KPMG
cutting through complexity

KPMG International

Transparency Report

Supplement to the 2014 KPMG International Annual Review

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Contents

KPMG's Values

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

We lead by example:

At all levels we act in a way that exemplifies what we expect of each other and our clients.

We work together:

We bring out the best in each other and create strong and successful working relationships.

We respect the individual:

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

We seek the facts and provide insight:

By challenging assumptions and pursuing facts, we strengthen our reputation as trusted and objective business advisers.

We are open and honest in our communication:

We share information, insight, and advice frequently and constructively and manage tough situations with courage and candor.

We are committed to our communities:

We act as responsible corporate citizens by broadening our skills, experience, and perspectives through work in our communities and protecting the environment.

Above all, we act with INTEGRITY:

We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

Foreword

Each year, as a supplement to our International Annual Review, we publish a Global Transparency Report which is designed to describe KPMG International's system of quality control as well as our structure and governance.

It provides a detailed description, using our Audit Quality Framework as a structure, to describe how we not only demonstrate our commitment to audit quality and integrity, but also how we approach achieving audit quality to meet both international and local professional and ethical standards.

Furthermore it reflects our commitment to delivering value to stakeholders so that we can be seen by them as the best network in consistently achieving the highest standards of quality, ethics and integrity.

In striving to achieve this ambition, we believe that our unwavering commitment to quality and integrity in day to day business is fundamental to meeting our responsibilities to our clients, communities and the capital markets.

The starting point for the business is the professionalism and integrity of our people. Our leadership across KPMG member firms strives to promote a culture that quality is everyone's job. Our methodologies and processes, to which we refer in this document, similarly reflect the drive for quality.

We remain committed to working closely with regulators, audit committees, investors and businesses to enhance quality.
I hope that you will find our report provides useful insight into our approach to quality.

John Veihmeyer
Global Chairman, KPMG International

Throughout this Report, "we," "KPMG," "us," and "our" refer to the network of independent member firms operating under the KPMG name and affiliated with KPMG International, or to one or more of these firms. KPMG International provides no client services. Transparency Reports, where published, are available on the relevant member firms' Web sites.

Structure and governance

Our business

KPMG is a global network of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations.

KPMG International Cooperative ("KPMG International") is a Swiss cooperative which is a legal entity formed under Swiss law. It is the entity with which all the member firms of the KPMG network are affiliated.

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.

Legal structure

Our structure is designed to support consistency of service quality and adherence to agreed values wherever in the world the member firms operate. 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 and 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.

Unless otherwise stated, the words "member firm" or "KPMG member firm" when used in this Transparency Report include the following:

- Those entities that are members of KPMG International as a matter of Swiss law because KPMG International is a Swiss cooperative (i.e., similar to shareholders, albeit that KPMG International has no share capital and, therefore, only has members, not shareholders).
- Those entities ("sub-licensees") that are not members of KPMG International as a matter of Swiss law but that have still entered into legal agreements with KPMG International and also an entity that is a "member". Such agreements mean that sub-

licensees are member firms of the KPMG network. Generally, the rights and obligations of a sub-licensee as a KPMG member firm are exactly the same as if it had been a member. In particular, all rights and obligations of member firms that are described in this document are rights and obligations of sub-licensees unless otherwise specifically stated. In addition, the member that is a party to the sub-licensee's agreement with KPMG International is also responsible to KPMG International (but not to any other person or entity) for the sub-licensee's compliance with its obligations as a KPMG member firm.

- Those entities that are owned, managed, and controlled by an entity that is a member or a sub-licensee. The respective member or sub-licensee is responsible to KPMG International for such controlled entity's compliance with obligations to KPMG International as if it were a member or sub-licensee.

Name and ownership

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

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

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

Responsibilities and obligations of member firms

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

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.

KPMG member firms operate in the 155 countries listed in the International Annual Review.

Governance structure

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

Global Council

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit that KPMG International has no share capital and, therefore, only has members, not shareholders). Among other things, the Global Council elects the global chairman for a term of up to four years (renewable once) and also approves the appointment of Global Board members. It includes representation from 56 member firms that are "members" of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

Global Board

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

The Global Board includes the global chairman, the global deputy 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 global deputy chairman, the chairman of each of the regions and currently three other senior partners of member firms.

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 ("nonexecutive" members). A key role of the lead director is to act as liaison between the global chairman and the "nonexecutive" Global Board members. The list of Global Board members, as at 1 October 2014 is available in the International Annual Review.

The Global Board is supported in its oversight and governance responsibilities by several other committees, including a Governance Committee, an Operations Committee, an Investments Committee, a Quality & Risk Management Committee, and a Professional Indemnity Insurance Committee. The lead director nominates the chairs and members of certain Global Board committees for approval by the Global Board.

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 deputy chairman, and includes the global chairman, the global deputy chairman, the global chief operation offer, global function and infrastructure heads and the general counsel. The list of Global Management Team members, as at 1 October 2014, is available in the International Annual Review.

