



# Transparency report

KPMG in Kazakhstan  
Year ended 30 September 2015



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## Message from the Senior Partner

**Welcome to the 2015 Transparency Report of KPMG in Kazakhstan. This report is required by our regulators in Luxembourg and the United Kingdom, where KPMG Audit LLC is registered as a “third country audit entity” as established by a directive of the European Union. The report holds KPMG in Kazakhstan and Central Asia to account in respect of the quality of our work and our governance, both essential elements of a successful, sustainable audit business.**

The last year has seen continued volatility in Emerging Markets’ economies and currencies, driven by geopolitical upheaval and low commodity prices. Low oil prices in particular have placed stress on the Kazakhstan budget eventually forcing Kazakhstan to move the Tenge to a managed float, resulting in a significant devaluation against most major currencies. Businesses throughout the Commonwealth of Independent States (CIS) have had to chart a course through these stormy economic seas. We at KPMG in Kazakhstan have a strong belief that it is in the most difficult times that businesses have to operate with the highest levels of quality and integrity.

Global trends towards greater and more transparent regulation of many industries have continued, with the Audit industry under significant scrutiny. In many countries in the CIS, similar debates and discussions have happened. Kazakhstan is also making changes to its regulatory framework, perhaps the most significant being planned changes to audit regulations through a new audit law that is currently under consideration. KPMG has worked both informally and formally to support the Kazakh government’s efforts to continually improve the regulatory framework in Kazakhstan.

At KPMG in Kazakhstan, we continue to put quality at the very centre of our business. Without our requirement that our people always act with integrity and produce work of consistently high quality, we would not be half the business that we are today. This report should be a reflection of our quality commitment. I do hope that you find it interesting and insightful.

**Gregor Mowat**

Managing Partner, Kazakhstan and Central Asia

# Who we are

## 2.1 Our business

KPMG Kazakhstan is part of KPMG CIS<sup>1</sup> and employs approximately 520 people as at September 2015 and operate out of three offices in Kazakhstan and one office in Kyrgyzstan. Further details of our service offerings can be found on our website at the following link: <http://www.kpmg.com/kz/en/services/pages/default.aspx>.

## 2.2 Our strategy

The strategy for KPMG Kazakhstan is set in conjunction with the KPMG CIS Executive. In the current business environment, the KPMG CIS Executive has reaffirmed its commitment to quality, and has been required to reassess how it most effectively addresses its key strategic goal of achieving profitable growth.

## Our structure and governance

### 3.1 Legal structure

The operating firms that comprise KPMG Kazakhstan and KPMG CIS are affiliated with KPMG International Cooperative ('KPMG International'), a legal entity which is formed under Swiss law. Further details about KPMG International and its business, including our relationship with it, are set out in Section 7.

A list of the key entities that comprise KPMG Kazakhstan, together with details of their legal structure, regulatory status, nature of their business and area of operation is set out in Appendix A1.

KPMG CIS LLP is wholly owned by its members (partners), all of whom work in KPMG firms in those countries where KPMG CIS operates. For regulatory or other reasons KPMG CIS LLP is not the legal owner of all of the operating entities in certain jurisdictions.

## 3.2 Name and ownership

KPMG is the registered trademark of KPMG International and is the name by which the member firms of KPMG International are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International. The current Transparency Report for KPMG International is available at the following link: [www.kpmg.com](http://www.kpmg.com).

### National ownership

All the entities comprising KPMG Kazakhstan are wholly owned by KPMG CIS. During the year to 30 September 2015 there was an average of 13 partners (2014: 12 partners) in KPMG Kazakhstan and an average of 87 partners in KPMG CIS (2014: 88 partners).

## 3.3 Governance structure

### National governance

Day to day management of the entities that comprise KPMG Kazakhstan is with the Senior Partner of KPMG Kazakhstan. This takes place through being the General Director of KPMG Tax & Advisory LLC and as the representative of the Sole Participant of KPMG Valuation LLC and KPMG Bishkek LLC. The Executive Body of KPMG Audit LLC comprises four members: Gregor Mowat, Ashley Clarke, Ravshan Irmatov and Alla Nigay, who is the General Director. From 1 January 2016 Assel Khairova replaces Gregor Mowat as Senior Partner of KPMG Kazakhstan, and the Executive Body of KPMG Audit LLC comprises three members: Ashley Clarke, Ravshan Irmatov and Mukhit Kossayev, who is the Chairman.

The main governing body in the CIS is the CIS Executive. This comprised the CIS Senior Partner, the CIS Heads of Audit, Tax, Advisory, Markets, People, Infrastructure and Finance and Quality and Risk Management.

