



Transparency Report

KPMG in Indonesia

July 2021

home.kpmg/id

KPMG values

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

Integrity	we do what is right
Excellence	we never stop learning and improving
Courage	we think and act boldly
Together	we respect each other and draw strength from our differences
For better	we do what matters

KPMG's Values express the organization's long-standing core beliefs, and in 2020 the language was updated to make them bolder, simpler and more memorable to help each of us bring them to life every day.



Tohana Widjaja
Managing Partner



Budi Susanto
Head of Audit and Assurance

Message from our leadership

We are pleased to present our Transparency Report 2020, covering our financial year to 30 September 2020. This report enables us to share with our numerous stakeholders our professional responsibilities, outlines our firm's structure, governance and approach to quality control, and articulates the innovative ways we maintain a robust quality audit.

COVID-19 has increased the economic uncertainty and risk and will have significant financial reporting implications throughout the world markets. This condition is pushing us to think differently about how we engage our people, the companies we audit, stakeholders and society. With increasing demands and expectations, 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 greater public trust while positively contributing to society.

Audit quality is a business imperative but it needs to be grown and maintained in a suitable environment. We constantly 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 we carry out our work.

At KPMG in Indonesia, we realize that extraordinary times require extraordinary solutions to complex challenges. We understand our responsibility to deliver a quality audit that contributes and is critical to the integrity of financial reporting and is fundamental to the successful working of markets, giving investors the confidence and trust to make key decisions.

At KPMG in Indonesia, we are driving a consistent awareness across audit professionals of what audit quality is and how it can be measured, and investing in technology to help audit professionals deliver it. Through rigorous practice management controls and strong monitoring, we are ensuring that there is accountability across the audit professionals for the quality of each and every KPMG audit.

We trust that you will find this report useful in providing insights that demonstrate our delivery of quality work, setting us apart as 'The Clear Choice' of our clients.



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Who we¹ are

Our business

KPMG in Indonesia is affiliated with KPMG International Limited (KPMG International)², a private English company limited by guarantee. Today, with more than 1013 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](#).

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

The Board which, at present, comprises all Equity Partners, has the specific authority and responsibility to oversee management of the Firm by the executive committee (EXCOM) with the objective to protect the interests of the Equity Partners. The Board meetings are held quarterly and attended by the EXCOM who provides updates and other matters in respect of management of the Firm.

Our structure and governance

We apply high standards of corporate governance.

The Firm is governed and managed by the EXCOM. In addition to the EXCOM, the Firm also has disciplinary committee (DISCOM).

Details about the roles, and responsibilities and composition of each of these key bodies are set out below.

The Executive Committee

The EXCOM consists of the Managing Partner (MP), Head of Audit and Assurance (HOAA), Head of Tax, Head of Advisory, Risk Management Partner (RMP), Head of Clients and Markets, and Head of People.

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.

The Disciplinary Committee

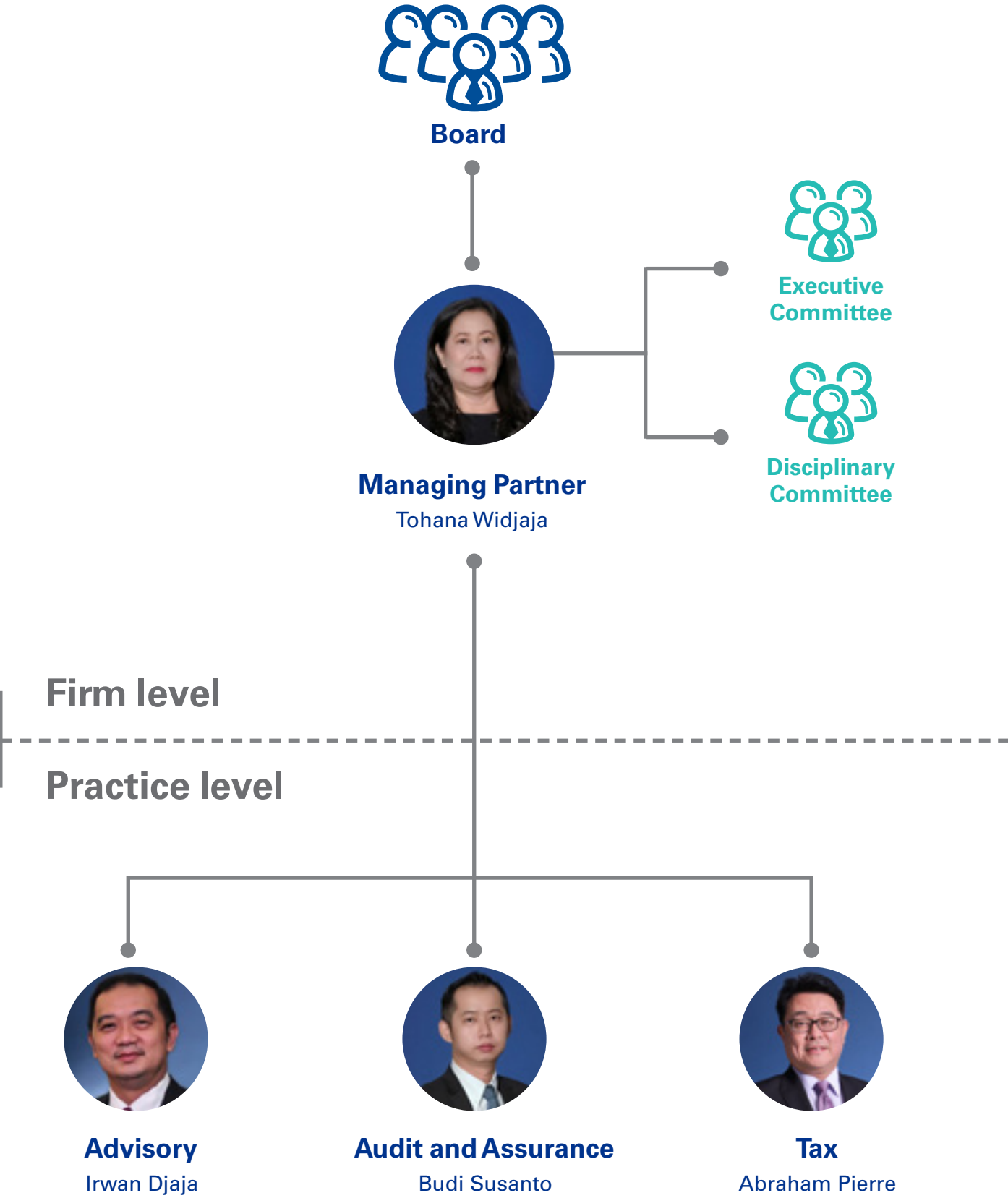
The DISCOM consists of MP, RMP, Ethics and Independence Partner (EIP), HOAA, Head of Tax, Head of Advisory and Head of People.