Key activities of the committees are:

Executive Committee

- recommending global strategy and priorities to the Global Board for its approval:
  - Vision and Purpose
  - Brand
  - Strategy and Strategic Alignment (incl. Strategic Investments)
  - Coordinated go-to-market and service delivery programs
  - Supporting and holding accountable the Global Management Team in driving and promoting the execution of the global strategy and priorities.

Governance Committee

- assessing, and making recommendations to improve, the governance and management structure of KPMG International
- recommending policies and regulations in respect of member firm governance to the Global Board for approval
- developing and implementing biennial Global Board evaluation process
- overseeing succession planning and recommending Global Board nominees and the process for the appointment of a global chairman
- approving the remuneration of the global chairman, the global deputy chairman and members of the Global Management Team and overseeing their annual performance reviews

Operations Committee

- overseeing KPMG International's financial reporting, budget and business planning process
- recommending and overseeing operational investments
- promoting the implementation of high growth markets strategy

Investments Committee

- overseeing strategic investments
- promoting and overseeing the coordination of external alliances which are anticipated to have an impact in more than one country

Quality & Risk Management Committee

- reviewing and monitoring KPMG International's quality, risk and compliance policies, processes, and activities
- promoting a culture that is committed to the highest standard of ethics and compliance

Professional Indemnity Insurance Committee

- recommending the professional indemnity insurance program in which member firms are obliged to participate to the Global Board for approval.

Global Steering Groups

The Global Steering Groups are responsible for supporting and driving the execution of the strategy and business plan in their respective areas and act under oversight of the Global Management Team. The role of the Global Quality & Risk Management Steering Group is outlined in more detail in the section 'Governance structure and lines of responsibility for quality' below.

Regional and functional structure

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

The Global Audit, Tax, and Advisory Steering Groups work with Global Quality & Risk Management to optimize the quality assurance, risk management and monitoring procedures within their respective function as further discussed in the 'Governance structure and lines of responsibility for quality' section.

Professional indemnity insurance

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

System of quality control

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

Accordingly, KPMG International has policies of quality control that apply to all member firms.

These policies and associated procedures are designed to guide member firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

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 firms that perform statutory audits and other assurance and related services engagements.

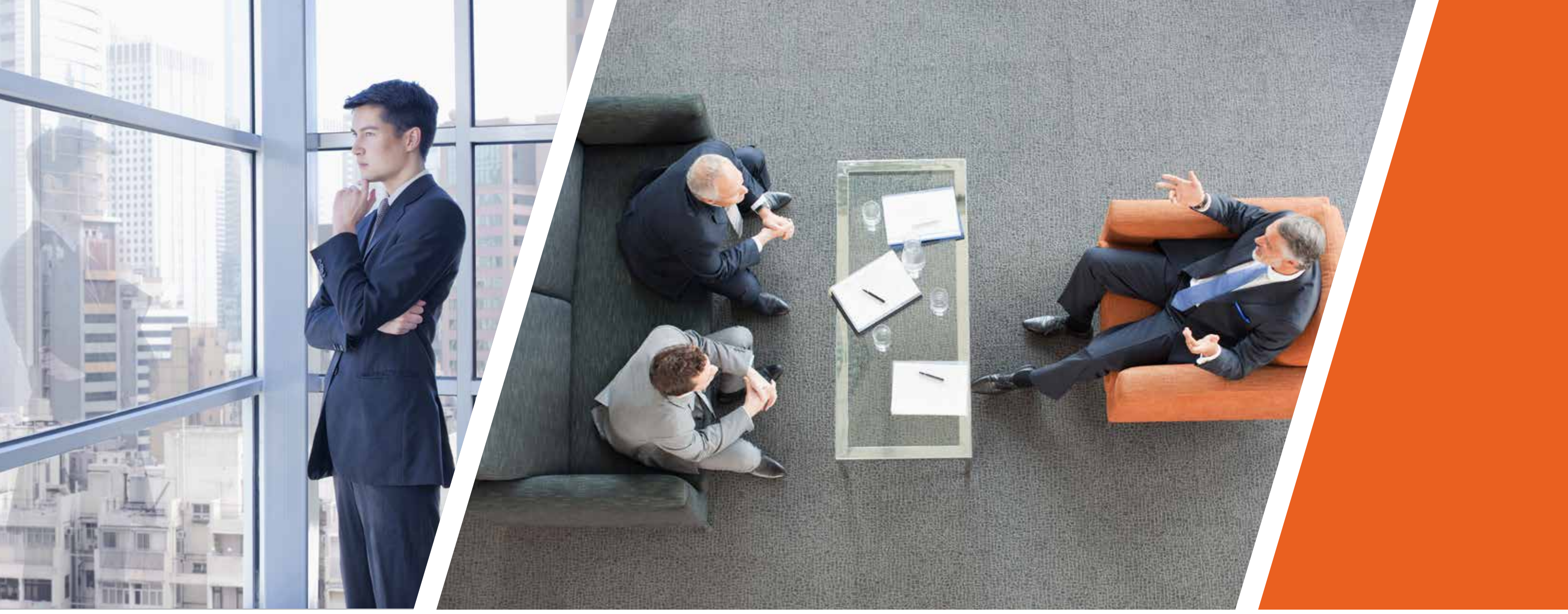
Individual member firms implement KPMG International policies and procedures and adopt additional policies and procedures that are designed to address rules and standards applicable to their own jurisdictions as well as applicable legal and other requirements.

