



# Transparency Report

**KPMG Audit S.R.L.**

1 October 2018 – 30 September 2019

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[kpmg.ro](http://kpmg.ro)



# Foreword

Digitalization, new regulatory requirements, new business players and stakeholders' expectations have focused attention on the role and the value of the audit. More than ever, we need to be able to articulate clearly and consistently what audit quality means to us, as well as being able to demonstrate how we safeguard the quality of the service we provide.

We feel it is important to underline and reconfirm our values and those things we stand for: to lead by example, work together, respect the individual, communicate openly and honestly, seek the facts and provide insights, act with integrity as well as to be committed to our communities. The quality and integrity of our people and our work is paramount to everything we do at KPMG.

To ensure every partner and employee concentrates on the skills and behaviors needed to deliver an appropriate, robust and independent opinion, we have developed a global Audit Quality Framework. The seven drivers in this framework provide us with a common language to describe what we believe drives audit quality, and importantly, to highlight how every partner and staff member at KPMG contributes to the delivery of audit quality.

At KPMG Audit SRL, we maintain a system of quality control that is designed not only to reflect our drive and determination to deliver independent, unbiased advice and opinions, but also to meet the requirements of the Romanian and European law and professional standards. Audit Quality is integral to our business and is the responsibility of every partner and employee. To help ensure a common understanding of what drives audit quality within KPMG, we adhere to the Global Audit Quality Framework.

# Foreword



**Ramona Jurubiță**  
*Country Managing  
Partner*

At KPMG, we inspire confidence and empower change in all we do for clients, our people and society at large. It is something our people focus on and unite around.

And it is helping us to become the Clear Choice in professional services in the markets we serve and the communities we represent. Our people recognize the responsibility that comes with this sense of purpose. That is why everything we do is underpinned by a shared set of values that guide our every action, none more so than our focus on integrity. And it is a commitment which ensures, through the decisions we make and the work we do, that we help to make our society, global network and one another stronger for the future. In a world of disruption, rapid change and technological evolution these principles have never been as important as they are today. They enable a culture that brings out the best in our people. One where innovation, deep expertise and a global mindset combine with passion and working shoulder-to-shoulder to deliver real results that build trust.

This is what it means to work with and for KPMG. This is what makes us different.

This Transparency Report offers you a clear perspective of how we do business. We open a door for you to see and understand us at a deeper level. We show to you our governance, our structure, our culture of integrity, our approach and systems of quality control, our application of the provisions of the Statutory Audit Law 162/2017 and Regulation (EU) No 537/2014 on specific requirements for statutory audit of public interest entities, and the way we understand Audit quality.

This transparency report covers the period from the last reporting date (1 October 2018) to 30 September 2019.

We invite you to read on...

**Ramona Jurubiță**

*Country Managing Partner*

31 January 2020



**Mikael Olsson**  
*Risk Management  
Partner*

*Ethics and  
Independence  
Partner*



**Cezar Furtună**  
*Partner, Head of  
Audit*



Foreword

Legal structure and governance

Network arrangements

Management of the Company

System of quality control

Statement by the administrators of KPMG Audit SRL

Statement of the firm's policies

Financial information

Information on partner remuneration



# KPMG Audit S.R.L. AT A GLANCE

19

Audit partners & directors

200

Average number of employees

31

Authorised financial auditors

36

Public interest entities, for which we carried out statutory audits in 2019

KPMG Clara

KPMG Dynamic Audit

powers

a reimagined audit experience



83,4 mil RON  
Turnover for FY 2019

KPMG clear choice



Audit quality



People



Innovation



# Contents

1	Foreword	2
2	Legal structure and governance	8
3	Network arrangements	9
4	Management of the Company	11
5	System of quality control	11
6	Statement by the administrators of KPMG Audit SRL on the effectiveness of quality controls and independence	30
7	Statement of the firm's policies on professional development of statutory auditors	31
8	Financial information	31
9	Information on partner remuneration	32
10	Appendix 1 - KPMG values	33
11	Appendix 2 - KPMG Audit SRL clients, that are Public Interest Entities	34



# Legal structure and governance



KPMG in Romania delivers Audit, Tax and Advisory services. We operate out of 5 offices and during the period 1 October 2018 - 30 September 2019, we had an average of 200 partners and employees in KPMG Audit SRL.

Our audit and assurance services are delivered in Romania through KPMG Audit SRL. Full details of the services offered by KPMG in Romania can be found on our website [www.kpmg.ro](http://www.kpmg.ro).

KPMG Audit S.R.L. ("the Company" or "the Firm") is a Romanian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International").

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. Further details about KPMG International and its business, including our relationship with it, are available in the 'Governance and leadership' section of the [\*KPMG International Transparency Report\*](#).

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

The KPMG organization structure is designed to support consistency of service quality and adherence to agreed values wherever its member firms operate.

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

The shareholders of KPMG Audit SRL as at 30 September 2019 are as follows: KPMG Romania SRL, **Ori Efraim, Bogdan Văduva, Aura Giurcăneanu, Tudor Grecu, Raluca Soare, Răzvan Mihai, Daniela Strusevici, Cezar Furtună, Richard Perrin, Mikael Olsson and John Lane.**

During the year ended 30 September 2019, there was an average of 10 partners in KPMG Audit SRL.

KPMG Audit SRL has been a member of the Romanian Chamber of Financial Auditors ("CAFR") since 2001 and is authorized by ASPAAS (Authority for Public Supervision of Statutory Audit Activity).

The current address of KPMG Audit SRL is Victoria Business Park, 69-71 București-Ploiești, District 1, Bucharest, Romania.



# Network arrangements



The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law.

KPMG International carries 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.

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.

One of the main purposes of KPMG International is to facilitate the provision by member firms of high quality Audit, Tax and Advisory services to their clients. For example, KPMG International establishes and facilitates the implementation and maintenance of uniform policies, standards of work and conduct by member firms, and protects and enhances the use of the KPMG name and brand.

KPMG International is an entity that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. The name of each audit firm that is a member of the network and the EU/EEA countries in which each network member firm is qualified as a statutory auditor or has its registered office, central administration or

principal place of business are available [here](#). This is a list of KPMG audit firms as defined in Article 2 (3) of EU Directive 2006/43/EC which are located in EU/EEA countries.

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, procedures and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk and deploy global methodologies and tools.

Each member firm takes responsibility for its management and the quality of its work.

Member firms commit to a common set of KPMG values (please refer to Appendix 1 of this Report - KPMG values).