<sup>1</sup> The practice referred to as the CIS practice includes Russia, Ukraine, Armenia, Georgia, Kazakhstan, Kyrgyzstan and Azerbaijan

## Who we are (continued)

The CIS Executive is responsible for determining strategy in the CIS, ensuring business plans of units are aligned to this strategy and provides oversight of performance. It deals with matters of CIS wide importance and provides oversight of Partner matters such as remuneration and Partner admission. The CIS Executive meets on a monthly basis. Day to day management and oversight of operations is provided through business unit heads and country Senior Partners.

The activities of the CIS Executive are supervised by a Board of Partners. In part the Board of Partners operates through standing committees including the Quality and Risk Committee, the Remuneration Committee and the Nominations Committee.

### **3.4 Leadership responsibilities for quality and risk management**

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

#### [The Senior Partner and CIS Executive](#)

In accordance with the principles in the International Standard on Quality Control 1 (ISQC1), The Kazakhstan Senior Partner has assumed ultimate responsibility for KPMG Kazakhstan's system of quality control. Details of some of the measures that he, the CIS Senior Partner and the CIS Executive have taken to ensure that a culture of quality prevails within our group are set out in Section 4.

#### [The CIS Head of Quality & Risk Management](#)

Operational responsibility for the system of quality control, risk management and compliance in KPMG CIS has been delegated to the CIS Head of Quality & Risk Management. He is responsible for setting overall professional risk management and quality control policies and monitoring compliance for the firm. He has a seat on the CIS Executive and has a direct reporting line to the Senior Partner. The fact that the role is a CIS Executive position and the seniority of the reporting lines underlines the importance that the firm places on risk and quality issues. The CIS Head of Quality and Risk management is supported by a team of partners and professionals in each of the functions and countries of the CIS in which the firm operates.

#### [The Audit, Tax and Advisory functions - Function Heads](#)

The three group heads of the client service functions (Audit, Tax and Advisory) oversee the quality of service delivered in their respective functions and are accountable to the KPMG CIS Executive in this regard. Between them they determine the operation of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the Head of Quality and Risk Management and maintain a close working relationship with each of the group function heads in this regard.



# System of quality control

KPMG CIS has policies of quality control that apply to all of its operating firms. These policies are based on the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB), and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), relevant to firms that perform statutory audits and other assurance and related services engagements. These policies and associated procedures are designed to guide our operating firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

Our firm implements KPMG International policies and procedures and adopts additional policies and procedures that are designed to address rules and standards issued by national regulators and other relevant regulators such as the US Public Company Accounting Oversight Board (US PCAOB) 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 primary focus of the transparency report requirements relate to audit and the remainder of this

section focuses on what we do to ensure delivery of quality audits. 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, objective 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.

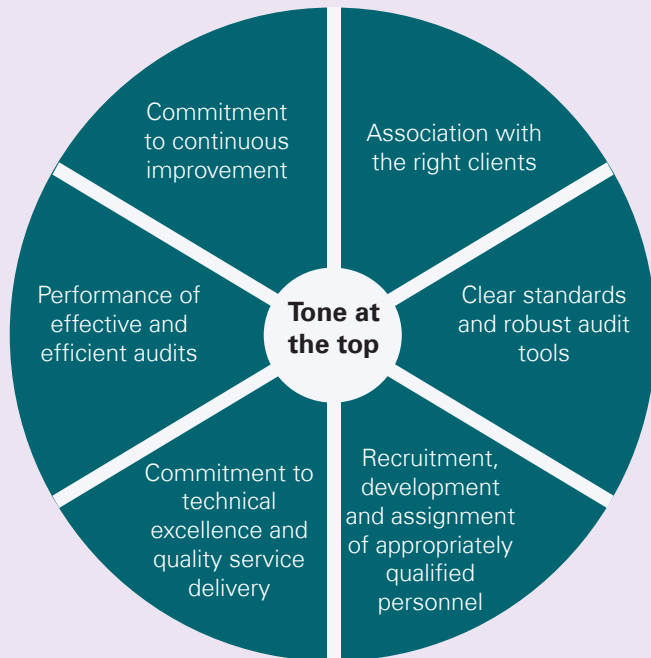
Our Audit Quality Framework identifies seven drivers of audit quality:

- Tone at the Top;
- Association with the right clients;
- Clear standards and robust audit tools;
- Recruitment, development and assignment of appropriately qualified personnel;
- Commitment to technical excellence and quality service delivery;
- Performance of effective and efficient audits;
- Commitment to continuous improvement.

Tone at the Top sits at the core of the Framework. All of the other drivers are presented within a virtuous circle, because each driver is intended to reinforce the others. Each of the seven key drivers of is described in more detail in the following sections of this report.