KPMG International's policies reflect individual quality control elements to help member firms' personnel act with integrity and objectivity, perform their work with diligence, and comply with applicable laws, regulations, and professional standards.

Quality control and risk management are the responsibility of all KPMG personnel. This responsibility includes the need to understand and adhere to member firm policies and associated procedures in carrying out their day-to-day activities.

While many KPMG quality control processes are cross-functional, and apply equally to tax and advisory work, the remainder of this section focuses on what we do to enable KPMG member firms to deliver quality audits. In this section we therefore focus on our system of audit quality control.

At KPMG audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought, and integrity behind the audit report. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. This means, above all, being independent, and compliant with relevant legal and professional requirements.



To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Our Framework introduces a common language that is used by all KPMG member firms to describe what we believe drives audit quality, and to highlight how every audit professional at KPMG contributes to the delivery of audit quality.

Our Audit Quality Framework identifies seven drivers of audit quality:

1. Tone at the top
2. Association with the right clients
3. Clear standards and robust audit tools
4. Recruitment, development and assignment of appropriately qualified personnel
5. Commitment to technical excellence and quality service delivery
6. Performance of effective and efficient audits
7. Commitment to continuous improvement

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 KPMG's entire network. All of the other drivers are presented within a virtuous circle because each driver is intended to reinforce the others. Each of the seven drivers is described in more detail in the following sections of this report.

Source: KPMG International, 2014.

1 Tone at the top – the foundation of audit quality

Tone at the top is a term used to describe an organization's general ethical climate, as established by its leadership. KPMG and its leadership use 'tone at the top' to indicate its commitment to quality, ethics and integrity.

KPMG's focus on quality

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
- standard set by our member firms' leadership
- governance structure and clear lines of responsibility for quality – skilled and experienced people in the right positions to influence the quality agenda.

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG core value – above all, we act with integrity. This commitment underlies our values-based compliance culture where individuals are encouraged to raise their concerns when they see behaviors or actions that are inconsistent with our values or professional responsibilities.

KPMG International's Global Code of Conduct incorporates the core values and addresses the commitments that we make as well as the responsibilities of personnel at all levels and in all firms. Member firms are required to adopt the Global Code of Conduct or to promulgate their own code that is consistent with the Global Code.

A KPMG International hotline is available for KPMG personnel, clients, and other parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, those who work for KPMG International, or the senior leadership of a KPMG member firm.

Governance structure and lines of responsibility for quality

Member firm leadership

KPMG International policies and procedures promoting quality are strengthened by the involvement of experienced member firm leadership, up to and including the senior partner of each member firm. These leaders emphasize the importance of quality control, risk management, and compliance, and stress that all KPMG member firm personnel act with integrity to deliver quality services.

Each member firm has a national Risk Management Partner (RMP). He or she reports directly to the senior partner and provides quality and risk management leadership in their respective firm.

Working with the respective business leaders, the RMP:

- drives adherence to policies, procedures, and professional standards
- implements KPMG International quality and risk policies and processes
- adds jurisdiction-specific quality controls where required.

The RMP is also responsible for compliance activities within the member firm.

In addition, the following entities and individuals have leadership responsibilities for quality.

Global Quality & Risk Management Steering Group

The Global Quality & Risk Management Steering Group, chaired by the Global Vice Chair – Quality, Risk and Regulatory, is responsible for establishing and monitoring KPMG's system of quality control and risk management.

As part of this role, it approves quality and risk management policies and processes that member firms are required to adopt. This steering group includes the Global Head of Audit, Tax and Advisory, the Global Audit Quality and Risk Management Partner and Area Quality and Risk Management Leaders. The steering group reports to the Quality & Risk Management Committee of the Global Board.

Global Quality & Risk Management operational groups

A number of operational groups support Global Quality & Risk Management leadership. These consist of experienced professionals who are responsible for coordinating the development of KPMG International policy, process, and guidance in relation to quality, risk management, and compliance, including ethics and independence. These groups also coordinate three integrated review programs: Quality Performance, Risk Compliance, and Global Compliance Review that monitor compliance by member firms with KPMG International quality and risk management policies and procedures.

Area Quality & Risk Management Leaders

KPMG International has a network of Area Quality & Risk Management Leaders (ARLs), reporting to the Global Vice Chair – Quality, Risk and Regulatory. The ARLs are members of the Global Quality & Risk Management Steering Group and each ARL performs a monitoring function over a group of member firms. Their role is to enhance the KPMG network's ability to proactively monitor quality and risk management across member firms.

Each member firm is part of one of three regions. The regional Risk Management Partner – each of whom is also an ARL – also provides support to member firms in his or her respective region for quality and risk management purposes.

KPMG International also supports member firm quality through a number of international groups and programs. The groups that support Audit quality are set out below. Similar structures exist for Advisory and Tax.