KPMG International's activities are funded by a levy paid to it by member firms. The basis for calculating these 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, procedures and regulations set by KPMG International or any of its other obligations owed to KPMG International.

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

Further details of KPMG International's governance structure can be found in the [\*2019 KPMG International Transparency Report\*](#).

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



Foreword

Legal structure and governance

Network arrangements

Management of the company

System of quality control

Statement by the administrators of KPMG Audit SRL

Statement of the firm's policies

Financial information

Information on partner remuneration

Management of the company

## Area Quality & Risk Management Leaders



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

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



# Management of the company



As at 30 September 2019, the administrators of KPMG Audit S.R.L. are: **Mikael Olsson, Cezar Furtună, Bogdan Văduva, Aura Giurcăneanu, Tudor Grecu, Raluca Soare, Ori Efraim, John Lane, Rene Schöb,**

**Adela Ciucioi, Andreea Vasilescu, Ramona Jurubiță, Alin Negrescu, Mădălina Racovițan,** who are also KPMG Partners.

System of quality control

# System of quality control



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

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

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

KPMG Audit SRL is required to implement KPMG International policies and procedures **and also** adopts additional policies

and procedures that are designed to address rules and standards issued by the Authority for Public Supervision of Statutory Audit Activity ("ASPAAS") and other relevant regulators as well as applicable legal and other regulatory requirements.

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

The system of quality control applies to all KPMG partners and employees, wherever they are based.

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

## Audit quality framework

At KPMG Audit SRL, audit quality is not just about reaching the right opinion, but how that opinion is reached. It is about the processes, thought and integrity behind the auditors' report. The outcome of a quality audit is the delivery of an



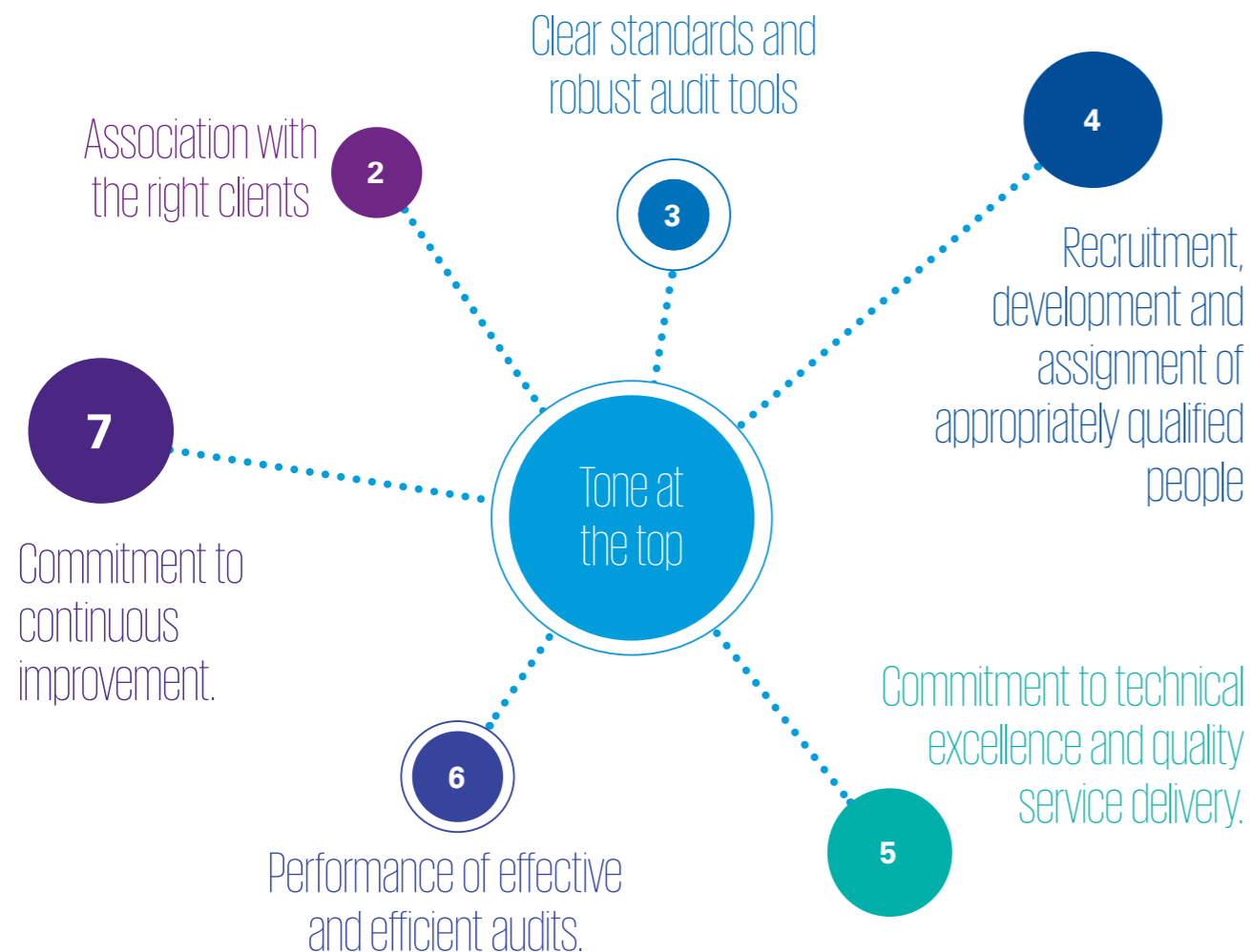
appropriate and independent opinion in compliance with relevant professional standards and applicable legal and regulatory requirements.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG International has developed the Audit Quality Framework.

KPMG's framework introduces a common language that is used by all KPMG member firms to describe what they

believe drives audit quality and to highlight how each of their audit professionals contributes to the delivery of audit quality.

'Tone at the top' sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviors permeate all KPMG member firms. All of the other drivers create a virtuous circle because each driver is intended to reinforce the others. Each of the seven drivers is described in more detail in the following sections of this report.



Tone at the top sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviors permeate across the entire KPMG network. Each of the seven drivers is described in more detail.

### 5.1. Tone at the top



KPMG global leadership, working with regional and member firm leadership, plays a critical role in establishing our commitment to quality and the highest standards of professional excellence. A culture based on quality, integrity and ethics is essential in an organization that carries out audits and other services on which stakeholders and investors rely.

At KPMG Audit SRL we promote a culture in which consultation is encouraged and recognized as a strength.

Tone at the top means that KPMG Audit SRL's leadership demonstrates commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders, and society at large to earn public trust.