The DISCOM is responsible for overseeing the disciplinary process for ethics and independence matters. It sets the Firm disciplinary policy and monitor such policy has been communicated to all employees in our Firm.

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

Tone at the top, leadership, and a clear set of Values and conduct are essential to set the framework for quality. However, these are required to be backed up by a system of quality control that ensures our performance meets the highest professional standards.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG has developed the Audit Quality Framework, based on International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and on the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (GQRMM) which applies to all KPMG personnel. KPMG Indonesia is required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls.

KPMG 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 regulator and other relevant regulators as well as applicable legal and regulatory requirements.

Quality control and risk management are the responsibility of all KPMG Indonesia partners and employees. 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 partners and employees wherever they are based.

We are implementing our program to adopt the new International Standard on Quality Management (ISQM 1), which was [approved by the IAASB](#) in September 2020 and is expected to be effective from December 2022.

ISQM 1 requires each KPMG firms to design, implement and operate a system of quality management to consistently deliver quality audits, and to evaluate the effectiveness of the system on an annual basis.

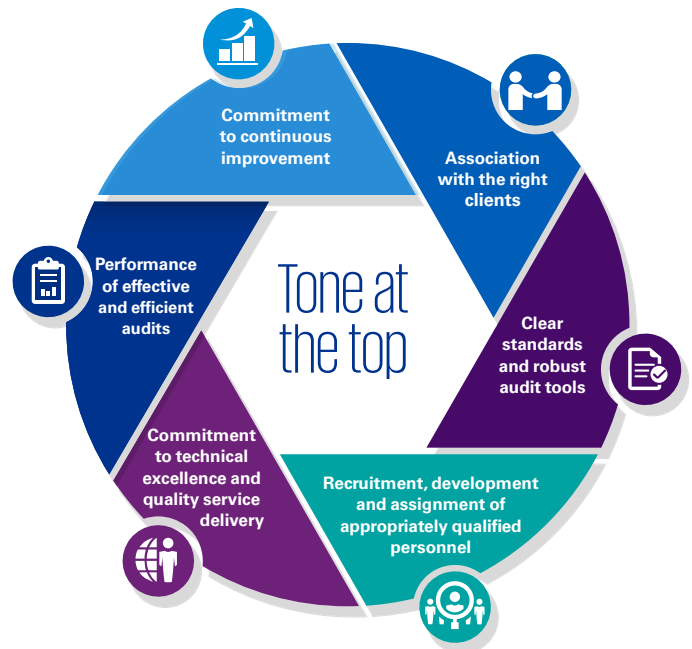
While this Transparency Report summarizes KPMG's approach to audit quality, it may also be useful for stakeholders interested in member firms' Tax and Advisory services, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered.

Audit quality framework

At KPMG 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.

KPMG's audit quality framework introduces a common language that is used by all KPMG firms to describe what drives audit quality and to help highlight to their audit professionals how they contribute to its delivery.