# System of quality control (continued)

## Audit Quality Framework



### 4.1 Tone at the Top

Our leadership demonstrates and communicates their commitment to quality, ethics and integrity.

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;
- Standards set by leadership;
- Our bi-annual People Survey and annual focus groups;
- Operating whistle-blowing hotlines across the firm;
- 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". For us integrity means constantly striving to uphold the highest professional standards in our work, providing sound good-quality advice to our clients and rigorously maintaining our independence.

Our Values, which have been explicitly codified now for a number of years, are embedded into our working practices. For example, they are reflected in the performance appraisal process that our people follow and adherence to these Values is also reviewed when our people are considered for more senior promotions, including to partner. Our Core Values are set out in Appendix 4.

Our Code of Conduct, incorporates our Core Values, defines the standards of ethical conduct that we require from our firms and our people. The Code of Conduct was updated in 2012 to reflect changes in laws, regulations and professional ethics. It sets out KPMG's ethical principles, and helps partners and employees to understand and uphold those principles. The Code of Conduct emphasizes that each partner and employee is personally responsible for following the legal, professional, and ethical standards that apply to his or her job function and level of responsibility. It has provisions that require KPMG people to:

- Comply with all applicable laws, regulations and KPMG policies;
- Report any illegal acts, whether committed by KPMG personnel, clients or other third parties;
- Report breaches of risk management policies by KPMG firms or people;
- Uphold the highest levels of client confidentiality; end
- Not offer, promise, make, solicit or accept bribes (whether directly or through an intermediary).

The commitments in our Code of Conduct underlie our values-based compliance culture where individuals are encouraged to raise their concerns when they see behavior or actions that are inconsistent with our Values or professional responsibilities.

A whistle-blowing hotline is available in all countries where KPMG CIS operates. This hotline is available for all KPMG personnel, clients, and other parties to confidentially report concerns they have relating to how others are behaving (both internally and externally) and concerns regarding any of our operating firms. The whistle-blowing hotline allows people to report their concerns to a third-party organization. Our people can raise matters anonymously and without fear of retaliation.

Matters reported to the hotline are investigated under the supervision of an independent ombudsmen who is external to KPMG.



## 4.2 Association with the right clients

### 4.2.1 Acceptance and continuance of clients and engagements

Rigorous client and engagement acceptance and continuance policies and processes are vitally important to the ability to provide quality professional services and to protect KPMG's reputation and support its brand.

### 4.2.2 Prospective client and engagement evaluation process

Before accepting a client, we undertake an evaluation of the prospective client. This involves an assessment of its principles, its business, and other service-related matters. This also involves background checks on the prospective client, its key management and beneficial owners. A key focus is on the integrity of management as a prospective client. A second partner, as well as the evaluating partner, approves the prospective client evaluation. Where the client is considered to be 'high risk' a quality and risk management partner is involved in approving the evaluation.

The prospective engagement leader 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. The evaluation is made in consultation with other senior member firm personnel and includes review by quality and risk management leadership as required.

In addition when taking on a statutory audit 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.

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 documented and resolved prior to acceptance.

We will decline 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.

Section 4.3.2 provides more information on our independence and conflict checking policies.

### 4.2.3 Continuance process

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

This re-evaluation serves two purposes. Firstly we will decline to continue to act for any client where we are unable to deliver to our expected level of quality or if we consider that it would not be appropriate to continue to be associated with the client. Secondly, and more commonly, we 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).

## 4.3 Clear standards and robust audit tools

All of our professionals are expected to adhere to KPMG policies and procedures (including independence policies) that we set and we provide 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.

### 4.3.1 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 Global Service Centre (GSC), is based on the requirements of the International Standards on Auditing (ISAs). The methodology is set out in KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISA, which KPMG believes enhance the quality of our audits. Operating firms in KPMG CIS may add local requirements and/or guidance in KAM to comply with additional professional, legal or regulatory requirements.

# System of quality control (continued)

Our audit methodology is supported by eAudit KPMG's electronic audit tool, which provides KPMG auditors worldwide with the methodology, guidance, and industry knowledge needed to perform efficient, high-quality audits. eAudit has been deployed to all audit professionals in KPMG Europe LLP's operating firms.

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 set-up

- Engagement acceptance and scoping; and
- Team selection and timetable.

## Risk assessment

- Understand the entity;
- Identify and assess risks;
- Plan for involvement of specialists and others including experts, internal audit, service organizations and other auditors;
- Evaluate design and implementation of selected controls;
- Risk assessment and planning discussion; and
- Determine audit strategy and planned audit approach.

## Testing

- Test operating effectiveness of selected controls; and
- 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 (for example the Audit Committee); and
- 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 the 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 that is applicable to all KPMG member firms, functions and personnel.