The KPMG values are set out in Appendix 1.

#### KPMG Global Code of Conduct



KPMG's commitment to integrity and quality is enshrined in the KPMG values that lie at the heart of the way we do things. They define KPMG's diverse and inclusive culture and our commitment to the right personal and professional conduct, emphasizing that, above all, KPMG people act with integrity.

The KPMG values are communicated clearly to all people and are embedded into member firms' people processes — induction, performance development and reward.

Building on the KPMG values is the KPMG Global Code of Conduct. Member firms, including KPMG Audit SRL, are required to adopt, as a minimum standard, the [Global Code of Conduct](#).

The KPMG Global 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. The KPMG Global Code of Conduct sets out our commitments and includes provisions that require KPMG Audit SRL partners and employees, in summary to:

- comply with all applicable laws, regulations, professional standards and KPMG Audit SRL policies
- work with the right clients and third parties
- focus on quality
- maintain our objectivity and independence

- not tolerate any illegal or unethical acts, committed within KPMG Audit SRL, by clients or suppliers, or public officials with whom we deal

- protect information
- compete fairly
- help our people to be extraordinary
- be responsible corporate citizens
- build public trust.

All KPMG Audit SRL partners and employees are required to:

- comply with the Global Code of Conduct and confirm their compliance with the Code of Conduct; and
- complete regular training covering the Code

Individuals are encouraged to speak up when they see something that makes them uncomfortable or that is inconsistent with the KPMG values. Moreover, everyone at KPMG is responsible for reporting and is required to report, any activity that could potentially be illegal or in violation of the KPMG values, KPMG policies, applicable laws, regulations or professional standards.

We have procedures and established channels of communication so that our people can report ethical and quality issues. Retaliation is prohibited against individuals who 'raise their hand' and speak up in good faith.

In addition, the [KPMG International hotline](#) is a mechanism for all KPMG partners, employees, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, activities of KPMG member firms or the senior leadership or employees of a KPMG member firm.

At KPMG Audit SRL, we regularly monitor the extent to which our people feel that the firm lives the KPMG values through the Global People Survey.

#### Leadership responsibilities for quality and risk management



KPMG Audit SRL demonstrates commitment to quality, ethics and integrity and communicates our focus on quality to clients, stakeholders and society. Our leadership plays a critical role in setting the right tone and leading by example- demonstrating an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.



Our leadership team is committed to building a culture based on quality, integrity and ethics, demonstrated through their actions - written and video communications, presentations to teams and one-to-one discussions.

The following individuals have leadership responsibilities for quality and risk management at KPMG Audit SRL:

#### Country Managing Partner (CMP) – Ramona Jurubiță

In accordance with the principles in ISQC 1, Ramona Jurubiță, in her capacity as Country Managing Partner, has assumed ultimate responsibility for KPMG Audit SRL's system of quality control.

#### Risk Management Partner (RMP) – Mikael Olsson

Operational responsibility for the system of quality control, risk management and compliance in KPMG Audit SRL has been delegated to the Risk Management Partner (RMP) who is responsible for setting overall professional risk management and quality control policies and monitoring compliance for KPMG Audit SRL. The RMP has a direct reporting line to the Country Managing Partner. The RMP consults with the appointed Area Quality and Risk Management Leaders.

The RMP is supported by a team of partners and professionals in each of the functions.

#### Ethics and Independence Partner (EIP) – Mikael Olsson

The Ethics and Independence Partner has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG Audit SRL.

#### Head of Audit – Cezar Furtună

KPMG Audit SRL's Head of Audit is responsible for leading a sustainable high-quality Audit practice that is attractive to KPMG partners and employees.

This includes:

- setting the right 'tone at the top' by demonstrating an unwavering commitment to the 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 fulfil their professional responsibilities
- working with the Risk Management Partner and Country Managing Partner to monitor and address audit quality and risk matters as they relate to the Audit practice, including an annual evaluation of activities considered to be key to audit quality

- working with the Department of Professional Practice (DPP) to increase the quality and effectiveness of audit engagements.

#### Investing in continuous improvement



KPMG globally continues to invest significantly in audit quality across the Global Organization. We are building on our sound audit quality foundations, both in terms of how we manage our firms and our audit engagements.

This means significant ongoing investment in our system of quality management, global monitoring of audit quality and of our professionals as well as enhanced support, technology and tools for engagement teams.

Our global audit quality program ensures consistent deployment of investments to enhance and support a common approach.

#### 5.2. Association with the right clients

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

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

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

#### Acceptance and continuance of clients and engagements

##### Client evaluation

KPMG Audit SRL undertakes an evaluation of every prospective client.

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

#### Engagement evaluation



Each prospective engagement is also evaluated to identify potential risks in relation to the engagement.

A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, public perception as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of partners and employees assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG Audit SRL partners and employees and includes review by the Risk Management Partner, as required.

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

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

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

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

#### Continuance process

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

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

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

#### Withdrawal process

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

#### Client portfolio management

KPMG Audit SRL appoints engagement partners/ directors who have the appropriate competence, capabilities, time and authority to perform the role for each engagement.

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

#### 5.3 Clear standards and robust audit tools

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

#### Our approach to audit

KPMG has been investing significantly in evolving the Global Organization's audit capabilities and will continue to do so in the coming years, including a new global electronic audit workflow delivered through the KPMG Clara platform

– ***KPMG's smart, modular audit platform*** – capable of continually integrating new and emerging technologies, with advanced capabilities embedded that leverage data,



automation, and visualization. Data & Analytics (D&A) is integral to the way KPMG member firms obtain audit evidence and interact with clients in the digital era. KPMG's high-quality audit process will continue to include:

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

#### Consistent audit methodology and tools



The KPMG audit methodology, developed by the KPMG Global Solutions Group (KGSG) (formally referred to as Global Service Centre (GSC)), is based on the requirements of International Standards on Auditing (ISAs) as well as the auditing standards of PCAOB and AICPA.

The KPMG audit methodology is set out in the KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, which KPMG International believes enhance the quality of the audit. KPMG member firms may add local requirements and/or guidance in the KAM to comply with additional professional, legal, or regulatory requirements.

The methodology emphasizes applying appropriate professional skepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence. Enhancements to the audit methodology, guidance and tools are made regularly to be in compliance with standards, emerging auditing areas of focus and audit quality results (internal and external). Key topics include risk identification, assessment and response, accounting estimates, group audits and audit sampling.