The Global Audit Steering Group

Member firm Heads of Audit are responsible for audit quality. The Global Audit Steering Group (GASG) drives implementation by member firms of KPMG International's strategy in the Audit function including standards of audit quality. The GASG approves KPMG International policies and processes that relate to audit. The GASG works closely with the Global Quality & Risk Management Steering Group in relation to quality and risk matters related to audit. It is chaired by the Global Head of Audit and includes representatives from certain member firms as well as the head of the Global Services Centre and the Global Audit Quality & Risk Management Partner.

The Global Audit Quality Issues Council

The Global Audit Quality Issues Council (GAQIC) is responsible for identifying and monitoring audit quality issues on a network-wide basis. The GAQIC makes recommendations to the GASG on actions that can be taken to address audit quality issues. It is chaired by the Global Audit Quality & Risk Management Partner and includes representatives from the largest member firms.

International Standards Group

The International Standards Group (ISG) performs activities for the network relating to the interpretation of International Financial Reporting Standards (IFRS), International Standards on Auditing (ISA), and other standards issued by the International Auditing and Assurance Standards Board.

ISG leadership consists of an executive team comprised of senior professional practice partners from each region. The ISG works with Global IFRS and ISA topic teams with geographic representation from around the world to promote consistency of interpretation of international standards between member firms, identify emerging issues, and develop timely accounting and auditing guidance. ISG disseminates this guidance and other information about audit quality developments to member firms through its extensive network of professional practice representatives.

Global Services Center

The Global Services Center (GSC) is responsible for the development of methodology and technology based tools for audit. The GSC is responsible for developing, maintaining, and disseminating the KPMG International audit methodology, tools, and training used by KPMG member firms. The tools and applications developed by the GSC comply with professional standards and are used to facilitate effective and efficient audits, with an emphasis on global consistency.

2 Association with the right clients

Acceptance and continuance of clients and engagements

Rigorous client and engagement acceptance and continuance policies and processes are vital to the ability of KPMG member firms 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 our member firms have implemented 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

The member firm undertakes an evaluation of the prospective client prior to accepting it. This involves an assessment of its principals, its business, and other service-related matters. This also involves background checks on the prospective client, its key management, and significant beneficial owners. A key focus is on the integrity of management at a prospective client and the evaluation considers breaches of law and regulation, anti-bribery and corruption and human rights among the factors to consider.

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

The prospective engagement partner evaluates each prospective engagement. The evaluation identifies potential risks in relation to the engagement. A range of factors is considered as part of this evaluation including potential independence and conflict of interest issues (using Sentinel™, our global conflicts and independence checking system) as well as factors specific to the type of engagement, including for audit services, the competence of the client's financial management team and the skills and experience of personnel assigned to staff the engagement. The evaluation is made in consultation with other senior member firm personnel and includes review by quality and risk management leadership as required.

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

Any potential independence or conflict of interest issues are documented and resolved prior to acceptance.

Depending on the overall risk assessment of the prospective client or engagement, additional safeguards may be introduced to help mitigate the identified risks.

A member firm declines a prospective client or engagement 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.

The non-audit services and conflicts of interest sections provide more information on our independence and conflict checking policies.

Continuance process

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

This re-evaluation serves two purposes. Firstly, the member firm will decline to continue to act for any client where the member firm is unable to deliver to KPMG's expected level of quality, or if the member firm considers that it would not be appropriate to continue to be associated with the client. More commonly, member firms 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 (this may include the assignment of additional professionals or the need to involve additional specialists on the audit).

Client portfolio management

Member firms are required to appoint an engagement partner who has the appropriate competence, capabilities, time and authority to perform the role for each engagement.

3 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 GSC provides 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.

Audit methodology and tools

Significant resources are dedicated to keeping our standards and tools complete and up to date. Our global audit methodology, developed by the GSC, is based on the requirements of the 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 believes enhance the quality of our audits. KPMG member firms may add 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 KPMG auditors worldwide with the methodology, guidance, and industry knowledge needed to perform efficient, high-quality audits.

eAudIT's activity-based workflow provides engagement teams with ready access to relevant information at the right time throughout the audit, thereby enhancing effectiveness and efficiency and delivering value to stakeholders. The key activities within the eAudIT workflow are:

Engagement setup

- perform engagement acceptance and scoping
- determine team selection and timetable

Risk assessment

- understand the entity
- identify and assess risks
- plan for involvement of KPMG specialists and external experts, internal audit, service organizations and other auditors as required
- evaluate design and implementation of relevant controls
- conduct risk assessment and planning discussion
- determine audit strategy and planned audit approach

Testing

- test operating effectiveness of selected controls
- plan and perform substantive procedures

Completion

- update risk assessment
- perform completion procedures, including overall review of financial statements
- perform overall evaluation, including evaluation of significant findings and issues
- communicate with those charged with governance (e.g., the audit committee)
- form the audit opinion.

KAM contains, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks. Our methodology encourages engagement teams to exercise professional skepticism in all aspects of planning and performing an audit. The methodology encourages use of specialists when appropriate, and also requires involvement of relevant specialists in the core audit engagement team when certain criteria are met.