## 4.3.2 Independence, integrity, ethics and objectivity

### 4.3.2.1 Overview

We have adopted the KPMG Global Independence Policies which are derived from the International Ethics Standards Board for Accountants (IESBA) Code of Ethics and incorporate, as appropriate, SEC, US PCAOB and other applicable regulatory standards. These policies are supplemented by other processes to ensure compliance with any standards issued by relevant national regulatory bodies. These policies and processes cover areas such as firm financial independence (covering for example treasury and procurement functions), business relationships, personal independence, post-employment relationships, partner rotation, and approval of audit and non-audit services.

We have a designated Ethics and Independence Partner to help ensure that robust and consistent independence policies and procedures are implemented across our 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. To help ensure ethical conduct, including integrity and independence, our operating firms and their personnel must be free from prohibited financial interests in, and prohibited relationships with, the network's audit clients, their management, directors, and significant owners.

In the event of failure to comply with relevant independence policies, whether identified in the rolling compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. Matters arising are factored into promotion and compensation decisions and, in the case of partners and managers, are reflected in their individual quality and risk metrics (see Section 4.4).

#### 4.3.2.2 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.

Our professionals are responsible for making appropriate enquiries to ensure that they do not have any personal financial interests that are restricted for independence purposes. In common with other member firms of KPMG International, we use a web-based independence tracking system to assist our 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. Our operating firms monitor partner and manager compliance with this requirement as part of a programme of independence

compliance audits of a sample of professionals. In 2015: 72 (2014: 38) of our people in CIS including KPMG Kazakhstan were subject to these audits.

Any professional providing services to an audit client is also required to notify the Ethics and Independence Partner if they intend to enter into employment negotiations with that audit client.

#### 4.3.2.3 Firm financial independence

If the firm made financial investments we would maintain a record of them in the web-based independence tracking system which is monitored through our compliance process.

#### 4.3.2.4 Independence training and confirmations

We provide all relevant personnel (including all partners and client service professionals) with annual independence training appropriate to their grade and function and provide all new personnel with relevant training when they join.

All personnel are required to sign an independence confirmation upon joining our 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 operating firm's independence policies.





# System of quality control (continued)

## 4.3.2.5 Audit partner rotation

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

We 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.

## 4.3.2.6 Non-audit services

We have policies regarding the scope of services that can be provided to audit clients which are consistent with IESBA principles and applicable laws and regulations. KPMG 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 any KPMG member firm in our network 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. In accordance with applicable auditor independence rules, none of our audit partners are compensated on their success in selling non-audit services to their audit clients.

## 4.3.2.7 Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise if 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, these 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% of the total fees received by a particular member firm for two consecutive years:

- This would be disclosed to those charged with governance at the audit client; and
- A senior partner from another operating firm would be appointed as the engagement quality control reviewer.

No audit client accounted for more than 10% of the total fees received by KPMG Kazakhstan over the last two years.

Although the firm's policies, procedures and processes that constitute the quality control system are set and operated at the CIS level, in addition to monitoring fee levels from public interest entity audit clients at the CIS level we also monitor this at the Kazakhstan level.

## 4.3.2.8 Business relationships/suppliers

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

## 4.3.2.9 Conflicts of interest

Conflicts of interest may prevent us from accepting or continuing an engagement. 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.

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

Compliance with laws, regulation and standards is a key aspect for all KPMG personnel. In particular, KPMG has 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.

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 the 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.

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

#### 4.4.1 Recruitment

We have policies regarding the scope of services that can All candidates applying for professional positions are required to submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, ability testing, and qualification/reference checks.

We recruited heavily at all levels during the year - over 138 talented people in all functions, including experienced hires and graduates.

Upon joining, new personnel are required to participate in a comprehensive on-boarding program, which includes training in areas such as ethics and independence. This also includes ensuring that any issues of independence or conflicts of interest are addressed before the individual can commence as a partner or employee with the firm, such as ethics and independence, quality and risk management principles and our people management procedures.

Our on boarding programme also includes ensuring that any issues of independence or conflicts of interest are addressed before the individual's employment or partnership commences.

#### 4.4.2 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 Section 4.5.1).

A partner development framework is in place that links particular training programmes to various partner levels and roles. Partners are encouraged to make use of these development opportunities, and also to contribute to the development of other partners and staff through coaching, mentoring, and teaching on our core programmes.

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

#### 4.4.3 Performance evaluation and compensation

At KPMG our commitment to the professionalism, openness and quality & risk management principles enshrined in the Audit Firm Governance Code starts at the very top with our partners but also extends throughout the people processes.