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 all KPMG firms. All of the other drivers create a virtuous circle because each driver is intended to reinforce the others.



KPMG's approach to audit quality

Tone at the top



Good governance



Audit quality in focus



Code of conduct

Right clients



Assess client



Independence and Capability



Client portfolio management

Technical excellence



106
Average training hours per person

Energy
E-commerce
Real estate
Consumer and industrial markets

Plantations
Food & beverage
Retail
Financial services

Industry experience



Consultation and support—
EQCR, DPP, Methodology, Risk

Our people

26 Audit partners and partner equivalents

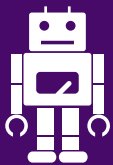
19.9  Years of experience of audit partners and partners equivalents

624 Audit staff


More than  27 professionals in 7 countries

Secondées


Standards and tools



Technology



KPMG Audit Manual



Data & Analytics

Performance



Exercise professional skepticism and judgement



Coaching

Continuous improvement

22 Client satisfactory survey questionnaires were sent to Audit clients

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

Note: Data as of 30 September 2020

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 our commitment to clients, stakeholders, and society at large to earn public trust.



**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 value – we do what is right.

Leadership responsibilities for quality and risk management

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

1) Managing Partner and Head of Audit and Assurance

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 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 is responsible for the execution of the risk management, quality assurance and monitoring procedures 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.

Our MP and the 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) Risk Management Partner

Operational responsibility for the system of quality control, risk management and compliance at KPMG in Indonesia has been delegated to the 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 RMP is supported by a team of professionals in each of the practices. The RMP has a seat on the EXCOM and has a direct reporting line to the MP.

Within the Audit Practice, the HOAA with the 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

The role of the Department of Professional Practice (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



4) Audit Quality Partner

The Audit Quality Partner is responsible for assisting the HOAA and RMP to roll-out compliance measures for the Audit Practice. Specifically the responsibilities of Audit Quality Partner include:

- Reviewing the proposed significant audit initiatives ensuring the objectives and outcomes align with maintaining or enhancing audit quality
- Recommending the strategic prioritization, resourcing and timetabling of audit initiatives as they impact audit quality across all offices
- Confirming the robustness of our monitoring activities as consistent with our audit quality priorities.

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.

6) System of Quality Management Partner

Whilst the Firm's Senior Partner is ultimately accountable for the implementation of ISQM 1 that will be effective from 15 December 2022, the System of Quality Management (SoQM) Implementation Leader is responsible for driving the SoQM implementation within the member firm. The SoQM Implementation Leader in the member firm is responsible for overseeing, coordinating, and supporting the execution of the tasks necessary to implement the controls that make up the SoQM components: the Firm's risk assessment process, governance and leadership, relevant ethical requirement, acceptance and continuance of client relationship, engagement performance, resources (human, intellectual and technological resources), information & communication and monitoring & remediation . To oversight the SoQM implementation process, the Firm has established SoQM steering committee that consists of MP, HOAA, RMP, Audit Quality Partner, Head of People.

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



Client portfolio management

Acceptance and continuance of clients and engagements

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

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

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

Client and engagement acceptance process

Client evaluation

We undertake an evaluation of every prospective client. This involves obtaining sufficient information about the prospective client, its key management and significant beneficial owners and then properly analyzing the information to be able to make an informed acceptance decision. This evaluation includes completion of a questionnaire to assess the client's risk profile and obtaining background information on the client, its key management, directors and owners. In addition, we obtain additional information required to satisfy our local legal and regulatory requirements.

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), intended purpose and use of engagement deliverables, public perception, as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of partners and employees assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG partners and employees

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, financial and personal relationships.