The KAM contains examples and guidance for, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks.



The KPMG audit workflow is enabled through eAudit, an activity-based workflow and electronic audit file used by KPMG member firms. eAudit is KPMG's audit documentation workflow that allows professionals to complete high quality and consistent audits. eAudit integrates KPMG's audit methodology, guidance and industry knowledge, and the tools needed to execute and document the audit work performed.

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

Significant investments are underway to revise and enhance the KPMG audit methodology (KAM) and workflow tool (eAudit), with the deployment of KPMG Clara Workflow which is planned for initial deployment globally in 2019, and with full deployment beginning in 2021.

#### KPMG Clara

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

#### KPMG Clara, KPMG Clara Workflow and Audit Data & Analytics (D&A)

KPMG International is making significant investments to improve audit quality, drive consistency in execution of audits and strengthen both the member firm and global monitoring of engagements.

Building on the launch of KPMG Clara in 2019, KPMG International is creating a new workflow tool that will be used by KPMG member firm audit teams to execute and document KPMG audits. It will be intuitive, user-friendly and modern. The new system will genuinely be a workflow – guiding audit teams through a series of steps in a logical sequence aligned to the standards, with a clear display of information and visuals, knowledge and guidance available at the moment of need, and with embedded advanced data and analytics (D&A) capabilities. The workflow and methodology will also be scalable – adjusting the requirements to the size and complexity of the audit engagement. This globally-driven project will significantly overhaul and redesign the execution of an audit by KPMG professionals and drive improvements in audit quality.

KPMG Clara workflow incorporates monitoring capabilities (e.g. data mining) at the engagement level for use by member firms. The predecessor audit workflow tool, eAudit, is expected to be decommissioned in the 2021 financial year.

#### Audit data & analytics (D&A)

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

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

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

#### Independence, integrity, ethics and objectivity

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

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

These policies are supplemented by other processes to ensure compliance with the standards issued by the Authority for Public Supervision of Statutory Audit Activity ("ASPAAS") and the Romanian Chamber of Financial Auditors ("CAFR").

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

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



KPMG Audit SRL has a designated Ethics and Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG Audit SRL.

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

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

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

KPMG Audit SRL partners and employees are required to consult with the EIP on certain matters as defined in the Global Q&RM Manual. The EIP may also be required to consult with the Global Independence Group, depending upon the facts and circumstances.

#### Personal financial independence

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

KPMG member firms use a web-based independence compliance system (KICS) to assist our professionals in complying with personal independence investment policies.

This system contains an inventory of publicly available investments and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e., late reporting of an investment acquisition).

All Partners and all manager grade and above client-facing employees are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in publicly traded entities in KICS, which automatically notifies them if any investment subsequently becomes restricted. Newly restricted investments must be disposed of within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of a sample of professionals. The Global Independence Group provides guidance and suggested procedures relating to the audit and inspection by KPMG member firms of personal compliance with KPMG's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

#### Employment relationships

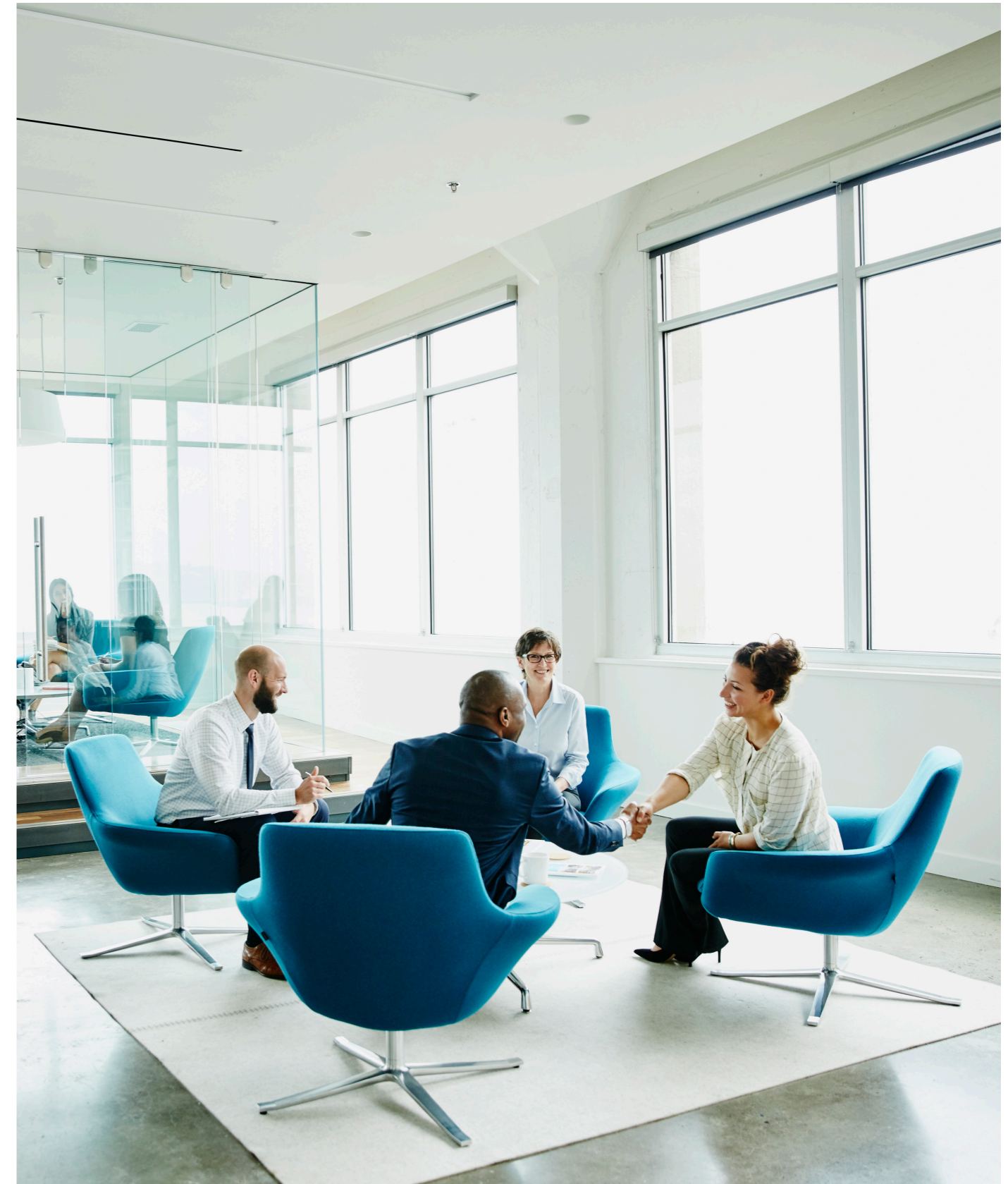


Any KPMG Audit SRL professional providing services to an audit client irrespective of function is required to notify our EIP if they intend to enter into employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG member firm that is a public interest entity.