All professionals undergo annual goal-setting and performance reviews. Each professional is evaluated on attainment of agreed-upon goals, demonstration of the KPMG global behaviors (one of which is 'Delivers Quality'), technical capabilities and market knowledge. This is achieved through our global performance development process, which is supported by a web-based application. These evaluations are conducted by performance managers and partners who are in a position to assess their performance and propose a performance rating based on how well they have performed in meeting their objectives. Performance ratings are awarded following a robust calibration process to effectively address rating inconsistencies and ensure fairness in the rating process.

# System of quality control (continued)

This rating directly influences the total amount of remuneration that they are paid. The results of the annual counselling are also considered when promotion decisions are being made.

Similarly, each year, partners are also required to agree objectives for the coming year which are specific to their individual role. As for staff, as part of the year end counselling process our partners are awarded a rating based on how well they have performed in meeting their individual objectives. They are required to provide objective evidence to demonstrate this, which includes their individual quality and risk metrics which are described in further detail below.

The result of the annual performance review directly affects the compensation of our partners and in some cases their continued association with KPMG.

All managers and above, including partners, are issued with standardized quality and risk metrics which are fed into their annual counselling process. The quality and risk metrics include a number of parameters, such as the results of external regulatory reviews, timely completion of training, and the outcome of internal monitoring programmes. As part of these metrics, an overall red, yellow or green grading is awarded.

The action which is taken against any partner with yellow and red metrics will be dependent upon what drove the adverse metric initially. The range of actions that will be taken include remediation of the initial deficiency giving rise to the adverse metric, remedial training, one-to-one counselling with functional leadership and/or Quality and Risk Management Partners on the issue arising, or in some instances a reduction in the overall compensation paid to the partner concerned.

## Compensation and promotion

We have compensation and promotion policies that are clear, simple, and linked to the performance evaluation process so that our people know what is expected of them and what they can expect to receive in return. Our compensation policies do not permit audit partners to be compensated for the sale of non-audit services to their audit clients; other restrictions are also applied in accordance with national regulations.

## Partner admissions

Our process for admission to the partnership is rigorous and thorough. Our key criteria for admission to partner

are consistent with a commitment to professionalism and integrity, quality and being an employer of choice. Anyone who is being considered for promotion to partner is evaluated against criteria which include evidence of the way that an individual has managed quality and risk as well as their overall adherence to our Values. Similarly, attitude to quality and risk is explored for any external partner hires that we are considering.

## 4.4.4 Assignment

We have procedures in place to assign both the engagement partners and other professionals to a specific engagement on the basis of their skills, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the partner assignment.

Key considerations include partner experience, accreditation, and capacity, based on an annual partner portfolio review, to perform the engagement in view of the size, the 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 specialists from our own or other KPMG member firms.

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

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



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

#### **4.5 Commitment to technical excellence and quality service delivery**

We provide all professionals with the technical training and support they need. This includes access to networks of specialists and professional practice departments ('DPP'). These 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.

##### **4.5.1 Technical training**

In addition to personal development discussed at 4.4.2, our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Our technical training curriculum covers all grades of staff with a core training programme for junior staff and periodic and annual update training for qualified and experienced staff and partners.

Audit learning and development steering groups at the global, regional and, where appropriate, local levels identify annual technical training priorities for development of new courses, content for periodic and annual update training and amendments to the core programme. Delivery of training is through a blend of classroom, e-learning and virtual classroom methods. Audit Learning and Development teams work with subject matter experts and leaders from Global Service Centre (GSC), International Standards Group (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.





## System of quality control (continued)

Audit training is mandatory and completion is monitored at country level through a Learning Management System. This allows individuals to monitor their compliance both with their ongoing Continuing Professional Development requirements and with KPMG's mandatory training and accreditation requirements (see 4.6.2). Non-attendance at mandatory training is captured as one of the measures on the quality and risk metrics.

In addition to structured technical training, there is a coaching culture that encourages consultation, on-the-job training and mentoring.

### 4.5.2 Accreditation and licensing

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

We ensure that Audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience in the local predominant financial reporting framework. We have accreditation requirements for many of our services (including for US audit and accounting work, International Financial Reporting Standards, Transactions Services and Corporate Finance services) which ensure that only partners and employees with the appropriate training and experience are assigned to clients and are appropriately licensed where necessary.

We require that all Audit professionals maintain accreditation with their professional bodies and satisfy the Continuing Professional Development requirements of such bodies (at a minimum, professionals comply with IESBA requirements). Our policies and procedures are designed to ensure that those individuals who require a licence to undertake their work are appropriately licensed.

### 4.5.3 Access to specialist networks

Our 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 (eg 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.