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

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

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

Continuance process

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

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

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

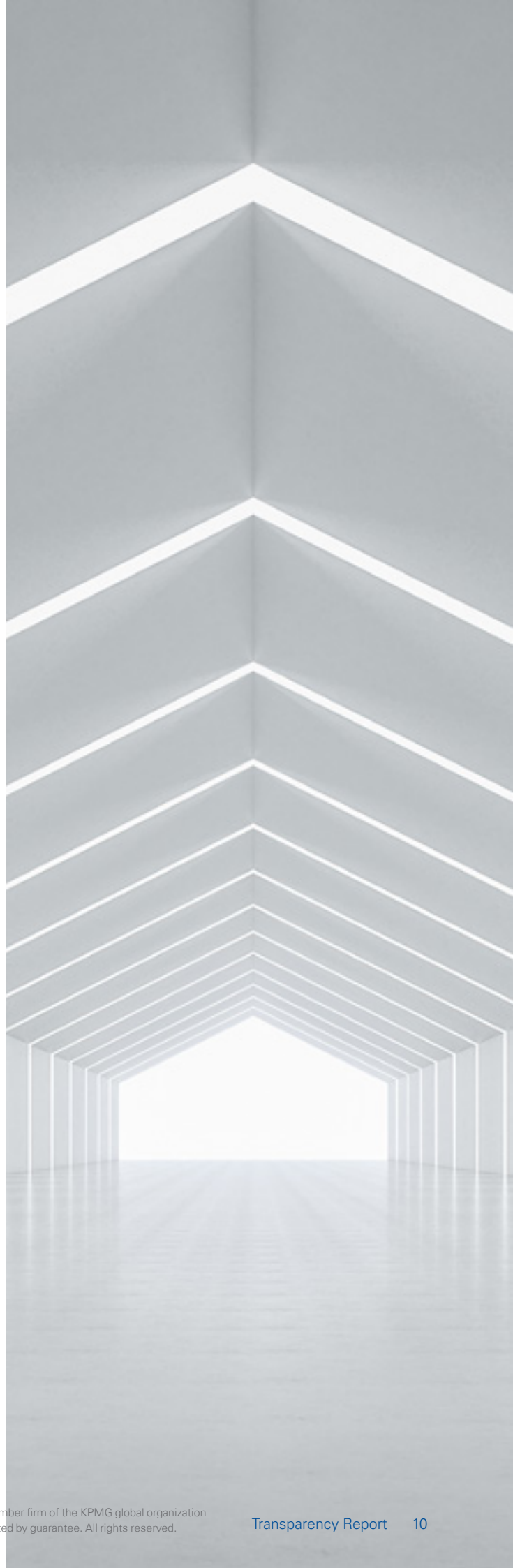
Withdrawal process

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

Client portfolio management

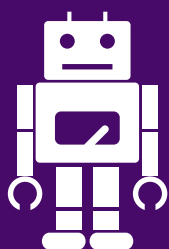
Our leadership appoints engagement partners who have the appropriate competence, capabilities, time and authority to perform the role for each engagement.

We review each audit partner's client portfolio at least annually in individual discussions with the audit partner. The reviews consider the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the partner to deliver a quality audit for every client.



Clear standards and robust audit tools

All our professionals are expected to adhere to KPMG International and our policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. Our policies and procedures for audit engagements incorporate the relevant requirements of accounting, auditing, ethical and quality control standards, and other relevant laws and regulations.



Technology



KPMG Audit Manual



Data & Analytics

Our approach to audit

KPMG has been investing significantly in evolving the network's Global Organization's audit capabilities and will continue to do so in the coming years including a new global electronic audit workflow delivered through KPMG Clara platform – KPMG's smart, modular audit platform – capable of continually integrating new and emerging technologies, with advanced capabilities embedded that leverage data, automation, and visualization. Data & Analytics (D&A) is integral to the way how KPMG member firms obtain audit evidence and interact with clients in the digital era.

KPMG's high-quality audit process will continue to include:

- timely partner and manager involvement throughout the engagement
- access to the right knowledge including involvement of specialists, training and experience requirements and relevant industry expertise
- critical assessment of all audit evidence obtained during the audit, exercising appropriate professional judgment
- ongoing mentoring, supervision and review of the engagement team managing and documenting the audit.

Consistent audit methodology and tools

The KPMG audit methodology, developed by the KPMG Global Solutions Group (KGSG), is based on the requirements of the International Standards on Auditing (ISAs) as well as the auditing standards of PCAOB and AICPA. The KPMG audit methodology is set out in KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, which KPMG International believes enhance the quality of the audit. The methodology emphasizes applying appropriate professional skepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence. Enhancements to the audit methodology, guidance and tools are made regularly to be in compliance with standards, addressing emerging auditing areas of focus and audit quality results (internal and external). Key topics include risk identification, assessment and response, accounting estimates, group audits and audit sampling.

KPMG member firms may add local requirements and/or guidance in KAM to comply with additional professional, legal, or regulatory requirements.

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 KPMG audit workflow is enabled through eAudit, an activity-based workflow and electronic audit file. eAudit is KPMG's audit documentation workflow that allows professionals to complete high quality and consistent audits. eAudit integrates KPMG's audit methodology, guidance and

industry knowledge, and the tools needed to execute and document the audit work performed.

eAudit can be "scaled" to present the relevant requirements and guidance, depending on the nature of the entity to be audited and in accordance with professional standards and applicable legal and regulatory requirements. It provides direct access to KPMG's audit guidance, professional standards and documentation templates.

Significant investments are underway to revise and enhance the KPMG audit methodology and workflow tool (eAudit), with the deployment of KPMG Clara workflow.

KPMG Clara, KPMG Clara Workflow and Data & Analytics

KPMG Clara

The global launch of KPMG Clara created a smart audit platform that brings together KPMG's D&A capabilities, innovative new technologies, collaboration capabilities and audit workflow.

