Supplement to 2015 KPMG International Transparency Report

KPMG International

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Contents

1. Introduction **1**

2. Legal structure and governance **2**

2.1 KPMG International 2
2.2 Legal structure of the KPMG network 2
2.3 Legal relationship between KPMG International and each member firm 2
2.4 Responsibilities and obligations of member firms 3
2.5 KPMG International governance bodies 3
2.6 KPMG International Committees 3
2.7 Global Management Team 4
2.8 Global Steering Groups responsible for Quality 4
2.9 Other groups and individuals that drive consistency and audit quality 5

3. Overall system of quality control **7**

3.1 Summary 7
3.2 How policies are applied 7
3.3 Quality control procedures 7

4. Evaluation of clients and engagements **8**

4.1 Process for evaluating prospective clients 8
4.2 Process for new engagements 8
4.3 Declining a new client or engagement 8
4.4 Continuance process 8
4.5 Withdrawal 8

5. Ethics and independence — policies and processes **9**

5.1 Ethics and independence consultation process 9
5.2 Ethics, independence and integrity training 9
5.3 Maintenance of information on client group structures 9
5.4 Restricted investments and relationships 9
5.5 Independence checks on prospective audit engagements 10
5.6 Providing non-audit services 10
5.7 Business relationships 11
5.8 Employment relationships 11
5.9 Partner and firm rotation 11
5.10 Conflicts of interest 12
5.11 Business acquisitions 12
5.12 Reporting breaches and disciplinary policy 12

6. People **13**

6.1 Introduction 13
6.2 Recruitment and development 13
6.3 Evaluation, compensation and promotion 13
6.4 Professional training 14
6.5 Accreditation and licensing 14
6.6 Assignment of personnel 15
6.7 Employee engagement 15

7. Performance of audits **16**

7.1 Audit methodology 16
7.2 Access to specialist networks 16
7.3 Consultation 16
7.4 KPMG audit process 17

8. Compliance and monitoring programs **20**

8.1 Continuous improvement 20
8.2 Integrated monitoring program 20
8.3 Quality Performance Reviews (QPR) 20
8.4 Risk Compliance Program (RCP) 21
8.5 Global Compliance Review (GCR) 21

1. Introduction

This document is a supplement to KPMG International's Transparency Report for the year to 30 September 2015 and includes additional information to assist in understanding KPMG's system of quality control that is consistent with the requirements of the International Standard on Quality Control 1 (ISQC 1).

This supplement contains additional information on:

— KPMG's legal structure and governance — section 2

— KPMG's overall system of quality control — section 3

— How KPMG evaluates prospective clients and new engagements — section 4

— KPMG's ethics and independence processes — section 5

— KPMG's people processes — section 6

— KPMG's audit process — section 7

— KPMG's monitoring and compliance program — section 8.

Unless the context otherwise requires, throughout this document "KPMG" and "KPMG network" ("we", "our", and "us") generally refers to the member firms of the KPMG network of independent firms affiliated with KPMG International, a Swiss entity that services as a coordinating entity for the KPMG network. KPMG International provides no client services.

2. Legal structure and governance

2.1 KPMG International

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.

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.

2.2 Legal structure of the KPMG network

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

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.

2.3 Legal relationship between KPMG International and each member firm

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.

2.4 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.

2.5 KPMG International governance bodies

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 4 years (renewable once) and also approves the appointment of Global Board members. It includes representation from 58 member firms that are "members" of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

Global Board

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG International, and approving policies and regulations. It also admits member firms 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 four 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 ("non-executive" members). A key role of the lead director is to act as liaison between the Global Chairman and the "non-executive" Global Board members.

2.6 KPMG International Committees

The Global Board is supported in its oversight and governance responsibilities by several other committees. The lead director nominates the chairs and members of certain Global Board committees for approval by the Global Board. The roles of a number of these committees are summarised below.

Executive Committee

The Executive Committee's role includes recommending global strategy and priorities to the Global Board for its approval, including in relation to:

— KPMG's Vision and Purpose

— the KPMG Brand

— strategy and strategic alignment

— coordinated go-to-market and service delivery programs.

It also supports and holds accountable the Global Management Team in driving and promoting the execution of the global strategy and priorities.

Governance Committee

The Governance Committee's role is:

- 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 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.

Investment Committee

The role of the Investment Committee is:

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

Operations Committee

The Operations committee's role is:

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

Quality & Risk Management Committee

The Quality & Risk Management Committee's role is:

- reviewing and evaluating 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 (PII) Committee

The Professional Indemnity Insurance Committee recommends the professional indemnity insurance program in which member firms are obliged to participate to the Global Board for approval.