Former members of the audit team or former partners of KPMG Audit SRL are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to KPMG Audit SRL, including payments which are not fixed and predetermined and/or would be material to KPMG Audit SRL and have ceased participating in KPMG Audit SRL's business and professional activities.

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

We communicate and monitor requirements in relation to employment and partnership of KPMG Audit SRL professionals by audit clients.





## Firm financial independence

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

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

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

On an annual basis, KPMG Audit SRL confirms compliance with independence requirements as part of the Risk Compliance Program.

## Business relationships/suppliers

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

## Independence clearance process

KPMG Audit SRL follows specific procedures to identify and evaluate threats to independence related to prospective audit clients. Also, KPMG Audit SRL follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as ‘the independence clearance process,’ must be completed prior to accepting an audit engagement for these entities.

## Independence training and confirmations

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

New partners and client facing employees who are required to complete this training must do so by the earlier of (a) thirty days after joining KPMG Audit SRL or (b) before providing any services to, or becoming a member of the chain of command for, any audit client (by definition, “audit client” includes its related entities or affiliates).

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

- the Global Code of Conduct and ethical behavior, including KPMG’s anti-bribery policies, compliance with laws, regulations, and professional standards; and
- reporting suspected or actual non-compliance with laws, regulations, professional standards, and KPMG’s policies.

New partners and employees are required to complete this training within three months of joining KPMG Audit SRL.

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

## Non-audit services



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

KPMG Audit SRL is required to establish and maintain a process to review and approve all new and modified services that are developed by KPMG Audit SRL. KPMG Audit SRL’s RMP is involved in the review of potential independence issues.

In addition to identifying potential conflicts of interest, Sentinel™ facilitates compliance with these policies. Certain information on all prospective engagements, including service descriptions and fees must be entered into Sentinel™ as part of the engagement acceptance process. When the engagement is for an audit client an evaluation of potential threats and safeguards is also required to be included in the Sentinel™ submission. Lead audit engagement partners are required to: maintain group structures for their publicly traded and certain other audit clients as well as their related affiliates or affiliates in Sentinel™, and they are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats.

## Fee dependency

KPMG International’s policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the member firm expressing the audit opinion. These policies require KPMG member firms to consult with their

Area Q&RM Leader where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years, these policies further require that:

This would be disclosed to those charged with

- governance at the audit client; and
- A senior partner from another KPMG member firm would be appointed as the Engagement Quality Control reviewer.

No audit client accounted for more than 10 percent of the total fees recorded by KPMG Audit SRL over the last two years.

## Resolving conflicts of interest

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

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

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

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

KPMG Audit SRL has risk management personnel who are responsible for reviewing any identified potential conflict and working with the member firms affected to resolve the conflict, the outcome of which must be documented.

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

## Independence Breaches

All KPMG Audit SRL personnel are required to report an independence breach as soon as they become aware of it to the EIP. In the event of failure to comply with our independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy.

All breaches of independence rules must be reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed to with those charged with governance.

KPMG Audit SRL has a documented and communicated disciplinary policy in relation to breaches of independence policies incorporating incremental penalties reflecting the seriousness of any violations.

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

Compliance with laws, regulation and standards is a key aspect for everyone at KPMG Audit SRL. In particular, we have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery — even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third-parties, including by our clients, suppliers or public officials. Further information on KPMG International’s anti-bribery and corruption policies can be found on our [anti-bribery and corruption site](#).

## Partner and firm rotation



KPMG International partner rotation policies are consistent with or exceed the requirements of the IESBA Code of Ethics and require all member firms to comply with any stricter local applicable rotation requirements.

KPMG Audit SRL partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements 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;
- provide quality control for the audit;
- consult with the engagement team or the client about technical or industry-specific issues;
- in any way influence the outcome of the audit;
- lead or coordinate professional services at the client;
- oversee the relationship of the firm with the audit client;
- have any other significant or frequent interaction with senior management or those charged with governance at the client.

KPMG Audit SRL monitors the rotation of audit engagement leaders (and any other key roles, such as the Key Audit Partner and Engagement Quality Control Reviewer, where there is a

rotation requirement) and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.

KPMG Audit SRL can act as an auditor for:

- a maximum period of 5 (extendable up to maximum 7 years under certain circumstances) for public interest entities as defined in Financial Supervision Authority ("FSA") Norm 13/2019 with related amendments
- other public interest entities outside the scope of FSA Norm 13/2019 with related amendments – for a period of maximum 10 years, which can be extended to 20 years when the selection procedure is won in accordance with EU Regulation 537/2014.

KPMG Audit SRL may not to act as auditor for such clients for 4 years thereafter (referred to as the 'cooling off period'). KPMG Audit SRL monitors audit firm rotation.

#### 5.4 Recruitment, development and assignment of appropriately qualified people



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

##### Recruitment

KPMG Audit SRL is committed to building an extraordinary people experience for all KPMG partners and employees and prospective partners and employees.

Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools, but also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age.

All candidates submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, as well as qualification/reference checks.

These leverage fair and job-related criteria to ensure that candidates possess the appropriate characteristics to perform competently, and that they are suitable and best placed for their roles.

##### Personal development

###### Development

KPMG Audit SRL has launched a new approach to performance development built around the Everyone a **Leader performance principles**, Open Performance Development, which includes:

- Global role profiles;
- a goal library; and
- Standardized review forms.

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

At the same time, we are driving a shift in our performance-driven culture, supported by and enacted through leading technology that allows us to embed audit quality to the assessment of performance and the decisions around reward as well as drive consistency across the Global Organization.

KPMG Audit SRL monitors quality and compliance incidents and maintains quality and compliance metrics in assessing the overall evaluation, promotion and remuneration of partners and directors and managers. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

##### Reward & Promotion

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

###### Reward

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

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

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

The extent to which our people feel their performance has been reflected in their reward is measured through the Global People Survey, with action plans developed accordingly.

###### Promotion

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

###### Partner admissions

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





### Assignment of professionals

KPMG Audit SRL has procedures in place to assign both engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement.