"KPMG Clara – new smart audit platform"



KPMG Clara Workflow

Building on the launch of KPMG Clara in 2017, KPMG International is creating a new workflow tool that will be used by KPMG member firm audit teams to execute and document KPMG audits. The new system will genuinely be a workflow – guiding audit teams through a series of steps in a logical sequence aligned to the standards with a clear display of information and visuals, knowledge and guidance available at the moment of need, and with embedded advanced D&A capabilities. The workflow and methodology will also be scalable – adjusting the requirements to the size and complexity of the audit engagement. This globally-driven project will significantly overhaul and redesign the execution

of an audit by KPMG professionals and drive improvements in audit quality.

KPMG Clara Workflow incorporates monitoring capabilities (e.g. data mining) at the engagement level for use by member firms. The KPMG Clara Workflow was piloted in 2018, with initial deployment globally in 2019.

Data & Analytics

KPMG's audit, powered by D&A is designed to:

- **enhance audit quality**; by providing a deeper understanding of data populations, giving focus to higher risk transactions;
- **be secure**; by restricting access to data both in transit and within KPMG's IT environments; and
- **be transparent**; by facilitating detailed analysis to uncover the reasons behind, and root causes of, outliers and anomalies and provide increased visibility into higher risk transactions and process areas.

D&A tools and routines are built on principles and professional standards underlying an audit and do not relieve auditors of their responsibilities.

Independence, integrity, ethics and objectivity

Overview

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

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

These policies are supplemented by other processes to ensure compliance with additional local independence standards.

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

We have a designated EIP who has primary responsibility for the direction and execution of ethics and independence policies and procedures in our firm. The EIP is responsible for

communicating and implementing KPMG global policies and procedures and ensuring that local policies and procedures are established and effectively implemented when they are more stringent than the global requirements. The EIP fulfills this responsibility through:

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

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications with all KPMG firms. KPMG firms are required to implement changes as specified in the communications, and this is checked through the internal monitoring programs described in page 28.

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

Personal financial independence

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

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

All partners and all manager grade and above client-facing employees are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in publically traded entities

in KICS, which automatically notifies them if any investment subsequently becomes restricted. Newly restricted investments must be disposed of within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of professionals. The Global Independence Group provides guidance and required procedures relating to the audit and inspection by KPMG firms of personal compliance with KPMG's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

Employment relationships

Any our 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 firm that is a public interest entity.

Former members of the audit team or former partners of our firm are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to our firm, including payments which are not fixed and predetermined and/or would be material to our firm and ceased participating in our firm 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 and partnership of our professionals by audit clients.

Firm financial independence

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

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

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

On an annual basis, we confirm compliance with independence requirements as part of the Risk Compliance Program.

Business relationships/suppliers

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

Independence clearance process

We 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.

Independence training and confirmations

All our partners and client facing professionals, as well as certain other individuals, must complete independence training that is appropriate to their grade and function upon joining our firm and on an annual basis thereafter.

New partners and client facing employees who are required to complete this training must do so by the earlier of (a) thirty days after joining our firm or (b) before providing any services to, or becoming a member of the chain of command for, any audit client.

We also provide all partners and employees with annual training on:

- the Global 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.

New partners and employees are required to complete this training within three months of joining our firm.

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

Compliance with laws, regulations, and anti-bribery and corruption

Compliance with laws, regulations and standards is a key aspect for everyone at our firm. In particular, we have zero tolerance of bribery and corruption.

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

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

Partner rotation

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

Non-audit services

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

We are required to establish and maintain a process to review and approve all new and modified services that are developed by our firm. Our EIP is involved in the review of potential independence issues related to these new or modified services.

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

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

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. These policies require KPMG member firms to consult with their Area Quality and Risk Management Leader (ARL) where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In 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, these policies further require that:

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

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

Resolving conflicts of interest

Conflicts of interest can arise in situations where our partners or employees have a personal connection with the client which may interfere, or be perceived to interfere, with their ability to remain objective, or where they are personally in possession of confidential information relating to another party to a transaction. Consultation with the RMP or the EIP is required in these situations.

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

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

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

We have risk management resources who are responsible for reviewing any identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which must be documented.

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

Independence breaches

All our personnel are required to report independence breaches to the EIP as soon as they become aware of them. 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 the independence disciplinary policy. All breaches of independence rules must be reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed to with those charged with governance.

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

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



Recruitment, development and assignment of appropriately qualified personnel

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

26 Audit partners and partner equivalents

624 Audit staff

19.9



Years of experience of audit partners and partner equivalents

Secondees

More than 27 professionals
in 7 countries

Recruitment

We are committed to building an extraordinary people experience for all KPMG partners and employees and prospective partners and employees.

Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools.

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

All candidates submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks. These leverage fair and job-related criteria to ensure that candidates possess the appropriate characteristics to perform competently, are suitable and best placed for their roles.

We recruited over 78 new graduates in the year ended 30 September 2020 (2019:191).

