	29
No. of client service audit staff (excluding partners and partner equivalents)	456	447
Staff/partner ratio	15.2	15.4

Average years of experience	30 June 2017	30 June 2018
Partners and partner equivalents	15.5	15.5
Senior manager and manager	8.2	8.7
Senior team member	3.7	3.9
Team member	1.4	1.2

## Industry expertise

Our audit clients are assigned to a specific business line, e.g. financial services, energy, food and beverages, telecommunications, etc, where they are served by industry specialists. This allows our people to work with a specialized portfolio, maximizing their understanding of the relevant industry, operational and system-based risks their clients face and respond appropriately to address any industry-specific financial reporting issues.



**Energy**



**Food & beverages**



**Consumer markets**



**Industrial markets**



**Retail**



**Financial services**



**Real estate**



**Plantations**

# Commitment to technical excellence and quality service delivery

We provide all of our professionals with the technical training and support they need. We use our audit accreditation and licensing policies to require our professionals to have the appropriate knowledge and experience for their assigned engagements. We ensure that our people apply their business understanding and industry knowledge to deliver valued insight and to maintain audit quality.



102

Average training hours per person



Industry experience



Consultation and support – EQCR, DPP, Methodology, Risk

## Professional training

Our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Our L&D team works with the DPP, subject matter experts and leaders from the Global Services Center as appropriate in order to deliver local applicability and relevance to performance on the job.

Types of training	No. of hours	
	FY2017	FY2018
Technical (e.g. accounting and auditing, quarterly updates, IFRS, US GAAP, etc.)	38,067	39,490
Risk management (e.g. independence, etc.)	3,808	4,533
Industry (e.g. energy, financial services, food and beverages, etc.)	2,890	2,956
CPE training	1,007	820
Soft skills (e.g. milestone workshops, project management, business development skills, etc.)	4,000	5,332
English program	1,359	655
Others	255	4,404
<b>Total</b>	<b>51,386</b>	<b>58,190</b>

Average training hours per person	FY2017	FY2018
		89 hours

## Mentoring and on the job training

Learning that is not confined to the classroom are available at the moment of need through coaching and just-in-time learning, and at the click of a mouse and aligned with job-specific role profiles and learning paths. Coaching guides are available on judgmental audit topics - these are used by audit teams and are embedded within audit learning solutions. We support a coaching culture throughout KPMG as part of enabling personnel to achieve their full potential.

## Continuing Professional Education ("CPE")

We require all our client service partners and staff with an Indonesian CPA license to maintain the Indonesian Institute of Certified Public Accountants ("IAPI") standard of CPE. They must obtain a minimum of 40 CPE hours annually and at least half of the hours must cover accounting or auditing, including the hours on the capital markets and banking sectors for CPAs practicing in these areas. In addition, our policy requires all partners and staff to achieve a minimum of 30 CPE hours per year and a minimum of 120 CPE hours over 3 years. To assist our people on maintaining their CPE records, we record attendance using our internal training tracking system.

## Accreditation and licensing

All KPMG professionals are required to comply with applicable professional license rules in the jurisdiction where they practice. 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.

In addition, we have specific accreditation requirements for partners and managers working in IFRS engagements, US Generally Accepted Accounting Principles engagements and US Generally Accepted Auditing Standards engagements. These require that the partner, manager and Engagement Quality Control ("EQC") reviewer have sufficient training and experience in performing engagements that apply the relevant reporting standards.

Number of:	30 June 2017	30 June 2018
Indonesian CPAs*	36	31

\*Manager to Partner levels

## Access to specialist networks

Our engagement teams have access to a network of local KPMG specialists and 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. in information technology, tax, actuary, forensic, treasury, valuation) to be assigned to specific audit engagements is considered as part of the audit engagement acceptance and continuance process.

Number of	30 June 2017	30 June 2018
IT Audit support	19	16
CISA* certified	7	2

\*The CISA (Certified Information System Auditor) certification is world-renowned as the standard of achievement for those who audit, control, monitor and assess an organization's information technology and business systems.

## Consultation

We promote a culture in which consultation is recognized as a strength and that encourages personnel to consult on difficult or contentious matters. We have established protocols for consultation with DPP and risk management resources to assist engagement teams in addressing difficult or contentious matters. KPMG International's International Standard Group is also available for consultation where required.