Function head is responsible for the partner assignment process. Key considerations include partner experience and capacity - based on an annual partner portfolio review

- to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the composition of the engagement team and any specialist involvement).

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

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

- 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 as well as 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 Audit SRL's quality control policies and procedures
- Quality Performance Review results and results of regulatory inspections.

### Insights from our people – Global People Survey (GPS)

KPMG Audit SRL invites all its people to participate in an independent Global People Survey to share their perception about their experience working for KPMG. The GPS provides

an overall measure of our people's engagement through an Engagement Index (EI) as well as insights into areas driving engagement which may be strengths or opportunities. Results can be analyzed by functional or geographic area, grade, role, and gender to provide additional focus for action. Additional insight is provided on how we are faring on categories known to have an impact on engagement.

The survey also specifically provides KPMG Audit SRL leadership and KPMG global leadership with results related to quality and risk behaviors, audit quality, upholding the KPMG values, employee and partner attitudes to quality, leadership and tone at the top.

KPMG Audit SRL participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. The results of the GPS are also aggregated for the entire KPMG Global organization and are presented to the Global Board each year and appropriate follow-up actions agreed.

### 5.5 Commitment to technical excellence and quality service delivery



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

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

#### Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at global, and regional level, as well as, where applicable, at a local level. Training is delivered using a blend of classroom, digital learning and performance support to assist auditors on the job.

#### Licensing

All KPMG Audit SRL professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development (CPD) requirements in the jurisdiction where they practice. KPMG Audit SRL policies and procedures are designed to facilitate compliance with license requirements. We are responsible for ensuring

that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the predominant local financial reporting framework.

Our firm requires all audit professionals to obtain accreditation with the professional bodies and satisfy the Continuing Professional Development requirements of these bodies, including ASPAAS and CAFR. Our policies and procedures are designed to ensure that those individuals that require a license to undertake their work are appropriately licensed.

#### Access to specialist networks

KPMG Audit SRL engagement teams have access to a network of local KPMG specialists as well as specialists in other KPMG member firms.

Specialists who are members of an audit team and have overall responsibility for specialist involvement on an audit engagement have the competencies, capabilities and objectivity to appropriately fulfill their role. Training on audit concepts is provided to these specialists.

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

#### Culture of Consultation

KPMG encourages a strong culture of consultation that supports member firm teams throughout their decision-making processes and is a fundamental contributor to audit quality.

KPMG Audit SRL promotes a culture in which consultation is recognized as a strength and that encourages all KPMG professionals to consult on difficult or contentious matters. To assist audit engagement professionals in addressing difficult or contentious matters, protocols have been established for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, the KPMG Global Q&RM Manual includes mandatory consultation requirements where certain matters are identified such as concerns over client integrity.

#### Technical consultation and global resources

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

### KPMG Global Solutions Group (KGSG)



The KGSG's mission is to drive success for KPMG's global network of Audit practices through collaboration, innovation and technology.

The KGSG develops, maintains and deploys KPMG's global audit methodology and technology-based tools used by KPMG audit professionals to facilitate effective and efficient audits.

With three global locations, one in each region, the KGSG Audit team is made up of professionals with backgrounds in audit, IT, data science, mathematics, statistics, and more from around the world who bring diverse experiences and innovative ways of thinking to further evolve KPMG's audit capabilities.

### International Standards Group (ISG)

The ISG works with Global IFRS and ISA topic teams with geographic representation from around the world to promote consistency of interpretation of IFRS and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis.

### Member firm professional practice resource

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

### Developing business understanding and industry knowledge

A key part of quality is having a detailed understanding of the client's business and industry.

For significant industries, global audit sector leads are appointed to support the development of relevant industry information, which is made available to audit professionals through the KPMG audit workflow.

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



## 5.6 Performance of effective and efficient audits

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

### Ongoing mentoring, supervision and review



We understand that skills build over time and through exposure to different experiences. To invest in the building of skills and capabilities of KPMG professionals, without compromising on quality, KPMG Audit SRL promotes a continuous learning environment and supports a coaching culture.

Ongoing mentoring, coaching and supervision during an audit involves:

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

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

### Timely engagement quality control (EQC) reviewers

EQC reviewers are independent of the engagement team and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

The EQC is an important part of KPMG's framework for quality.

An EQC reviewer is required to be appointed for audits, including for any related review(s) of interim financial information, of all listed entities, and non-listed entities with a high public profile, as well as for 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.

Although the engagement partner is ultimately responsible for the resolution of financial reporting and auditing matters, the EQC reviewer must be satisfied that all significant questions raised have been resolved before an audit can be considered complete.

KPMG Audit SRL is continually seeking to strengthen and improve the role that the EQC reviewer plays in audits, as this is a fundamental part of the system of audit quality control.

### Reporting

Auditing standards and national legislation largely dictate the format and content of the auditors' report that includes an opinion on the fair presentation of the client's financial statements in all material respects, in accordance with the relevant financial reporting framework. Experienced engagement partners form all audit opinions based on the audit performed.

In preparing auditors' reports, engagement partners have access to extensive reporting guidance and technical support through consultations with our DPP, especially where there are significant matters to be reported to users of the auditors' report (e.g. a modification to the opinion or through the inclusion of an 'emphasis of matter' or 'other matter' paragraph, as well as key audit matters to be communicated).

### Insightful, open, and honest two-way communication

Two-way communication with those charged with governance, often identified as the audit committee, is key to audit quality and is a key aspect of reporting and service delivery.

At KPMG Audit SRL we stress the importance of keeping those charged with governance informed of issues arising throughout the audit and the need to listen to and understand their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and, when appropriate, ongoing informal discussions with management and members of the audit committee. We ensure such communications meets the requirements of professional standards.

### 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 KPMG professionals are required to complete.

We have a formal document retention policy, which sets out 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 Audit SRL personnel.

## 5.7 Commitment to continuous improvement



KPMG is committed to continually improving the quality, consistency and efficiency of our audits. Integrated quality monitoring and compliance programs enable member firms to identify quality deficiencies, to perform root cause analysis as well as to develop, implement and report remedial action plans, both with respect to individual audit engagements and the overall system of quality control.

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

### Internal monitoring and compliance programs

KPMG Audit SRL monitoring programs evaluate both:

- engagement performance in compliance with the applicable standards, applicable laws and regulations, as well as KPMG International policies and procedures and
- KPMG Audit SRL's compliance with KPMG International policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed and effectively implemented, and also that it operates effectively. It includes:

- Quality Performance Reviews (QPRs) and Risk Compliance Programs (RCPs), which are conducted annually across the Audit, Tax and Advisory functions;
- A cross functional Global Compliance review (GCR) program which is conducted at least every three years.