Where individuals are recruited for senior grades, a formal independence discussion is conducted with them by the Ethics and Independence Partner or a delegate. We do not accept any confidential information belonging to the candidate's former firm/employer.

Personal development

Profiles of KPMG audit personnel	30 September 2020	30 September 2019
No. of audit partners and partner equivalents	26	27
No. of client service audit staff (excluding partners and partner equivalents)	624	635
Staff/partner ratio	24.00	23.52

Average years of experience	30 September 2020	30 September 2019
Partners and partner equivalents	19.94	18.75
Senior manager and manager	8.58	8.32
Senior team member	3.40	2.80
Team member	1.36	0.67

Development

We have launched a new approach to performance development built around the Everyone a Leader performance principles, Open Performance Development, which includes:

- global role profiles;
- a goal library; and
- standardized review forms.

Open Performance Development is linked to the KPMG values and designed to articulate what is required for success — both individually and collectively. We know that being clear and consistent about the behavior we are looking for and rewarding those who model these behaviors will enhance our ability to achieve quality. We have articulated this through our performance principles of seeking growth, inspiring trust and delivering impact.

At the same time, we are driving a shift in our performance-driven culture, supported by and enacted through leading technologies that allow us to embed audit quality into the assessment of performance and decisions around rewards, as well as drive consistency across the global organization.

We monitor quality and compliance incidents and maintain quality and compliance metrics in assessing the overall evaluation, promotion and remuneration of partners. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

Reward and promotion

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

Reward

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

Reward decisions are based on consideration of both individual and organizational (member firm) performance.

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

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.

Promotion

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

Partner admissions

Our process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. Our criteria for admission to our partnership are consistent with our commitment to professionalism and integrity, quality and being an employer of choice.

Assignment of personnel

We have procedures in place to assign both engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the partner assignment process. Key considerations include partner experience and capacity - based on an annual partner portfolio review - to perform the engagement, taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement).

Audit engagement partners are required to ensure 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, other KPMG member firms or external experts.

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 our quality control policies and procedures
- QPR results and results of regulatory inspections.

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 our firm.

Employee engagement

Bi-annually, KPMG International invites all partners and staff to participate in the Global People Survey (GPS), which measures our people's attitudes and provides an overall Engagement Index (EI). Starting in 2021 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 2020 with response rates for KPMG in Indonesia shown below:

GPS 2020 response received from KPMG in Indonesia



Most improved areas



Industry expertise

Our audit clients are assigned specific business line, e.g. financial services, energy, food and beverages, telecommunications, 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



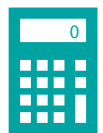
Consumer markets



Industrial markets



Retail



Financial services



Real Estate



Plantation



E-commerce

Commitment to technical excellence and quality service delivery

All our professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and the professional practice department, either to provide resources to the engagement team or for consultation. Where the right resource is not available within us, access is provided to a network of highly skilled professionals from other KPMG member firms.

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



106

Average training hours per person



Consultation and support –
EQCR, DPP,
methodology, risk

Industry experience

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	
	FY2020	FY2019
Technical (e.g. accounting and auditing, quarterly updates, IFRS, US GAAP, etc.)	49,457	51,833
Risk management (e.g. independence, etc.)	3,689	4,150
Industry (e.g. energy, financial services, food and beverages, etc.)	4,628	1,583
Continuing professional education (CPE) training	1,051	1,372
Soft skills (e.g. milestone workshops, project management, business development skills, etc.)	3,525	6,695
Others	6,656	8,170
Total	69,006	73,803



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. 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

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 capital market 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 three years. To assist our people in 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, managers and EOC reviewer working in IFRS engagements and US GAAP engagements. These require that the partner, manager and EOC reviewer have sufficient training and experience in performing engagements that apply the relevant reporting standards.

Number of:	FY 2020	FY 2019
Indonesian CPAs*	40	44

*Manager to Partner levels

Access to specialist networks

Our engagement teams have access to a network of local KPMG specialists as well as specialists in other KPMG member firms. 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 fulfill their role. Training on audit concepts is provided to these specialists.

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.

Number of	FY 2020	FY 2019
IT Audit support	22	23
CISA* certified	8	6

*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.

Culture of consultation

KPMG encourages a strong culture of consultation that supports member firm teams throughout their decision-making processes and is a fundamental contributor to audit quality. We promote a culture in which consultation is recognized as a strength and that encourages all KPMG professionals 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, the KPMG GORMM includes mandatory consultation requirements where certain matters are identified, such as concerns over client integrity.

Appropriate consultation support on auditing and technical accounting matters is provided to audit engagement professionals through our professional practice resources (referred to as DPP). DPP also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are required to be escalated to senior partners for final resolution. The International Standards Group (ISG) is also available for consultation when required.

Technical auditing and accounting support is available to all member firms and their professionals through the KGSG (formally referred to as the Global Service Centre (GSC) and the ISG as well as the US Capital Markets Group for SEC foreign registrants.