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

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Quality & Risk Management Manual (GQ&RMM) that is applicable to all KPMG member firms, functions and personnel.

Independence, integrity, ethics and objectivity

Overview

Member firms and KPMG professionals are required to comply with independence standards that meet or exceed those set out in the IESBA Code of Ethics together with those of other applicable regulatory bodies (which may include those of a foreign jurisdiction where those requirements apply extraterritorially).

To help ensure ethical conduct, including integrity and independence, each member firm, and its personnel, must be free from prohibited financial interests in, and prohibited relationships with, the network's audit clients, their management, directors, and significant owners.

Each member firm has a designated Ethics and Independence Partner (EIP).

A core team of specialists led by the head of Global Independence helps ensure that robust and consistent independence policies and procedures are implemented across member firms, and that these are updated and communicated as required.

Amendments to the ethics and independence policies in the course of the year are communicated by e-mail alerts and included in regular quality and risk communications. Member firms are required to implement changes specified in the e-mail alerts and this is checked through the internal monitoring procedures described below.

These policies and procedures cover areas such as personal independence, firm financial independence, business relationships, post-employment relationships, partner rotation, and approval of audit and non-audit services.

Personal independence

KPMG International policy extends the IESBA Code of Ethics restrictions on ownership of audit client securities to every member firm partner in respect of any audit client of any member firm.

KPMG professionals are responsible for making appropriate inquiries to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes. Member firms use a Web-based independence tracking system to assist KPMG professionals in their compliance with personal independence investment policies. This system contains an inventory of publicly available investment products. Partners and client facing managers are required to use this system prior to entering into an investment to identify whether they are able to do so. They are also required to maintain a record of all of their investments in the system, which automatically notifies them if their investments subsequently become restricted. Member firms monitor partner and manager compliance with this requirement as part of a program of independence compliance audits of a sample of professionals.

Any professional providing services to an audit client is also required to notify the EIP if he or she intends to enter into employment negotiations with that audit client.

Firm financial independence

KPMG member firms maintain a record of all their own investments (made for example through pension and retirement plans and treasury activity) in the Web-based independence tracking system. This record is monitored through the member firm's compliance process.

Business relationships/suppliers

KPMG member firms are required to 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.

Independence training and confirmations

KPMG member firms are required to provide all relevant personnel with annual independence training appropriate to their grade and function, and to provide all new personnel with relevant training when they join. A global annual training program is provided to member firms for this purpose. Member firms are able to tailor this for any additional local requirements.

All personnel are required to sign an independence confirmation upon joining a member firm. Thereafter, professionals are required to provide an annual confirmation that they have remained in compliance with applicable ethics and independence policies throughout the period. This confirmation is used to evidence the individual's compliance with, and understanding of, the member firm's independence policies.

Audit partner rotation

Member firm partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, and independence rules. These limit the number of years that partners in certain roles may provide audit services to an audit client. KPMG International rotation policies are consistent with the IESBA Code of Ethics and require member firms to comply with any stricter applicable rotation requirements. Member firms monitor the rotation of partners and develop transition plans to enable the firm 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

KPMG member firms have policies as to the scope of services that can be provided to audit clients which are consistent with IESBA principles and applicable laws and regulations. KPMG International policies require the lead audit engagement partner to evaluate the threats arising from the provision of non-audit services, and the safeguards available to address those threats.

KPMG International's proprietary system, Sentinel™, facilitates compliance with these policies. Lead audit engagement partners are required to maintain group structures for their publicly traded and certain other audit clients and their affiliates in the system. Every engagement entered into by a KPMG member firm is required to be included in the system prior to starting work. The system enables lead audit engagement partners for entities for which group structures are maintained to review and approve, or deny, any proposed service for those entities worldwide.

Each individual member firm has a policy for admitting and compensating the partners in that firm. To maintain auditor independence, audit partners' remuneration must not include any compensation based on their success in selling non-audit services to their audit clients.

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 operating firm expressing the audit opinion. In particular, KPMG International's policies require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years, a senior partner from another operating firm would be appointed as the engagement quality control (EQC) reviewer. Also, this would be disclosed to those charged with governance at the audit client.

Conflicts of interest

Conflicts of interest may prevent a member firm from accepting or continuing an engagement. The Sentinel™ system is also used to identify and manage potential conflicts of interest within and across member firms. Any potential conflict issues identified are resolved in consultation with other parties as applicable, and the outcome is documented. An escalation procedure exists in the case of dispute between member firms. If a potential conflict issue cannot be resolved, the engagement is declined or terminated.

It may be necessary to apply specific procedures to manage the potential for a conflict of interest to arise, or be perceived to arise, so that the confidentiality of all clients' affairs is maintained. Such procedures may, for example, include establishing formal dividers between engagement teams serving different clients, and making arrangements to monitor the operation of such dividers.

Breaches of independence policy

Any breaches of auditor independence regulations are reported to those charged with governance at the audit client, on the basis agreed with them. KPMG has deployed a number of tools to facilitate and monitor this process.