### 4.5.4 Consultation

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

Our operating firms provide appropriate consultation support to audit engagement professionals through professional practice resources that include a Department of Professional Practice (DPP) or equivalent.

The role of DPP is crucial in terms of the support that it provides to the Audit Function. It provides technical guidance to client service professionals on specific engagement-related matters, develops and disseminates specific topic-related guidance on emerging local technical and professional issues, and disseminates international guidance on International Financial Reporting Standards (IFRS) and ISAs.

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

Technical support is also available to our operating firms through the International Standards Group (ISG) as well as the US Capital Markets Group, for work on SEC foreign registrants based in New York.

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.

### 4.5.5 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.

We, along with other KPMG member firms, provide specialist input into the development of global industry knowledge, and deploy it via the use of eAudit.

## 4.6 Performance of effective and efficient audits

### 4.6.1 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 Engagement Quality Control reviewer (EQC review);
- Clear reporting of significant findings; and
- Insightful, open and honest two-way communication with those charged with governance.

#### 4.6.1.1 Timely partner and manager involvement

To 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.

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

We consider all audit evidence obtained during the course of the audit, including consideration of contradictory or inconsistent audit evidence.

The nature and extent of the audit evidence we gather is responsive to the assessed risks. We critically assess that audit evidence obtained from all sources. The analysis of the audit evidence requires each of our 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 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.



## System of quality control (continued)

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

### 4.6.1.3 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 include:

- 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 monitoring, coaching and supervision is timely review of the work performed so that significant matters are promptly identified, discussed and addressed.

### 4.6.1.4 Appropriately supported and documented conclusions

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 at the time the work is performed is likely to be more efficient and effective than documentation

prepared later. 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. In addition to understanding results of the procedures performed, the audit evidence obtained, significant findings and issues arising during the audit and actions taken to address them (including additional audit evidence obtained), as well as the basis for the conclusions reached, and significant professional judgments made in reaching those conclusions.

We have a formal document retention policy in accordance with the applicable regulation that governs the period we retain audit documentation and other client-specific records.

### 4.6.1.5 Appropriate involvement of the Engagement Quality Control reviewer (EQC reviewer)

Audit docEQC 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 offer 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 quality & 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 reviewer 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:

- Ensuring that the role performed by EQC reviewers is also taken into account when performing the Partner Portfolio Review process (refer to Assignment Section: 4.4.4) to ensure adequacy of time and appropriate skill set for the role and reallocation if needed; and
- Assessing, as part of our Quality Performance Reviews (refer to Monitoring Section 4.7.1), the work performed by the EQC reviewer and the adequacy of involvement including discussion with the EQC reviewer.

#### 4.6.1.6 Clear reporting of significant findings

Auditing standards and local 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 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.

#### 4.6.1.7 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 body 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 the appropriateness of accounting policies, the design and operation of financial reporting systems and controls, key accounting judgments and any matters where we may disagree with management's view, and any uncorrected audit misstatements. We ensure the content of these reports meets the requirements of auditing standards and 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.

#### 4.6.1.8 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 or not, 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.

Consistent approaches, methodology and tools are used across the KPMG network. We provide lead audit engagement partners with information on component auditors within the KPMG network to help them evaluate their competence and capabilities including, where appropriate, the results of relevant inspection results.

Lead audit engagement partners may review component auditor engagement documentation in person or obtain electronic access. Additional guidance, training and materials have been issued in this area as follows:

## System of quality control (continued)

- eAudit includes guidance and functionality based on revised ISA 600 for group audit engagements and heightened attention is being given to key risk areas for group audits, for example emerging markets and business environments that may be subject to heightened fraud risk.

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

We are committed to providing a secure and safe environment for the personal data and confidential information we hold, as well as protecting the privacy of our clients, service providers and our third parties.

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

We are required to meet the security requirements set out in the Global Information Security Policies and Standards, as published by KPMG International. Compliance monitoring against these standards and policies is carried through the group internal audit programme and is supplemented by checks by the Global Information Risk and Security Office.

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

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

### 4.7 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.

### 4.7.1 Monitoring

#### 4.7.1.1 Internal monitoring

KPMG International has an integrated monitoring programme 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 and meets the ISQC1 monitoring requirements.

The results and lessons from the programmes are communicated within each of our operating firms, and the overall results and lessons from the programmes are considered, and appropriate actions taken, at group, regional and global levels.

Our internal monitoring programme also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively.

Our monitoring procedures involve ongoing consideration of:

- Compliance with KPMG's policies and procedures;
- The effectiveness of training and other professional development activities; and
- Compliance with applicable laws and regulations and member firms' standards, policies, and procedures.