2.7 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 Chief Operating Officer, global function and infrastructure heads and the General Counsel.

The list of Global Management Team members is available in the International Annual Review.

2.8 Global Steering Groups responsible for Quality

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.

Global Audit Steering Group (GASG)

The Global Audit Steering Group is:

- Responsible for driving the implementation by member firms of our strategy in the Audit function, including standards of audit quality.
- Chaired by the Global Head of Audit and includes the heads of audit from the ten larger member firms, the Chief Operating Officer for Global Audit, the Global Audit Quality & Risk Management Partner and the Global Head of Audit Methodology.

Global Audit Quality Issues Council (GAQIC)

The GAQIC is chaired by the Global Audit Quality and Risk Management Partner and includes the Chief Operating Officer for Global Audit, the heads of audit or their designees from the ten larger member firms and the Global Head of Audit Methodology.

It is responsible for considering audit quality trends on a network-wide basis (including issues arising through quality performance and regulatory reviews) with a specific focus on those issues arising from the ten larger member firms.

It shares results of actions implemented locally to improve audit quality, with focus on best practices that reduce audit quality findings.

It makes recommendations to the GASG on policy changes related to audit quality issues.

Global Quality & Risk Management Steering Group (GQ&RMSG)

The GQ&RMSG is chaired by the Global Vice Chair — Quality, Risk and Regulatory and includes the Global Heads of Audit, Tax and Advisory, the Global Audit Quality & Risk Management Partner and Area Quality and Risk Management Leaders.

The GQ&RMSG has delegated responsibility for setting Quality and Risk Management policies and procedures for the network and for providing associated guidance. This is documented in the Global Quality & Risk Management Manual available to all KPMG personnel on a web based platform.

The GQ&RMSG is responsible, through Quality Performance Review (QPR), Risk Compliance Program (RCP), Global Compliance Reviews (GCR) and Area Quality and Risk Management Leaders (ARLs), for monitoring:

— Member firm compliance with global quality and risk management policies and processes and International Standard on Quality Control 1 (ISQC-1).

— Proactive identification and mitigation of significant professional services risks faced by member firms.

— Performance of member firm professional services to drive and help ensure consistent high quality work globally.

2.9 Other groups and individuals that drive consistency and audit quality

Member firm Heads of Audit

Member firm Heads of Audit are responsible for leading a sustainable high quality audit practice that is attractive to our people. This includes:

— Setting the right 'tone at the top' by demonstrating an unwavering commitment to the firm's highest standards of professional excellence, including skepticism, objectivity, and independence.

— Developing and implementing strategies to monitor and maintain knowledge and skills required of partners and employees to fulfill their professional responsibilities.

— Working with the Risk Management Partner to monitor and address audit quality and risk matters as they relate to the audit practice.

Member firm Risk Management Partners

Each member firm has a designated Risk Management Partner, who is:

— An experienced partner with primary responsibility for the direction and execution of risk compliance and monitoring of quality control in the member firm.

— Reports to member firm senior leadership and consults with Area Quality and Risk Management Leader.

Area Quality and Risk Management Leaders

The Global Vice Chair — Quality, Risk and Regulatory appoints Area Quality and Risk Management Leaders, who:

— Perform a monitoring function over a group of member firms.

— Provide support to member firms in their respective region for quality and risk management purposes.

— Share leading best practices in quality and risk management.

— Report to the Global Vice Chair — Quality, Risk and Regulatory.

Global Services Center (GSC)

The Global Services Center develops, maintains and deploys KPMG's global audit methodology and technology-based tools used by audit professionals to facilitate effective and efficient audits, with emphasis on global quality and consistency.

International Standards Group (ISG)

The International Standards Group:

— monitors emerging practice issues identified through QPR and by regulators

— develops guidance on interpretation and application of international standards to drive consistency across the network

— provides feedback to international standard setters on proposed changes to standards

— consults on technical matters with KPMG member firms in connection with client-specific issues.

The ISG also supports the following groups to facilitate sharing of information between the Department of Professional Practice (DPP) network and to ensure sector-specific issues are dealt with proactively:

— Global ISA Panel, chaired by the Global Audit Quality and Risk Management Partner and includes senior DPP partners from key member firms and responsible for monitoring the development of International Standards on Auditing (ISA) guidance and the development of response letters to the International Auditing and Assurance Standards Board (IAASB) and/or regulators.