KPMG member firms are required to have and to communicate documented disciplinary procedures that apply to individuals who breach independence rules, incorporating incremental sanctions reflecting the seriousness of any violations.

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

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

Accordingly, training covering compliance with laws (including those relating to anti-bribery and corruption), regulations, professional standards and the KPMG Code of Conduct is required to be completed by client-facing professionals at a minimum of once every two years, with new hires completing such training within three months of joining a KPMG member firm.

In addition, certain non-client-facing personnel who work in finance, procurement or sales and marketing departments, and who are at the manager level and above, are required to participate in anti-bribery training.

Further information on KPMG International's anti-bribery and corruption approach can be found on the anti-bribery and corruption site.

4 Recruitment, development and assignment of appropriately qualified personnel

One of the key drivers of quality is ensuring the assignment of professionals with the skills and experience appropriate to the entity subject to audit. This requires a focus on recruitment, development, promotion and retention of our personnel, and the development of robust capacity and resource management processes. Member firms monitor quality incidents for the purposes of partner assignments and also for the purposes of evaluating overall partner evaluation, promotion and remuneration.

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, psychometric and ability testing, and qualification/reference checks.

Upon joining a member firm, new personnel are required to participate in a comprehensive on-boarding program in their member firm, 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 a partner or employee with a member firm.

Personal development

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

In relation to audit, we provide opportunities for professionals to develop the skills, behaviors, and personal capabilities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership, and business skills. We further develop personnel for high performance through coaching and mentoring on the job, stretch assignments, and country rotational and global mobility opportunities.

Performance evaluation and compensation

All professionals, including partners, undergo annual goal-setting and performance reviews. Each professional is evaluated on his or her attainment of agreed-upon goals, demonstration of the KPMG global behaviors, technical capabilities and market knowledge. These evaluations are conducted by performance managers and partners who are in a position to assess their performance (and in the majority of member firms propose a performance rating). Where performance ratings are awarded, this is following a robust calibration process to effectively address rating inconsistencies and ensure fairness in the rating process. This is achieved through our global performance development process, which is supported by a web-based application.

KPMG is committed to the career development of its people. To support this, the Global People, Performance and Culture group has designed a behavioral capability framework which is being adopted in member firms around the world. This framework, combined with development initiatives in areas such as coaching and mentoring, will support our people in enhancing their skills, maximizing their performance, and reaching their full potential.

Compensation and promotion

All member firms are encouraged to 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. This helps partners and employees know what is expected of them, and what they can expect to receive in return. Our policies do not allow audit partners to be compensated for the sale of non-audit services to their audit clients.

Partner admissions

Each member firm has a process for admission to the partnership that is rigorous and thorough, involving appropriate members of the member firm's leadership. All member firms are required to use criteria for admission to the partnership that are consistent with a commitment to professionalism and integrity, quality, and being an employer of choice. Criteria are strongly aligned to KPMG's behavioral capabilities and are based on consistent principles.

Assignment

Member firms have procedures in place to assign both the engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the partner assignment process. Key considerations include partner

experience, 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 (i.e., the engagement team composition and specialist involvement).

Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies and capabilities, including time, to perform audit engagements in accordance with KAM, professional standards, and applicable legal and regulatory requirements. This may include involving local specialists or those from other KPMG member firms.

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

- an understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- an understanding of professional standards and legal and regulatory requirements;
- appropriate technical skills, including those related to relevant information technology and specialized areas of accounting or auditing;
- knowledge of relevant industries in which the client operates;
- ability to apply professional judgment; and
- an understanding of KPMG's quality control policies and procedures.

5 Commitment to technical excellence and quality service delivery

Member firms provide all member firm professionals with the technical training and support they need. This includes access to networks of specialists and professional practice departments (DPP), which are made up of senior professionals with extensive experience in audit, reporting, and risk management, either to provide resources to the engagement team or for consultation.

At the same time, we use our audit accreditation and licensing policies to require professionals to have the appropriate knowledge and experience for their assigned engagements. Our structure enables our engagement teams to apply their business understanding and industry knowledge to deliver valued insights and to maintain audit quality.

Technical training

In addition to personal development discussed in the section above, our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Audit Learning and Development steering groups at the global, regional and, where applicable, local levels identify annual technical training priorities for development and delivery using a blend of classroom, e-learning, and virtual classroom methods. Audit Learning and Development teams work with subject matter experts and leaders from GSC, ISG and DPPs, as appropriate, to ensure the training is of the highest quality, is relevant to performance on the job, and is delivered on a timely basis.

Accreditation and licensing

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

Each member firm is 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, within the network, specific accreditation requirements apply for partners and managers working on IFRS engagements in countries where IFRS is not the predominant financial reporting framework. Similar policies apply for US Generally Accepted Accounting Principles, US Generally Accepted Auditing Standards, and the Standards of the Public Company Accounting Oversight Board for SEC engagements performed outside the US. These require that the partner, manager, and Engagement Quality Control reviewer have sufficient training and experience in performing engagements that apply the relevant reporting standards.