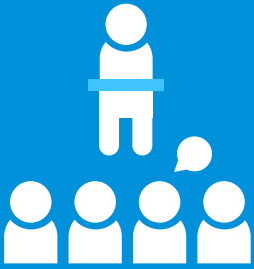
## Industry knowledge

A key part of engagement 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. We also provide annual industry training to staff working in specific industries.



# Performance of effective and efficient audits

How an audit is conducted is as important as the final result. Effective and efficient audits depend on the demonstration of certain behaviors. We focus on these behaviors during the performance of the audit, education sessions, coaching and in our review processes.



**Exercise professional skepticism and judgement**



**Coaching**





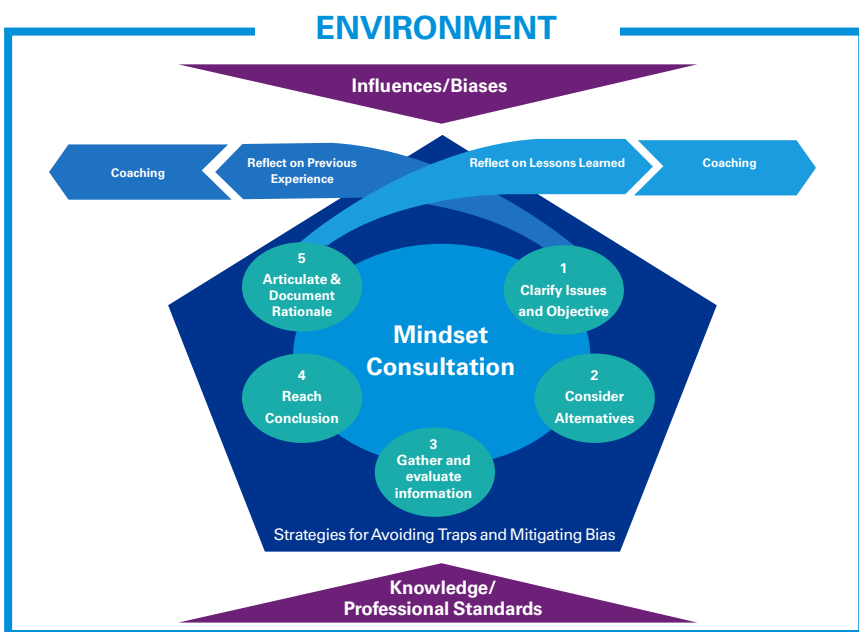
## KPMG Audit Process

### 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 overall quality of the audit engagement and therefore for the direction, supervision and performance of the engagement and final audit opinion and reviews key audit documentation – in particular, documentation relating to significant matters arising during the audit and conclusions reached.

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

Engagement teams consider all audit evidence obtained during the course of the audit. The nature and extent of the audit evidence we gather is responsive to the assessed risks. For the purpose of obtaining sufficient appropriate audit evidence, each team member is required to exercise professional judgement 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. KPMG’s professional judgement process facilitates good judgement by introducing a structured approach to auditing areas that require significant judgement. It also reinforces the importance of independence and objectivity and emphasizes the importance of having the right mindset – the need to apply professional skepticism.

### Ongoing mentoring and supervision and review

We understand that skills are built over time and through exposure to different experiences. To invest in the skills and capabilities of our professionals, without compromising on quality, we use a continuous learning environment. We support a coaching culture throughout KPMG as a tool for enabling personnel to achieve their full potential. A key part of effective supervision is timely review of the work performed so that significant matters are promptly identified, discussed and addressed.

### Appropriately supported and documented conclusions

Audit documentation records the audit procedures performed, evidence obtained and conclusions reached on significant matters in each audit engagement. Our policies require review of documentation by more experienced

engagement team members. The key principle that engagement team members are required to consider is whether an experienced auditor, having no previous connection with the engagement, will understand the nature, timing and extent of audit procedures, the results of the procedures performed and the audit evidence obtained, significant findings and issues and actions taken to address them, the basis for the conclusions reached and significant professional judgements made in reaching those conclusions.