— Global Topic Teams, which formulate guidance on International Financial Reporting Standards (IFRS) accounting and reporting practice on sector specific or specific technical areas and act as a central contact point for their regions/home practices in identifying and addressing issues related to relevant topics.

— Global IFRS Panel that is responsible for monitoring the development of IFRS guidance and response letters to the International Accounting Standards Board and/or regulators by the ISG and the Topic Teams.

3. Overall system of quality control

3.1 Summary

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

Accordingly, KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual available to all personnel.

3.2 How policies are applied

KPMG International 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 IAASB, and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). Both of these are relevant to member firms that perform statutory audits and other assurance and related services engagements.

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.

Amendments to risk and quality policies, including ethics and independence policies, are communicated by email alerts and included in quality and risk communications. Member firms are required to implement changes specified in the e-mail alerts and this is checked through internal monitoring.

3.3 Quality control procedures

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.

Many KPMG quality control processes are cross-functional, and apply equally to tax and advisory services. The remainder of this document focuses on what we do to enable KPMG member firms to deliver quality audits.

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.

4. Evaluation of clients and engagements

4.1 Process for evaluating prospective clients

Each member firm undertakes an evaluation of a prospective client prior to accepting it. This involves an assessment of the prospective client's 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.

4.2 Process for new engagements

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.

4.3 Declining a new client or engagement

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.

Depending on the overall risk assessment of the prospective client or engagement, additional safeguards may be introduced to help mitigate the identified risks. Where the risks cannot be satisfactorily mitigated the client or engagement is declined.

4.4 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).

4.5 Withdrawal

Where a member firm obtains information that indicates that it should withdraw from an engagement or from a client relationship it consults internally and identifies any required legal and regulatory steps. It also communicates as required with those charged with governance and any other appropriate authority.

5. Ethics and independence — policies and processes

The independence policies and procedures that all KPMG member firms and personnel must comply with, meet or exceed those of the IESBA Code of Ethics and are set out in KPMG's Global Quality & Risk Management Manual.

A member firm and its personnel may also be subject to more stringent requirements of a local regulator or have clients that subject them to the more stringent requirements of a foreign jurisdiction when those requirements apply extraterritorially; compliance with these additional provisions is also required.

5.1 Ethics and independence consultation process

KPMG personnel are required to consult with their member firm's Ethics and Independence Partner on certain matters as defined in the Global Quality & Risk Management Manual.

Depending upon the facts and circumstances, additional consultation may be required with the Global Independence Group and others within the KPMG network.

Guidance and tools are available to facilitate the documentation of these consultations.

5.2 Ethics, independence and integrity training

Member firms are required to provide all relevant personnel with independence training that is appropriate to their grade and function on an annual basis.

New personnel who are required to complete this training must do so by the earlier of (a) thirty days after joining their member firm and (b) before providing any services to an SEC audit client or affiliate.

In addition, on a biennial basis KPMG member firms must provide all personnel with training on the member firm Code of Conduct and ethical behavior, including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards, and reporting suspected or actual non-compliance with laws, regulations, professional standards, and KPMG's policies.

All new personnel must complete this training within three months of joining a KPMG member firm.

KPMG International develops and makes available to member firms training courses to help them meet both of these requirements.

Member firms may tailor these courses or develop their own to meet local requirements, however the Global Quality & Risk Management sets out the requirements for tailored or locally-developed training.

Upon joining a member firm, KPMG personnel are required to confirm that they understand and will comply with the member firm's Code of Conduct and applicable ethics and independence policies.

On an annual basis, all personnel are required to confirm they understand and have remained in compliance with the member firm's Code of Conduct.

In addition, all partners and professionals confirm continued understanding of and compliance with applicable ethics and independence policies.

5.3 Maintenance of information on client group structures

Lead audit engagement partners are required to maintain client group structures for their publicly traded and certain other audit clients and their affiliates in Sentinel™.

This information is used to identify the entities for which auditor independence is required, as well as potential conflicts of interest which are required to be identified prior to an engagement being accepted.

5.4 Restricted investments and relationships

Policy

Each member firm and its professionals must be free from prohibited financial interests in, and prohibited relationships with, KPMG's audit clients, their management, directors, and significant owners.

KPMG's policies go beyond those of the IESBA Code of Ethics by prohibiting all partners — irrespective of their member firm and function — from owning securities of any audit client of any member firm.