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 through the KPMG audit workflow. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes). In addition, industry overviews are available that provide general and business information in respect of particular industries, as well as a summary of the industry knowledge provided in the KPMG audit workflow.

Performance of effective and efficient audits

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



Exercise professional skepticism and judgement



Coaching

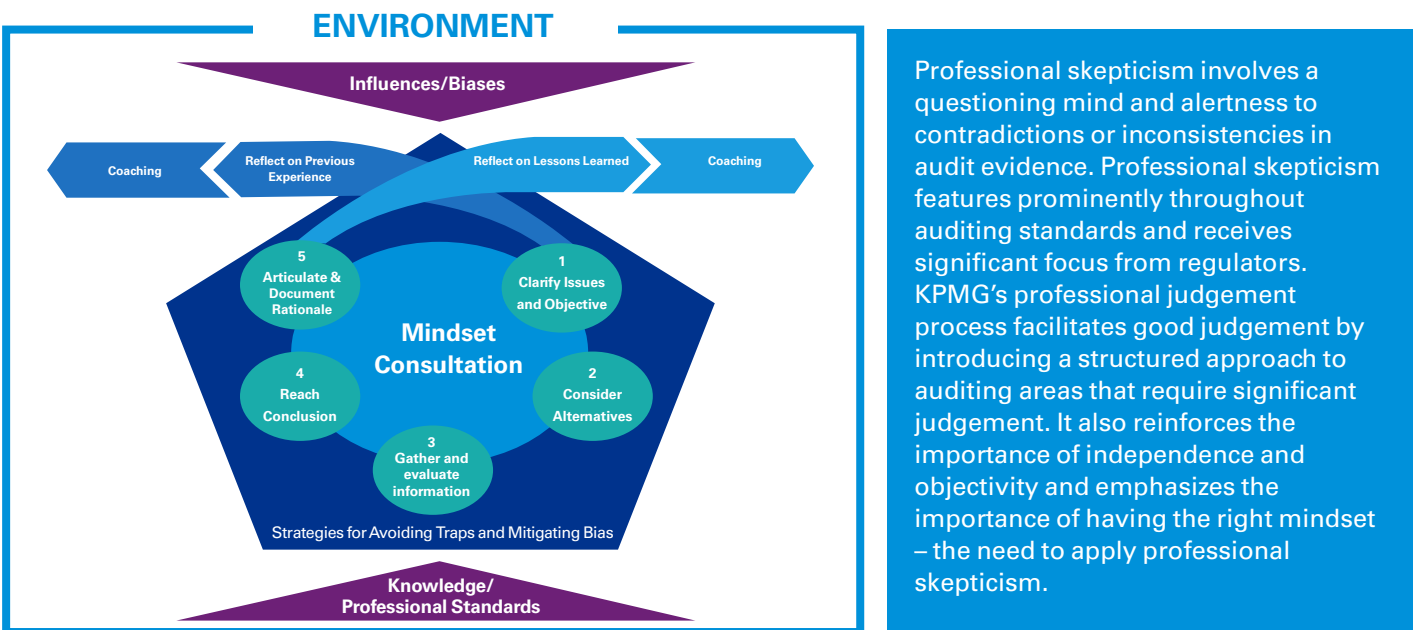
KPMG audit process

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.



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, we promote a continuous learning environment and support a coaching culture.

Ongoing mentoring, coaching and supervision during an audit involves:

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

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

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.

Timely EQC reviewers

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.

The EQC review is an important part of KPMG's framework for quality. An EQC reviewer is required to be appointed for audits, including any related 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 RMP or HOAA.

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 complete.

We are 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.

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

In preparing auditors' reports, engagement partners have access to extensive reporting guidance and technical support through consultations with our DPP, especially where

there are significant matters to be reported to users of the auditors' report (e.g. a modification to the opinion or through the inclusion of an 'emphasis of matter' or 'other matter' paragraph).

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.

Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG 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 overall system of quality control.

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

22 Client satisfactory survey questionnaires were sent to audit clients

12 Engagements reviewed as part of QPR program

Monitoring

Internal monitoring

1. Audit Quality Performance Review

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	FY2020	FY2019
No. of engagements reviewed	12	10
Percentage of audit partners reviewed	41%	33%
Percentage of reviewers who were from outside KPMG in Indonesia	100%	100%

2. Risk Compliance Program

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

The objectives of the RCP are to:

- document, assess and monitor the extent of compliance of our system of quality control with Global Q&RM (GO&RM) policies and key legal and regulatory requirements relating to the delivery of professional services; and
- provide the basis for us 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 and monitor the status of each action item.

3. Global Compliance Review program

Each KPMG firm is subject to a Global Compliance Review (GCR) conducted by KPMG International's GCR team, independent of the member firm, at various intervals based on identified risk criteria.