### Appropriate involvement of the EQC reviewer

An EQC reviewer is required to be appointed by the HOAA in consultation with the RMP and MP for the audits of all listed entities and non-listed entities with a high public profile or high risk. EQC reviewers, who are independent of the team, must have appropriate experience and knowledge to perform an objective review of the decisions and judgement made by the engagement team.

## Reporting

The Indonesian Standards on Auditing and applicable rules and regulations of the Financial Services Authority (for listed entities and all other public interest entities) largely dictate the format and content of the audit report that includes an opinion on the fair presentation of the client's financial statements in all material respects. In preparing audit reports, engagement partners have access to extensive reporting guidance and technical support through consultation with DPPs, especially where there are significant matters to be reported to users of the audit report, either as a qualification to the audit report or through the inclusion of an emphasis of matter paragraph.

### Insightful, open, and honest two-way communication with those charged with governance

Two-way communication with our clients and those charged with governance, usually the audit committee, is key to audit quality. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings and ongoing discussions with members of the audit committee.

We share insight on the appropriateness of significant accounting practices, including accounting policies, accounting estimates, financial statement disclosures, significant deficiencies in the design and operation of financial reporting systems, controls when such deficiencies come to our attention during the course of the audit and any uncorrected misstatements. We share our industry experience to encourage discussion with those charged with governance.

## Board Governance Forum

In recognition of the demanding and important role that board governance plays in the capital markets and of the challenges that boards face in meeting their responsibilities, KPMG in Indonesia has established the Board Governance Forum ("BGF"). BGF is a dedicated forum focused on board level challenges, insights and emerging hot topics. Examples include the directors' toolkit, the role of the board in strategy, risk oversight and board committee effectiveness. This forum also aims to help the respective members enhance their awareness, commitment and ability to implement effective governance processes. Our forum is held on a periodic basis and encourages participants to share ideas on matters of interest to them and gives the opportunity to network with peers. We also regularly share on our BGF website thought leadership on trends and pertinent topics surrounding key challenges faced by board members in implementing adequate and effective mechanisms to discharge their responsibilities.

## Group audits

Consistent approaches, methodology and tools are used across the KPMG network. We provide lead audit engagement partners with information on component auditors within the KPMG network to help them evaluate their competence and capabilities including, where appropriate, the results of relevant inspection. Our audit methodology incorporates the heightened attention currently given to key risk areas for group audits, e.g. emerging markets and business environments that may be subject to heightened fraud risk.

# Commitment to continuous improvement

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

**159** Client satisfactory survey  
questionnaires were sent to  
audit clients

**12** Audit clients interviewed

**10** Engagements reviewed as part  
of QPR program



**No unsatisfactory result**

# Monitoring

## Internal monitoring

### 1. Audit QPR

The QPR Program assesses engagement level performance and identifies opportunities to improve engagement quality. All engagement partners are generally subject to selection for review at least once in each three-year cycle. The reviews are tailored to the relevant function, performed at the member firm level, generally overseen by a senior experienced lead reviewer independent from the member firm and are monitored regionally and globally.

QPR Programs	FY2018	FY2017
No. of engagements reviewed	10	10
Percentage of audit partners reviewed	33%	32%
Percentage of reviewers who were from outside KPMG in Indonesia	67%	75%

### 2. Risk Compliance Program ("RCP")

The RCP is a member firm's annual self-assessment program. The objective of the RCP is to monitor, assess and document member firm-wide compliance with the system of quality control established through KPMG International's quality and risk management policies and applicable legal and regulatory requirements as they relate to the delivery of professional services. The program is overseen and monitored regionally as well as globally.

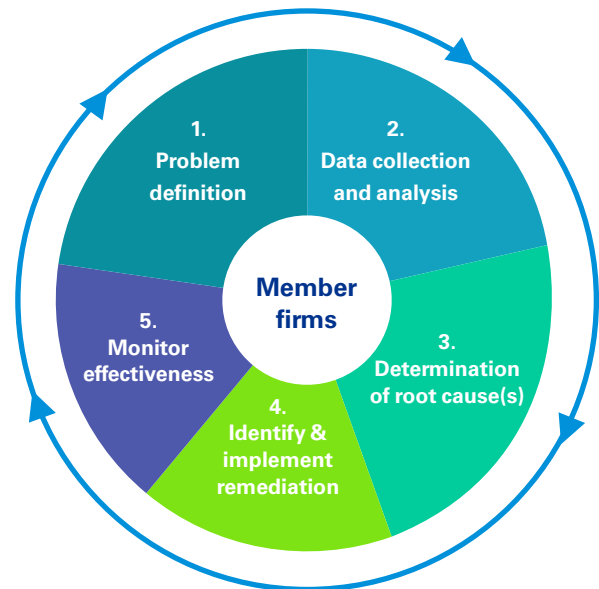
### 3. Global Compliance Review ("GCR") program