Professionals are responsible for making inquiries and taking other appropriate actions on an on-going basis to ensure they do not have any personal financial, business or family interests that are restricted for independence purposes.

Tools to assist personnel in relation to investments

A web-based independence compliance system (KICS) that contains an inventory of publicly available investments assists professionals in complying with personal independence investment policies.

Partners and client-facing managers are required to use KICS prior to entering into an investment to identify whether they are able to do so.

These professionals must also maintain an up-to-date record of all of their investments in KICS. If an investment subsequently becomes restricted, the individual will be notified automatically and he/she must dispose of that investment within 5 business days of the notification.

Member firms monitor partner and manager compliance with this requirement through independence compliance audits for a sample of professionals.

Member firms must also use KICS to record their own investments in SEC entities and affiliates (including funds) and in locally listed companies and funds, and direct and material indirect investments held in pension and employee benefit plans (including non-public entities and funds).

Additionally member firms are required to record in the system all borrowing and capital financing relationships, and custodial, trust and brokerage accounts that hold member firm assets.

On an annual basis, member firms confirm they have complied with independence requirements as part of the Risk Compliance Program.

5.5 Independence checks on prospective audit engagements

Specific procedures must be followed by member firms to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as 'the independence clearance process,' must be completed prior to accepting an audit engagement for these entities.

A 'KPMG Independence Checkpoint' tool was introduced in October 2015 to automate and standardize all the workflows that comprise the independence clearance process. This is in anticipation of the increasing number of audit tenders member firms will be participating in and the number of independence clearances that need to be completed as a result of mandatory firm rotation of statutory audits in certain parts of the world.

5.6 Providing non-audit services

KPMG member firms have policies as to the scope of services that can be provided to audit clients that are consistent with IESBA principles and applicable laws and regulations.

KPMG member firms are required to establish and maintain a process to review and approve all new and modified services that are developed by the firm or adopted from another member firm. The Ethics and Independence Partner should be involved in the review of potential independence issues and the Global Independence Group is involved in the case of services developed for global adoption.

In addition to identifying potential conflicts of interest, KPMG's Sentinel™ application facilitates compliance with auditor independence requirements.

Certain information on all prospective engagements that includes service descriptions and fees must be entered into Sentinel™ as part of the engagement acceptance process.

Lead audit engagement partners use Sentinel™ to review and approve, or deny any proposed service for restricted, publicly traded, and certain other audit clients and their affiliates wherever in the world the proposed service is to be provided and wherever the member firm is based. They are required to evaluate the independence threats arising from the provision of the proposed non-audit service and the safeguards available to address those threats.

Each member firm has a policy for admitting and compensating the partners of that firm. KPMG International's policy prohibits audit partners from being evaluated on or compensated based on their success in selling non-audit services to their audit clients.

5.7 Business relationships

KPMG member firms are required to have policies and procedures in place that are designed to ensure their business relationships are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements.

These include establishing and maintaining a process to evaluate potential third party arrangements (for example alliance arrangements) with particular regard to whether they have a bearing on auditor independence.

5.8 Employment relationships

Any professional providing services to an audit client irrespective of function is required to notify the member firm's Ethics and Independence Partner if he or she intends to enter into employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG member firm that is a public interest entity.

Former members of the audit team or former partners of a member firm are prohibited from joining an audit client in certain roles unless they have disassociated from the member firm financially and have ceased participating in the firm's business or professional activities.

Any former partner who has a financial relationship with a member firm must notify the Ethics and Independence Partner if he or she intends to enter into employment negotiations with any listed audit client of any KPMG member firm.

In all cases, threats to independence are evaluated and appropriate safeguards are put in place to eliminate the threats or reduce them to an acceptable level.

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

Member firms are required to communicate and monitor requirements in relation to employment of KPMG professionals by audit clients.

5.9 Partner and firm rotation

Partner rotation

Member firm partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations and independence rules.

These requirements generally place limits on the number of consecutive years that partners in certain roles may provide audit services to a client, followed by a "time-out" period during which time these partners may not participate in the audit or in any way directly influence the outcome of the audit.

Firm rotation

In certain jurisdictions member firms are required to act for a specific audit client for a maximum period and not to act as auditor for that client for a specified period thereafter — the 'cooling off period'.

Member firms have processes in place to track and manage rotation.

5.10 Conflicts of interest

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

Sentinel™, KPMG's web-based application, is the tool all KPMG member firms must use for potential conflict identification so that these can be addressed in accordance with legal and professional requirements.