Audit professionals are also required to maintain accreditation with their professional bodies and satisfy the Continuing Professional Development requirements of such bodies. Our policies and procedures are designed to ensure that those individuals that require a license to undertake their work are appropriately licensed.

Access to specialist networks

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

The need for specialists (e.g., Information Technology, Tax, Treasury, Pensions, Forensic, Valuation) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process.

Consultation

Internal consultation is a fundamental contributor to quality and is mandated in certain circumstances and always encouraged.

To assist audit engagement professionals in addressing difficult or contentious matters, we have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues.

Member firms provide appropriate consultation support to audit engagement professionals through professional practice resources that often include a DPP or equivalent.

Technical support is available to member firms through the ISG as well as the US Capital Markets Group for work on SEC foreign registrants. The ISG works with Global IFRS and ISA topic teams with geographic representation from around the world to promote consistency of interpretation of IFRS between member firms, identify emerging issues, and develop global guidance on a timely basis.

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

6 Performance of effective and efficient audits

How an audit is conducted is as important as the final result. Our drivers of audit quality enhance the quality of the engagement team's performance during the conduct of every audit.

We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. These behaviors are discussed below.

KPMG Audit Process

As set out above, our audit workflow is enabled in eAudIT. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are:

- timely partner and manager involvement
- critical assessment of audit evidence
- exercise of professional judgment and professional skepticism
- ongoing mentoring and on the job coaching, supervision, and review
- appropriately supported and documented conclusions
- if relevant, appropriate involvement of the EQC reviewer
- reporting
- insightful, open, and honest two-way communication with those charged with governance
- client confidentiality, information security, and data privacy.

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.

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

The engagement partner is responsible for the final audit opinion, and reviews key audit documentation – in particular, documentation relating to significant matters arising during the audit and conclusions reached. The engagement manager assists the partner in meeting these responsibilities and in the day-to-day liaison with the client and team.

Critical assessment of audit evidence with emphasis on professional skepticism

Engagement teams consider all audit evidence obtained during the course of the audit, including consideration of contradictory or inconsistent audit evidence. The nature and extent of the audit evidence they gather is responsive to the assessed risks. The engagement team critically assesses audit evidence obtained from all sources. The analysis of the audit evidence requires each of the team members to exercise professional judgment and maintain professional skepticism to obtain sufficient appropriate audit evidence.

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. Our Audit Quality Framework emphasizes the importance of maintaining an attitude of professional skepticism throughout the audit.

We have developed a professional judgment process that provides audit professionals with a structured approach to making judgments. Our professional judgment process has professional skepticism at its heart. It recognizes the need to be alert to biases which may pose threats to good judgment, consider alternatives, critically assess audit evidence by challenging management's assumptions and following up contradictory or inconsistent information, and document rationale for conclusions reached on a timely basis as a means of testing their completeness and appropriateness.

Ongoing mentoring and on-the-job coaching, 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 our professionals, without compromising on quality, we use a continuous learning environment. We support a coaching culture throughout KPMG as part of enabling personnel to achieve their full potential.

Ongoing mentoring and on-the-job 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; and
- identifying matters for consultation with more experienced team members during the engagement.

A key part of effective mentoring, coaching 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 on each audit engagement. Our policies require review of documentation by more experienced engagement team members.

Our methodology recognizes that documentation prepared on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before our report is finalized. Teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is ordinarily not more than 60 calendar days from the date of the audit report but may be more restrictive under certain applicable regulations.

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 performed to comply with the ISAs;

- applicable legal and regulatory requirements;
- the results of the procedures performed, and the audit evidence obtained;
- significant findings and issues arising during the audit, and actions taken to address them (including additional audit evidence obtained); and
- the basis for the conclusions reached, and significant professional judgments made in reaching those conclusions.

Each KPMG member firm has a formal document retention policy in accordance with the applicable laws and regulations that govern the period we retain audit documentation and other client-specific records.

Appropriate involvement of the EQC reviewer

Engagement Quality Control (EQC) reviewers have appropriate experience and knowledge to perform an objective review of the decisions and judgments made by the engagement team. They are experienced audit professionals who are independent of the engagement team. They provide an objective review of the more critical and judgmental elements of the audit.

An EQC reviewer is required to be appointed for the audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the risk management partner or country head of audit. Before the date of the auditor's report, these individuals review:

- selected audit documentation and client communications,
- appropriateness of the financial statements and related disclosures, and
- significant judgments the engagement team made and the conclusions it reached with respect to the audit.

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved.

We are continually seeking to strengthen and improve the role that the EQC review plays in audits, as this is a fundamental part of the system of audit quality control. In recent years we have taken a number of actions to reinforce this, including:

- issuing leading practices guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers
- incorporating specific procedures into eAudIT to facilitate effective reviews, and
- developing policies relating to member firm recognition, nomination and development of EQC reviewers, as well as monitoring and assessing the nature, timing and extent of their involvement.

Reporting

Auditing standards and applicable legislation or regulation 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. Experienced engagement partners arrive at all audit opinions based on the audit performed.