The GCR program, carried out once in a three-year cycle, is performed by reviewers independent from the member firm, who report to GQRM and is led by the Global Compliance Group. These reviews focus on significant governance, ethics and culture, risk management, information protection and finance processes. In the event that a GCR identifies an issue that requires immediate or near-term attention, a follow-up review will be performed as appropriate.

### Root Cause Analysis ("RCA")

We perform an RCA to identify and address pervasive audit quality issues and prevent them from recurring, and to help identify good practices as part of our continuous improvement.

### The Global RCA 5-step principles are as follows:



Our Country HOAA is responsible for the development and implementation of action plans as a result of RCA, including identification of solution owners. The Country RMP monitors their implementation.

## External monitoring

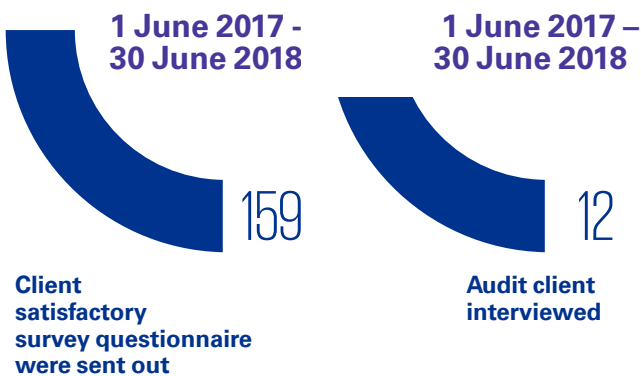
### Compliance with Indonesian SQC1

The Indonesian Ministry of Finance through PPPK inspects and reviews KPMG's quality control system for compliance with the Indonesian SQC1 on a regular basis. The latest report issued in August 2017 did not reveal any significant findings.

### Client feedback

We operate a formal program where we actively solicit feedback from management and those charged with governance on the quality of specific services that we have provided to them. The feedback that we receive from this program is formally considered centrally and by the individual client services teams. We have in place a post interview process to review and follow up any actions arising from client feedback to ensure that it is dealt with on a timely basis.

## Number of audit client surveyed and interviewed



# Appendices

# A1. Network arrangements

## Legal structure

The independent member firms of the KPMG network 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.

## 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.

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.

## Professional Indemnity Insurance

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.

## 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 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. Sublicensees 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 three other senior partners of member firms. The list of Global Board members, as at 1 October 2018 is available in the KPMG Global Review (<https://home.kpmg.com/xx/en/home/campaigns/2018/12/global-review.html>).

One of the other Global Board members is elected as the lead director by those 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 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, Global Chief Administrative Officer, global function and infrastructure heads, and the General Counsel.

The list of Global Management Team members as at 1 October 2018 is available in the KPMG Global Review (<https://home.kpmg.com/xx/en/home/campaigns/2018/12/global-review.html>).

## 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 GORM Steering Group are detailed in section 'Governance and leadership' of the KPMG International Transparency Report (<https://home.kpmg.com/xx/en/home/campaigns/2018/12/2018-transparency-report.html>).

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 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 section 'Governance and leadership' of the KPMG International Transparency Report (<https://home.kpmg.com/xx/en/home/campaigns/2018/12/2018-transparency-report.html>).