Each member firm has one or more risk management resources ('Resolvers') who are responsible for reviewing an identified potential conflict and working with the affected member firms to resolve the conflict; the outcome must be documented.

Additional safeguards may be necessary, for example establishing formal dividers between engagement teams serving different clients so that the confidentiality of all clients' affairs is maintained.

Escalation and dispute resolution procedures are in place for situations in which agreement cannot be reached on how to manage a conflict.

If a potential conflict issue cannot be appropriately mitigated, the engagement is declined or terminated.

Conflicts of interest can arise in situations where KPMG personnel have a personal connection with the client which may interfere, or be perceived to interfere, with their ability to remain objective, or where they are personally in possession of confidential information relating to another party to a transaction. Consultation with the Risk Management Partner or the Ethics and Independence Partner is required in these situations.

5.11 Business acquisitions

KPMG member firms considering the acquisition of a business that meets specific criteria are required to consult with the Global Independence Group prior to committing to acquire or dispose of the business. This is to enable any independence issues to be identified and addressed.

A member firm is also required to consult with the Global Board before merging with or acquiring any entity, practice or assets that would increase its aggregate annual fee income by more than 20 percent.

5.12 Reporting breaches and disciplinary policy

Each member firm is required to have processes for personnel to report breaches of law, regulation or professional standards as well as breaches of KPMG policy.

Each member firm is also required to have a documented disciplinary policy in relation to breaches of independence policies.

6. People

6.1 Introduction

One of the key drivers of quality is ensuring the successful recruitment, development and assignment of professionals with the skills and experience appropriate to the entity subject to audit.

6.2 Recruitment and development

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 KPMG member firm 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.

Member firm recruiting strategies are focused on drawing entry-level talent from a broad talent base, including relationships with established universities, colleges and business schools in respective countries, alongside secondary schools, enabling us to build relationships with a younger, diverse talent pool at an earlier age.

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.

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, and country rotational and global mobility opportunities.

Diversity programs

We work hard to foster a diverse and inclusive culture. In doing so we are able to build teams with the broadest range of skills, experiences and perspectives — teams that then bring the most innovative ideas to clients. We believe that clients deserve the very best we can offer and this can only be achieved when we have a work environment that is inclusive, fair and ethical.

We understand that our leadership and management teams also need to reflect the diversity of our organization and that we have to create inclusive leadership programs for our people to ensure we continue to be the best choice for clients. Our well established Global Diversity Network drives the changes necessary to promote inclusive leadership across KPMG's global network.

We also support a number of innovative programs which research, promote and sustain a more diverse and inclusive culture and work environment. Our work with academics, for example, is finding new ways to challenge the status quo and make progress towards diversity and inclusion.

6.3 Evaluation, compensation and promotion

How we remunerate people for quality

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 (one of which is 'Delivers Quality'), technical capabilities and market knowledge. These evaluations are conducted by performance managers and partners who are in a position to assess their performance. Where performance ratings are awarded, this is following a robust calibration process to address rating inconsistencies and ensure fairness in the rating process.

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

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

Member firms monitor quality incidents and maintain quality metrics for the purposes of partner assignments and also for the purposes of partner evaluation, promotion and remuneration.

Each member firm has a process for admission to the partnership that is rigorous, thorough and involves appropriate representatives of the member firm's leadership. 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. These are strongly aligned to KPMG's behavioral capabilities and are based on consistent principles.

6.4 Professional training

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

Formal training

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.

Mentoring and on the job training

Learning is not confined to the classroom — rich learning experiences are available at the moment of need through coaching and just in time learning, available at the click of a mouse and aligned with job specific role profiles and learning paths.

All classroom courses are reinforced with appropriate performance support to assist auditors on the job.

Coaching guides are available on judgmental audit topics — these are used by audit teams and are embedded within audit learning solutions.

We support a coaching culture throughout KPMG as part of enabling personnel to achieve their full potential.

6.5 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 United States. 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.

6.6 Assignment of personnel

Member firms have procedures in place to assign both the engagement partners and other professionals to a specific engagement on the basis of his or her 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, 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 their own or, where appropriate, other KPMG member firms.

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

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

6.7 Employee engagement

We measure our people's attitudes and their overall level of engagement through the Global People Survey (GPS). This survey runs biennially (annually for Global Board countries) and provides an overall Employee Engagement Index as well as insights about what drives engagement across different demographic groups and how we are faring on the above categories.