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

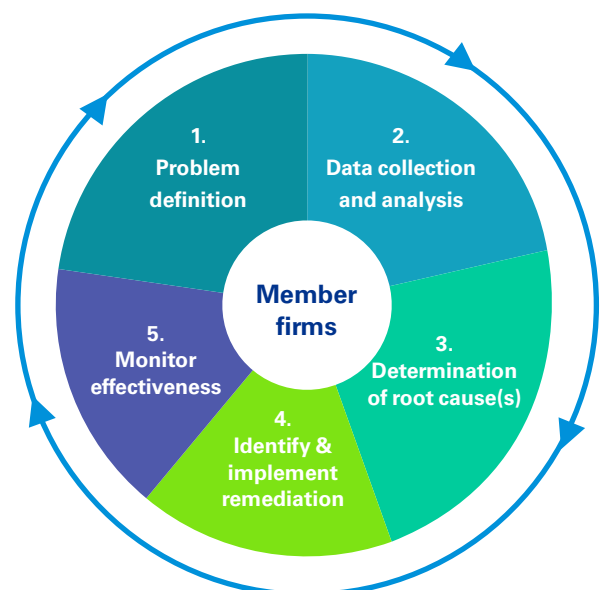
- a firm's commitment to quality and risk management (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment;
- a firm's compliance with KPMGI policies and procedures; and
- the robustness with which the member firm performs its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

We develop action plans to respond to all GCR findings that indicate improvement is required and agree these with the GCR team. Our progress on action plans is monitored by the GCR central team. Results are reported to the GO&RM Steering Group and where necessary, to appropriate KPMG International and regional leadership.

Root Cause Analysis

We perform an Root Cause Analysis (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 HOAA is responsible for the development and implementation of action plans as a result of the RCA, including identification of solution owners. The RMP monitors implementation.

External monitoring

Regulator

In Indonesia, the Ministry of Finance through *Pusat Pembinaan Profesi Keuangan* (PPPK) has been carrying out independent inspections for a number of years. Our firm and our partners are subject to an annual inspection by PPPK. The latest inspection report issued in December 2020 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 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.



Appendices

A1. Network arrangements

Legal structure for the Financial Year ending 30 September 2020

KPMG in Indonesia is affiliated with KPMG International Cooperative (**KPMG International**). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. Prior to 1 October 2020 it was the coordinating entity for the network and the entity with which all the member firms of the KPMG organization were required to be affiliated with. Further details about KPMG International and its business activities, including our relationship with it for the financial year ending 30 September 2020, are available in the 'Governance and leadership' section of the [2019 report](#).

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.

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

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.

Legal structure from 1 October 2020

On 1 October 2020, KPMG in Indonesia and all other KPMG firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee. From 1 October 2020, KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

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

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International Limited or any of its related entities have any such authority to obligate or bind any member firm.

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

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the firms. A firm's status as a KPMG member firm and its participation in the KPMG global organization may be terminated if, among other things, it has not complied with the policies 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. Further details on KPMG International's governance structure can be found in the [2020 KPMG International Transparency Report](#).

Area Quality & Risk Management Leaders

The Global Head of Quality, Risk and Regulatory appoints 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 GQ&RM leadership in the monitoring of member firms' quality and risk activities;
- work with GQ&RM 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
- assist in monitoring the effectiveness of firm remediation of significant issues, including identification of the root cause(s) of serious quality incidents.



A.2 Our listed clients

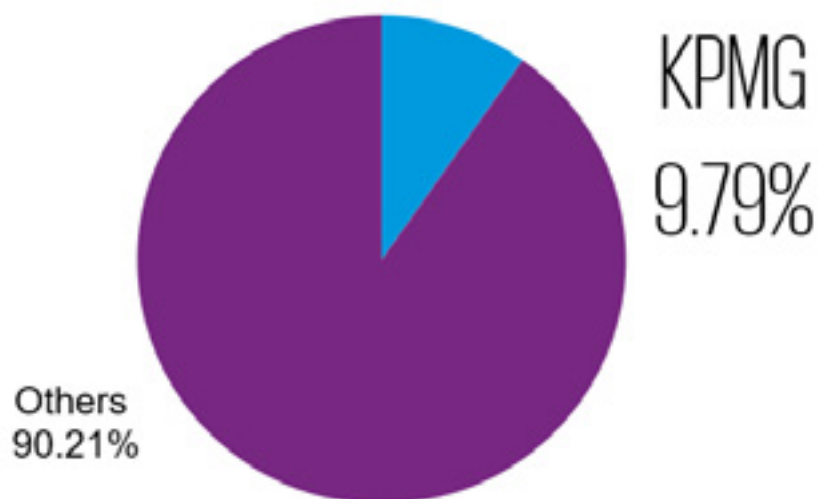
**Number of LQ 45 Companies
(as of July 2020)**

■ KPMG ■ Others



**Number of Top 50 Listed Companies by
Market Capitalization (as of September 2020)**

■ KPMG ■ Others





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