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

Additionally all KPMG member firms are covered once by cross-functional Global Compliance Reviews (GCRs). These programmes are designed by KPMG International and participation in them is a condition of ongoing membership of the KPMG network (see Section 7 for further details on the KPMG network). The appropriateness of KPMG International's guidance materials is considered periodically.



### Quality Performance Reviews (QPRs)

The international QPR Programme 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 both KPMG International's requirements and applicable professional standards. The QPR Programme 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 Lead Reviewer from outside the specific operating firm being reviewed, and are monitored regionally and globally.

We perform a root cause analysis for pervasive issues. Remedial action plans for all significant deficiencies noted are required at an engagement and operating firm level. We disseminate our findings from the QPR Programme to our professionals through written communications, internal training tools, and periodic partner, manager and staff meetings. These areas are also emphasized in subsequent inspection programmes to gauge the extent of continuous improvement.

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 where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the Audit QPR. In 2015 the following engagements and partners/directors were reviewed:

	2015 Number of engagements reviewed (2014)	2015 Number of engagement leaders reviewed (2014)	2015 % of engagement leaders reviewed (2014)
Audit	4 (4)	4 (4)	57% (57%)
Tax	8(8)	2(3)	100% (100%)
Advisory	6(5)	4(3)	80% (75%)

### Risk Compliance Program (RCP)

The RCP is a member firm's annual self-assessment programme. The objectives of the RCP are to monitor, assess, and document firm wide/cross functional 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 programme is overseen and monitored regionally as well as globally.

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.

### Global Compliance Review (GCR) Program

GCRs are performed by reviewers independent of the member firm, who report to Global Quality & Risk

## System of quality control (continued)

### 4.7.1.2 External monitoring

In Kazakhstan the Chamber of Auditors of the Republic of Kazakhstan inspected the Kazakhstan audit practice during the year ended 30 September 2014 and did not identify any issues that have a material impact on the conduct of the statutory audit business.

KPMG Kazakhstan is also registered with regulators in the European Union in the UK and Luxembourg.

No reviews have been performed in respect of the European registrations.

### 4.7.2 Client feedback

In addition to internal and external monitoring of quality, we operate a formal programme across our operating firms where we actively solicit feedback from management and those charged with governance at our clients on the quality of specific services that we have provided to them. The feedback that we receive from this programme is formally considered by our operating firms and individual engagement teams to ensure that we continually learn and improve the levels of client service that we 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.

### 4.7.3 Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received from clients relating to the quality of our work. These procedures are detailed on our websites.

### 4.7.4 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 issues identified and actions taken to address such issues at a network level.

### 4.7.5 Other assessments of audit quality

Within the CIS practice all reports issued from the Audit department are subject to a pre issuance review by DPP or an experienced partner. Any issues identified need to be cleared before the report can be issued.

Feedback is provided to individual engagement leaders as regards the quality of reports submitted for review and the annual results are taken into account in the engagement leader's performance evaluation.



## Financial information

The summary of revenues presented below is for KPMG Kazakhstan (excluding KPMG Bishkek LLC) for the year ended 30 September 2015. The revenues are combined, not consolidated revenues; include expenses billed to clients and revenue related to billings to other member firms of KPMG International, for audit and non-audit clients.

Service	Year ended 30 September 2015 Millions Tenge
Statutory audit	2,005
Audit - non statutory and other services	890
<b>Total Audit services</b>	<b>2,895</b>
Tax and Advisory services	1,940
<b>Total revenues</b>	<b>4,835</b>

## Partner remuneration

CIS partners are employed by corporate entities and part of their remuneration comprises a base salary and associated benefits as for other employees. They receive an additional variable element to their pay which is established once the profits for the year have been determined.

Partners currently make their own provision for retirement and are personally responsible for funding most benefits.

The final allocation of all variable elements of partner's remuneration and hence overall remuneration is proposed by the CIS Executive, after assessing each partners contribution for the year in line with the process

followed for all KPMG personnel. This takes into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and living the values of the firm. Audit partners are explicitly not rewarded for non-audit services sold to their audit clients.

The Senior Partner determines the remuneration of the members of the CIS Executive. The Remuneration Committee determines the remuneration of the Senior Partner. The Remuneration Committee also reviews the process used to determine Partners remuneration and reports to the Board of Partners on compliance with the established remuneration process.

# Network arrangements

## 7.1 Legal structure

The independent member firms of the KPMG network (including KPMG CIS's operating firms) are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law.

KPMG International carries out 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.

The 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.

## 7.2 Responsibilities and obligations of member firms

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

Member firms commit to a common set of KPMG values.

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

## 7.3 Professional indemnity insurance

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 through a programme that is available to all KPMG member firms.

## 7.4 Governance structure

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

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 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.