The results and lessons from the integrated monitoring programs are communicated internally and appropriate action is taken at local, regional and global levels.

### Audit Quality Performance Reviews (QPRs)

The QPR program assesses engagement level performance and identifies opportunities to improve engagement quality.

### Risk-based approach

Each engagement leader in every KPMG member firm is reviewed at least once in a three year cycle. A risk-based

approach is used to select engagements. KPMG Audit SRL conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG Audit SRL 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

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers who 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'.

### 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.

### Risk Compliance Program (RCP)

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

The objectives of the RCP are to:

- document, assess and monitor the extent of compliance of KPMG Audit SRL's system of quality control with Global Quality & Risk Management policies and key legal and regulatory requirements relating to the delivery of professional services; and
- provide the basis for KPMG Audit SRL to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.



Where deficiencies are identified, we are required to develop appropriate action plans and monitor the status of each action item.

#### Global Compliance Review (GCR) program

Each member firm is subject to a GCR conducted by KPMG International's GCR team, independent of the member firm, at least once in a 3 year cycle.

The GCR team performing the reviews is independent of the KPMG member firm and is objective and knowledgeable of Global Quality and Risk Management policies. GCRs assess compliance with selected KPMG International policies and procedures and share best practices among member firms.

The GCR provides an independent assessment of:

- a 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;
- a member firm's compliance with KPMGI policies and procedures; and

- the robustness with which the member firm performs its own compliance program (RCP).

KPMG Audit SRL develops action plans to respond to all GCR findings and agree these with the GCR team. Our progress on action plans is monitored by the GCR central team. Results are reported to the Global Quality & Risk Management Steering Group and, where necessary, to the appropriate KPMG International and regional leadership, to help ensure timely remedial actions are taken by the member firm. The last Global Compliance Review covering KPMG in Romania took place in August 2017.

#### Root Cause Analysis (RCA)

KPMG Audit SRL performs root cause analysis to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement.

The Global RCA 5 Step Principles are as follows:



It is the responsibility of all KPMG member firms to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified.

KPMG Audit SRL's Head of Audit is responsible for the development and implementation of action plans as a result of RCA, including identification of solution owners. Our Risk Management Partner monitors their implementation.

#### Recommendations for improvements

At a global level, through the GAQSC and the Global Quality & Risk Management Steering Group, KPMG International

reviews the results of the quality monitoring programs, analyzes member firm root causes and action plans and develops additional global actions as required.

Global remediation plans developed by KPMG International are aimed at changing culture and behavior across the Global Organization and at driving consistent engagement team performance within KPMG member firms.

The remediation plans have been implemented through the development of global training, which provides tools and guidance to drive consistency, and which ensures the fundamentals are right and that best practice is shared across the Global Organization.

#### External feedback and dialogue

Currently ASPAAS is the audit oversight body in charge of independent quality assurance inspections for statutory audits.

Previously, the Romanian Chamber of Financial Auditors has been carrying out independent quality assurance inspections

for a number of years. The most recent quality assurance inspection of our firm carried out by the Romanian Chamber of Financial Auditors took place in November 2014 and we received an „A” rating.

None of the external inspections have identified any issues that have a material impact on the conduct of our statutory audit business.





# Statement by the administrators of KPMG Audit SRL

## on the effectiveness of quality controls and independence

The measures and procedures that serve as the basis for the system of quality control for KPMG Audit SRL outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by our firm comply with the applicable laws and regulations. Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant laws and regulations would be prevented or detected.

The administrators of KPMG Audit SRL have considered:

- the design and operation of the quality control systems as described in this report;
- the findings from the various compliance programs operated by our firm (including the KPMG International Review Programs and our local compliance monitoring programs); and
- findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of this evidence together, the administrators of KPMG Audit SRL confirm with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the period 1 October 2018 to 30 September 2019.

Further, the administrators of KPMG Audit SRL confirm that an internal review of independence compliance within our firm has been conducted for the period 1 October 2018 - 30 September 2019.



# Statement of the firm's policies

## on the effectiveness of quality controls and independence

Internal policies require employees to maintain their technical competence and to comply with professional requirements as well as with applicable regulatory requirements. Employees are offered a complex training and development program designed to satisfy the continuous learning requirements, both internal and external, of various professional bodies.

This program includes a complex curricula of technical, software or specific industry courses delivered through various methods that enable employees to take self-study courses, attend classroom courses and participate in web-based seminars in real time.

We also encourage our professionals to stay abreast of technical updates by attending internal and external industry specific training programs and conferences as well as reviewing relevant bulletins and periodicals. Training courses are provided for professionals to develop the skills, behaviors, and personal qualities that are needed for a successful career in auditing. Courses are delivered to enhance personal effectiveness and develop technical, leadership, and business skills.

# Financial information

The total turnover for KPMG Audit S.R.L. for the financial year ended 30 September 2019 was RON 83,40 million. The total turnover of KPMG Audit SRL can be divided into the following categories:

(i) revenues from the statutory audit of annual and consolidated financial statements of publicinterest entities and entities belonging to a group of undertakings whose parent undertaking is a publicinterest entity	RON 18,20 million
(ii) revenues from the statutory audit of annual and consolidated financial statements of other entities	RON 24,30 million
(iii) revenues from permitted non-audit services to entities that are audited by the audit firm	RON 32,30 million
(iv) revenues from non-audit services to other entities	RON 8,60 million



Aggregated revenues generated by KPMG audit firms in EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.9 billion during the year ending 30th September 2019.

The EU/EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ending 30th September 2019.

# Information on partner remuneration

All professionals, including partners, undergo annual goalsetting and performance evaluations. Each partner is evaluated on his or her attainment of agreed-upon goals, set for each partner on a number of matters relevant to their role.

Our firm has partner compensation policies that are clear, simple, and linked to the performance evaluation process. These compensation policies do not permit audit partners to be compensated for the sale of non-audit services to their audit clients.

This report complies with the requirements of Article 13 of EU Regulation 537/2014. KPMG International has also published its Transparency Report 2019, which is prepared in accordance with the standards set by Article 13 of EU Regulation 537/2014. KPMG member firms in EU member states are required to publish their own Transparency Reports in accordance with local legislation. For the most part, KPMG member firms outside the EU are not required to publish Transparency Reports.