In preparing audit reports, engagement partners have access to extensive reporting guidance and technical support to audit partners through consultations 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 those charged with governance is key to audit quality. Often the audit committee will be the group identified as those charged with governance. We stress the importance of keeping those charged with governance informed of issues arising throughout the audit and of understanding their views. 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 deliver insights such as our assessment of 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 and debate with those charged with governance.

In recognition of the demanding and important role that Audit Committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, our Audit Committee Institute ('ACI') aims to help Audit Committee members enhance their awareness, commitment and ability to implement effective Audit Committee processes. The ACI operates in 35 countries across the globe and provides Audit Committee members with authoritative guidance on matters of interest to Audit Committees as well as the opportunity to network with their peers during an extensive programme of technical updates and awareness seminars. Globally the ACI has thousands of members across both the private and public sectors and in 2014 provided seminars, workshops and roundtables for Audit Committee members, Risk Committee members and other Non-Executive directors.

Focus on effectiveness of group audits

Our audit methodology covers the conduct of group audits in detail. We stress the importance of effective two-way communication between the group engagement team and the component auditors, which is a key to audit quality. The group audit engagement partner is required to evaluate the competence of component auditors, whether or not they are KPMG member firms, as part of the engagement acceptance process. Our audit methodology incorporates the heightened attention currently being given to key risk areas for group audits, e.g., emerging markets and business environments that may be subject to heightened fraud risks.

Client confidentiality, information security, and data privacy

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

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

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

7 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 our opportunities for continuous improvement.

Additionally, we have processes in place to proactively identify emerging risks and to identify opportunities to improve quality and provide insights.

Monitoring

Internal monitoring

KPMG International has an integrated monitoring program that covers all member firms to assess the relevance, adequacy, and effective operation of key quality control policies and procedures. This monitoring addresses both engagement delivery and KPMG International policies and procedures. The results and lessons from the programs are communicated within each member firm, and the overall results and lessons from the programs are considered and appropriate actions taken at regional and global levels. Our internal monitoring program also contributes to the assessment of whether each member firm's system of quality control has been appropriately designed, effectively implemented, and operates effectively.

Our monitoring procedures involve ongoing consideration of:

- compliance with KPMG International policies and procedures
- the effectiveness of training and other professional development activities
- compliance with applicable laws and regulation and member firms' standards, policies, and procedures.

Two KPMG International developed and administered inspection programs are conducted annually by each member firm across the Audit, Tax, and Advisory functions, the Quality Performance Review (QPR) Program and the Risk Compliance Program (RCP).

Additionally, all member firms are covered by cross-functional Global Compliance Reviews (GCRs).

These programs are designed by KPMG International and participation in them is a condition of ongoing membership of the KPMG network.

Quality Performance Reviews (QPRs)

The international QPR Program is the cornerstone of our efforts to monitor engagement quality, and one of our primary means of ensuring that member firms are collectively and consistently meeting KPMG International's requirements and applicable professional standards. The QPR Program assesses engagement level performance in the Audit, Tax, and Advisory functions and identifies opportunities to improve engagement quality. All engagement partners are generally subject to selection for review at least once in a three-year cycle. The reviews are tailored to the relevant function, performed at a member firm level, overseen by a senior experienced lead reviewer independent from the member firm, and are monitored regionally and globally. Member firms are required to perform root cause analysis for pervasive issues. Remedial action plans for all significant deficiencies noted are required at an engagement and member firm level.

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

Risk Compliance Program (RCP)

The RCP is a member firm's annual self-assessment program. The objectives of the RCP are 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.

Global Compliance Review (GCR) program

GCRs are performed by reviewers independent of the member firm, who report to Global Quality & Risk Management and are led by the Global Compliance Group. GCRs are carried out on member firms once in a three-year cycle. These reviews focus on significant governance, risk management, independence, and finance processes (including an assessment of the robustness of the firm's RCP). In the event that a GCR identifies issues that require immediate or near-term attention, a follow-up review will be performed as appropriate.

All three programs require action plans to address identified issues, with time lines, to be developed by the member firm, and these actions to improve performance are followed up at the regional and global level to ensure that the actions address the identified issues with the objective of continuous improvement.

External monitoring

KPMG member firms may undergo a review of their quality systems and procedures, including a sample of their audits of listed and private clients by independent audit oversight regulators or by local professional accounting bodies. Where private or public reports are issued as a result of such regulatory or professional body reviews, KPMG member firms consider the findings and recommendations and implement actions to address deficiencies and strengthen policies and procedures as appropriate. ARLs are made aware of the findings and proposed actions in order to assist in consistent application across the network, through the consideration of emerging audit quality issues by the Global Audit Quality Issues Council and Global Audit Steering Group.

Client feedback

In addition to internal and external monitoring of quality, many member firms operate a formal program where they 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 they receive from this program is formally considered by the firms and individual engagement teams to help ensure that they continually learn and improve the levels of client service that they deliver. Any urgent actions arising from client feedback are followed up by the engagement partner to ensure that concerns on quality are dealt with on a timely basis.

Monitoring of complaints

Member firms are required to have procedures in place for monitoring and addressing complaints received relating to the quality of our work.

Interaction with regulators

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

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