## Area Quality & Risk Management Leaders

The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders ("ARL") who serve a regular and ongoing monitoring and consultation function to assess the effectiveness of a member firm's efforts and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand. Significant activities of the ARL, including member firm issues identified and related member firm response/remediation, are reported to GQ&RM leadership:

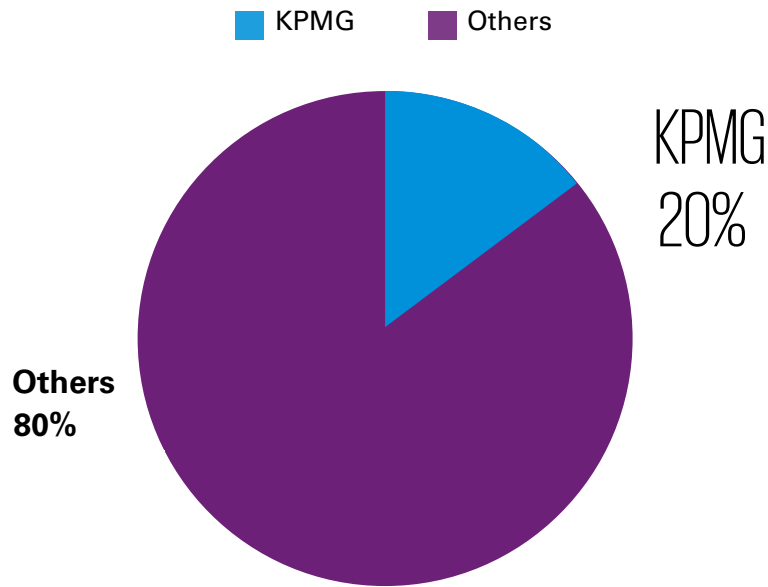
The objectives of the ARL role are to:

- assist GORM leadership in the monitoring of member firms' quality and risk activities;
- work with GORM leadership and the International Office of General Counsel ("IOGC") when significant brand and legal risk issues occur to assist in ensuring that matters are properly handled; and
- monitor the effectiveness of member firm remediation of significant issues, including identification of the root cause(s) of serious quality incidents.

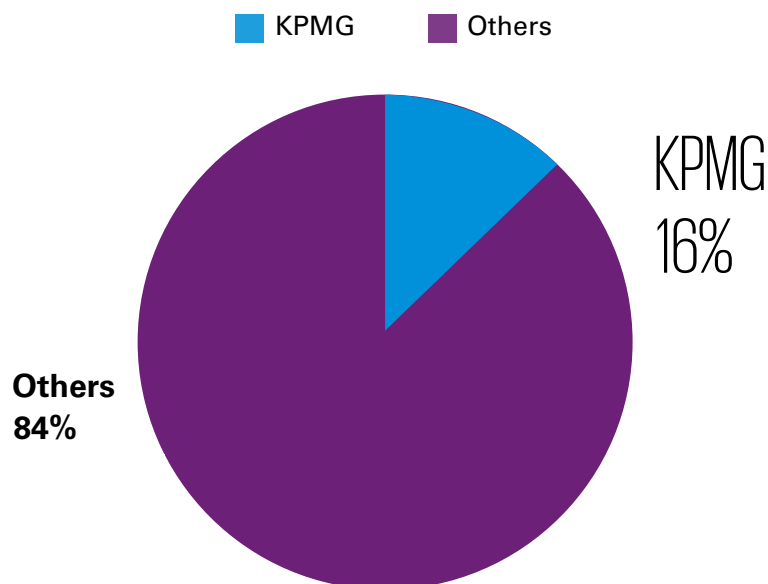


# A.2 Our clients in Indonesian Stock Exchange

**By number of Top 10 Companies from IDX (as of 31 December 2017)**



**By Market Capitalization from IDX (as of 31 December 2017)**



## A.3 KPMG core values

KPMG people work together to deliver value to clients. We believe strongly in a common set of shared values which guide our behaviour 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 advisors.
<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.



# Contact us

**Siddharta Widjaja & Rekan**  
**Registered Public Accountants**

33<sup>rd</sup> Floor Wisma GKBI  
28, Jl. Jend Sudirman  
Jakarta 10210  
Indonesia

**T** : +62 (0) 574 2333 / 2888

**F** : +62 (0) 574 1777 / 2777

**E** : [ID.TransparencyReport@kpmg.co.id](mailto:ID.TransparencyReport@kpmg.co.id)

[home.kpmg/id](http://home.kpmg/id)

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

© 2019 Siddharta Widjaja & Rekan – Registered Public Accountants, an Indonesian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.