Throughout this document, “KPMG” refers to the network of independent member firms operating under the KPMG name and affiliated with KPMG International Cooperative (“KPMG International”) or to one or more of these firms or to KPMG International. KPMG International, a Swiss entity, provides no client services. Throughout the document, “we,” “our,” and “us” refer to KPMG Audit SRL. KPMG Audit SRL is a member firm of the KPMG network of independent firms affiliated with KPMG International. 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.



## Appendix 1

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

### KPMG values

#### We lead by example

at all levels in a way that exemplifies what we expect of each other and member firms' clients.

#### We work together

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

#### We respect the individual

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

#### We seek the facts and provide insight,

by challenging assumptions and pursuing facts to provide insight as trusted and objective business advisers.

#### We are open and honest

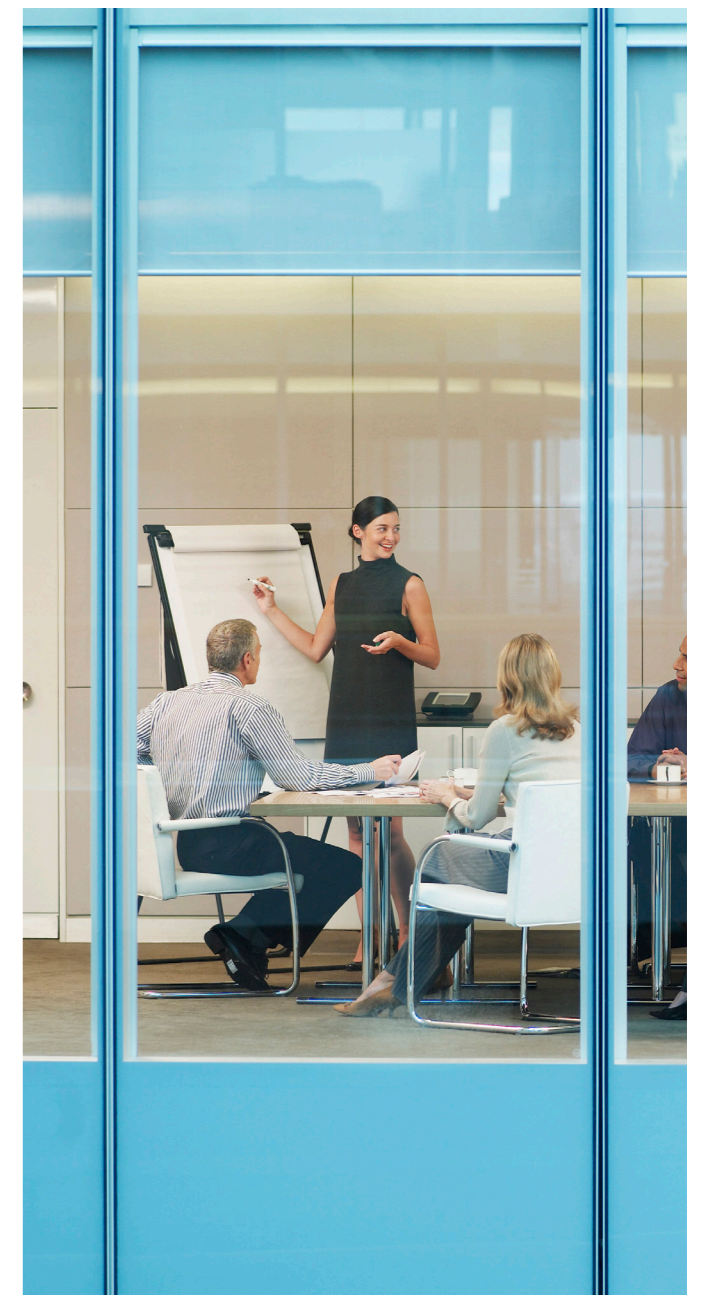
in our communication and share information, insight and advice frequently, and constructively manage tough situations with courage and candor.

#### We are committed to our communities

to act as responsible corporate citizens by broadening our skills, experience, and perspectives through work in our communities.

#### Integrity

is a critical characteristic that stakeholders expect and rely on. Therefore, above all we act with integrity and are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.



# Appendix 2 - KPMG Audit SRL Clients, that are Public Interest Entities

The list of Public Interest Entities audit clients, as defined by the Accounting Law (no 82/1991 and related amendments) and Statutory Audit Law 162/2017, for which KPMG Audit

SRL signed a statutory audit opinion in the year ended 30 September 2019 is provided below:

1.	Access Financial Services - IFN SA	19.	IFN NEXT CAPITAL FINANCE SA
2.	Asigurarea Romaneasca Asirom - Vienna Insurance Group SA	20.	Libra Internet Bank SA
3.	Banca Comerciala Intesa Sanpaolo Romania SA	21.	Mercedes-Benz Leasing IFN SA
4.	Banca de Import Export a Romaniei EximBank SA	22.	MOTORACTIVE IFN SA
5.	BANK LEUMI ROMANIA SA	23.	NN Asigurari de Viata SA
6.	BCR ASIGURARI DE VIATA VIENNA INSURANCE GROUP SA	24.	NN Pensii Societate de Administrare a unui Fond de Pensii Administrat Privat SA
7.	CEC Bank SA	25.	Omniasig Vienna Insurance Group SA
8.	Compania de Asigurari – Reasigurari Exim Romania (CARE Romania) S.A.	26.	Orange Money IFN SA
9.	DEUTSCHE LEASING ROMANIA IFN SA	27.	Pool-ul de Asigurare impotriva Dezastrelor Naturale SA
10.	ERGO Asigurari de Viata SA	28.	RALFI IFN SA
11.	Ergo Asigurari SA	29.	RCI LEASING ROMANIA IFN SA
12.	FERRATUM ROMANIA IFN SA	30.	Registrul Auto Roman RA
13.	FONDUL DE PENSII ADMINISTRAT PRIVAT AZT VIITORUL TAU	31.	Rocapital IFN SA
14.	FONDUL DE PENSII FACULTATIVE AZT MODERATO	32.	SAI MUNTENIA INVEST SA
15.	FONDUL DE PENSII FACULTATIVE AZT VIVACE	33.	SOCIETATEA DE INVESTITII FINANCIARE MUNTENIA SA
16.	Garanti Bank SA	34.	Vitas Institutie Financiara Nebancara SA
17.	GOTHAER ASIGURARI REASIGURARI SA	35.	Viva Credit IFN SA
18.	Access Financial Services - IFN SA	36.	Vrancart SA

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