Member firms are required to participate in the GPS and take appropriate actions to communicate and respond to the findings of the survey. Global Board countries are required to set and submit targets scores for Employee Engagement as part of the annual business planning process.

7. Performance of audits

7.1 Audit methodology

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 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 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 that is applicable to all KPMG member firms, functions and personnel.

7.2 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.

7.3 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 panels and 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.

7.4 KPMG audit process

As set out above, our audit workflow is enabled in eAudIT. A high quality audit process includes:

- 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 a professional judgment process that provides audit professionals with a structured approach to making significant 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

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.

— 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)

— 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 retention period for audit documentation and other client-specific records.

Appropriate involvement of the EQCR

Engagement Quality Control Reviewers (EQCRs) 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 EQCR 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

— significant judgments the engagement team made and the conclusions it reached with respect to the audit.

The audit is completed only when the EQCR 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 EQCRs

— incorporating specific procedures into eAudIT to facilitate effective reviews

— developing policies relating to member firm recognition, nomination and development of EQCRs, 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.

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.

8. Compliance and monitoring programs

8.1 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 quality 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.

Member firms are required to compare the results of internal monitoring programs with the results of those of external inspection programs and take appropriate action.

8.2 Integrated monitoring program

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 action taken at regional and global levels. Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively.

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 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.

8.3 Quality Performance Reviews (QPR)

Description

The QPR Program assesses engagement level performance in the Audit, Tax, and Advisory functions and identifies opportunities to improve engagement quality.

Risk-based approach

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

Engagement leaders are subject to one or more additional reviews when rated less-than-satisfactory (LTS) or when otherwise determined appropriate.

The reviews are tailored to the relevant function, performed at a member firm level and are monitored regionally and globally. Member firm audit QPR reviews are overseen by a senior experienced lead reviewer independent from the member firm.

Reviewer selection, preparation and process — audit

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

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

Evaluations from audit QPR

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

Audit engagements selected for review are rated as Satisfactory, Performance Improvement Needed or Unsatisfactory. Tax and Advisory use different ratings.

Reporting

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

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

Lead audit engagement partners are notified of LTS 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.

Addressing audit issues identified

Member firms perform root cause analysis to address audit quality issues identified during QPR and are provided with tools to assist in this process.

It is the primary responsibility of member firms to identify and develop appropriate remediation plans for quality issues identified during QPR. Accordingly, member firms are required to accumulate audit quality deficiencies and assess their pervasiveness.

Heads of Audit are responsible for the development and implementation of action plans and Risk Management Partners monitor their implementation.

Network-wide QPR results and implications for further actions are reviewed by the Global Audit Quality Issues Council (GAQIC), on behalf of the Global Audit Steering Group (GASG), and the Global Quality & Risk Management Steering Group.

8.4 Risk Compliance Program (RCP)

KPMG International develops and maintains quality control policies and processes that apply to all member firms. These policies and processes, and their related procedures, include the requirements of ISQC-1.

The RCP is a member firm's globally administered annual self-assessment program.

The objectives of the RCP are to:

— Monitor, document and assess the extent of compliance of the member firm's system of quality control with Global Quality & Risk Management policies and key legal and regulatory requirements relating to the delivery of professional services.

— Provide the basis for member firms to evaluate that the member firm and its personnel comply with relevant KPMG professional standards and applicable legal and regulatory requirements.

Where deficiencies are identified the member firm is required to undertake a root cause analysis and put in place remediation action plans.

8.5 Global Compliance Review (GCR)

Every member firm is subject to an independent GCR at least once every 3 years. The GCR provides external validation of a member firm's system of quality control, including:

— The member firm's commitment to quality and risk management (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment.

— The completeness and robustness of the member firm's RCP, by evaluating whether there was:

  – appropriate documentation of policies, processes and related controls in place

  – adequate testing of the effectiveness of controls

  – proper conclusions in relation to issues and corrective action necessary as reported in the RCP action plan.

The GCR team performing the reviews is independent of the member firm, objective and knowledgeable of Global Quality and Risk Management policies and reports to the Global Vice Chair — Quality, Risk and Regulatory.

The GCR team communicates all findings to the Senior Partner and the Risk Management Partner.

The member firm is required to develop action plans to respond to all GCR findings and agree these with the GCR team. The member firm's progress on action plans is monitored by a Global GCR Central Team.

Results are reported to the Global Quality & Risk Management Steering Group, and where necessary to appropriate global and regional leadership, to ensure timely remedial actions.

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