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the 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 and members of the Global Management Team.



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 four other senior partners of member firms.

One of the other Global Board members is elected as the lead director by these Global Board members who are not also members of the Executive Committee of the Global Board ("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 2015 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, and Investments Committee, a Quality and 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.

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 operations officer, global function and infrastructure heads and the general counsel. The list of Global Management Team members, as at 1 October 2015, is available in the International Annual Review.

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 KPMG International Transparency Report.

Each member firm is part of one of three regions (the Americas, ASPAC, and EMA). Each region has a Regional Board comprising a regional chairman, regional chief operating or executive officer, representation from any sub-regions, and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in the implementation of KPMG International's policies and processes within the region. Further details about KPMG International, including the governance arrangements, can be found in its Transparency Report which is available at: <http://www.kpmg.com/Global/en/about/governance/Pages/transparency-report.aspx>

## 7.5 Area Quality & Risk Management Leaders

KPMG International has a network of Area Quality & Risk Management Leaders (AQRMLs), reporting to the Global Vice Chair-Quality & Risk Management.

The AQRMLs are members of the Global Quality & Risk Management Steering Group and each AQRML 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.

# Appendices

## A.1 Key Legal Entities and areas of operation

Key legal entities that were part of KPMG Kazakhstan as at 30 September 2015

Name of Entity	Legal Structure	Regulatory Status	Nature of Business	Area of Operation
<b>KPMG Audit LLC</b>	Kazakh Limited Liability Company	Audit Regulated	Audit Services	Kazakhstan
<b>KPMG Tax and Advisory LLC</b>	Kazakh Limited Liability Company	Valuation Regulated	Tax & Advisory Services	Kazakhstan
<b>KPMG Valuation LLC</b>	Kazakh Limited Liability Company	Valuation Regulated	Valuation Services	Kazakhstan
<b>KPMG Bishkek LLC</b>	Kyrgyz Limited Liability Company	Audit Regulated	Audit Services	Kyrgyzstan

## A.2 Details of those charged with governance at KPMG CIS - Board of Partners



**Oleg Goshchansky**  
*CIS Chairman and Managing Partner, CIS Head of Markets*

Oleg is a member of the CIS Executive. He has been a partner with KPMG for 13 years and was Head of Audit in the CIS for 4 years before taking up the position of Chairman and Managing Partner on 1 October 2012 and position of CIS Head of Markets on 1 July 2013.



**Gregor Mowat**  
*Managing Partner of KPMG Kazakhstan and CIS Head of Finance and Infrastructure*

Gregor is a member of the CIS Executive. He has been a partner with KPMG for 10 years and became CIS Head of Finance and Infrastructure in January 2011



**Alevtina Borisova**  
*Head of People CIS Head of People*

Alevtina is a member of the CIS Executive. She has been a partner with KPMG for 7 years and became CIS Head of People in September 2011.

## A.2 Details of those charged with governance at KPMG CIS - Board of Partners



**Mikhail Orlov**  
*Head Tax and  
Legal  
CIS Head of Tax  
and Legal*

Mikhail became the CIS Head of Tax and Legal on October 1st 2014. He has been a partner in KPMG for 5 years.



**Sean Michael  
Tiernan**  
*Head of  
Advisory  
CIS Head of  
Advisory*

Sean is a member of the CIS Executive. He has been a partner with KPMG for 17 years and was the CIS Head of the Transactions and Restructuring since 1 September 2012 before taking up the CIS Head of Advisory role on 1 July 2013.



**Vugar Aliyev**  
*Managing  
Partner of  
KPMG  
Azerbaijan*



**Alisa Melkonian**  
*Partner, Tax &  
Legal*



**Anton Oussov**  
*Partner, Audit*



**Alexei  
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### A.3 Public interest entities

The entities listed on a recognized stock exchange for which KPMG in Kazakhstan has signed an audit opinion in the year ended 30 September 2015 is given below. Entities which could be regarded as public interest entities but are not listed on a recognized stock exchange are not included.

- ATF Bank JSC
- Caspi Limited LLP
- Chagala Group Limited
- Corporation Tsesna JSC
- DBK-Leasing JSC
- Delta Bank JSC
- Development Bank of Kazakhstan
- Eastcomtrans LLP
- Eurasian Bank JSC
- Eurasian Development Bank
- ForteBank JSC (fka: Alliance Bank JSC)
- Home Credit and Finance Bank SB JSC
- Insurance Company Alliance Policy JSC
- Kazakhstan Mortgage Company JSC
- KMK Munai JSC
- Nurbank JSC
- Standard Insurance Company JSC
- Syrymbet JSC
- Tsesnabank JSC

#### A.4 KPMG's global values

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

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