



Statement by the Independent Non-Executives and Audit Non-Executives

30 September 2023

Introduction

During the year, the Independent Non-Executives (INEs) and Audit Non-Executives (ANEs) have participated in the Public Interest Committee (PIC) and the Audit Board, as well as other activities outside of these committees, to meet certain requirements of the Audit Firm Governance Code and the Principles of Operational Separation. While the roles of the PIC and Audit Board are different, they often have overlapping areas of interest and complementary agendas. This statement therefore sets out core areas of focus for both the INEs and the ANEs, particularly where they have challenged management on matters relating to the public interest, the delivery of high-quality audits, or the resilience of the firm.

All INEs and the Chair of the Audit Board are invited to observe the Board meetings and there is at least one INE or ANE in attendance at KPMG's Board level Committees.

To view information on the attendance of INEs and ANEs to Committee meetings, refer to: [FY23 UK Transparency Report](#).

Promoting audit quality

Audit quality continues to be the primary focus of the Audit Board agenda and, as high-quality audit is in the public interest, it also remains an integral part of the PIC agenda. This includes regular updates from the Head of Audit and/or the Head of Audit Quality on internal and external inspection results, as well as progress being made in relation to the [Single Quality Plan](#). Both committees receive regular management information, setting out ongoing FRC thematic reviews, information requests and any significant feedback the firm has received.

The INEs and ANEs oversaw the firm's response to the FRC's Public Report during the year; the audit quality review scores were lower than the prior year, which the INEs and ANEs sought to understand, including the root cause and actions taken. The INEs and ANEs were however pleased with the improved Quality Assurance Department (QAD) monitoring results, the firm's commitment to improving audit quality, and the progress made in relation to [Transformational programmes](#). One of the ANEs attended part of KPMG's annual auditor training.

Both the PIC and the Audit Board have received regular updates from the first and second line of defence on the firm's progress in relation to the International Standard of Quality Management (ISQM1) throughout the year. Their oversight and challenge focused on the overall implementation and embedding of ISQM1, and future governance.

People, ethics and culture

People are at the heart of KPMG's business. Understanding key people matters, the culture within the business and how the firm faces into ethical dilemmas are important areas of focus for the INEs and ANEs. Much of their insight is gained from engaging with partners and employees within the business (see Engagement Activities section below).

The INEs and the Chair of the Audit Board have been updated on the firm's new Ethical Health Programme and encouraged the firm to include appropriate forward-looking metrics in reporting to the Board. One INE also observes the People Committee and the Culture Steering Committee, providing insight and guidance as the firm has evolved and implemented its culture plan and People strategy. One ANE also engages regularly with the Audit Culture and People leadership to understand the progress within the audit business.

The Head of Ethics and Independence attends every PIC meeting (and two Audit Board meetings a year) while the external independent Ombudsman attends periodically to provide assurance that the firm's handling of whistleblowing cases has been appropriate.

The PIC and the Audit Board received regular reports on people and culture matters (the Audit Board focused on those pertaining to the Audit Business). The PIC and the Audit Board have been updated on ethical matters arising during the year, seeking to understand and challenge the Firm's management on how these matters have been addressed.

The Chair of the PIC has attended meetings of the Nominations Committee, which oversees the appointment of Elected Board Members. He also formed part of the judging panel for the internal November 2022 People Awards.



Operational and financial resilience

The new Audit Firm Governance Code requirements became effective for the firm from 1 October 2023, bringing an additional focus on the firm's overall resilience. The INEs and ANEs joined a deep dive session with KPMG's Chief Operating and Financial Officer and Chief Risk Officer to discuss how the firm manages its operational and financial resilience.

KPMG's Chair joins every PIC meeting, and the Chief Executive has joined one meeting to exchange views on public interest matters impacting the firm.

The Chief Risk Officer attends every PIC meeting and provides updates on key risk management and regulatory matters facing the firm. The Audit Chief Risk Officer similarly attends each Audit Board. The General Counsel has also provided updates to the PIC and Audit Board on legacy matters. The Head of Audit has provided updates to the Audit Board and the PIC on operational separation, as well as the results of the FRC's thematic review on this topic.

The PIC and Audit Board have received updates throughout the year on the firm's (and the Audit practice's) financial performance and future budgets from the Chief Operating and Financial Officer and the Audit Chief Operating Officer, respectively. The Audit Board has also scrutinised resourcing within the Audit Business, to challenge whether there is appropriate resource to deliver consistently high-quality audits.

Deep dives have also been presented by heads of business lines to provide insight into the strategy, opportunities and risks for the different parts of the firm and the audit business.

The Chair of the PIC and Chair of the Audit Board also held meetings with the Head of Internal Audit to understand the plan for the next year, and comment on areas of future focus.

An INE and an ANE observe the Risk Committee and an INE observes the Audit Committee to hear first-hand, as well as to offer views on, matters related to operational and financial resilience.

Global

KPMG LLP is part of the KPMG global organisation of professional services firms. During the year, the INEs and ANEs have received updates from KPMG's Global Leadership, giving them insight into the overall global network.

The Global Head of Audit attends every Audit Board, providing insight into a range of matters including the global firm's implementation of ISQM1, technology and outsourcing developments, and regulatory matters which have a global nexus. The Global Head of Audit also joined a PIC meeting to discuss the global audit strategy and, in particular, the global perspective on use of artificial intelligence within our audits.

The Global Chief Executive Officer joined a PIC meeting to share insights into the global strategy, including key risks and opportunities. The Global Head of Quality, Risk and Regulatory also joined a PIC meeting to share global risk developments and how these are managed globally.

The INEs and ANEs received an update in their committees on the firm's overseas delivery centres.

The Chair of the PIC and the Chair of the Audit Board met with Non-Executives in KPMG Germany to share best practice.

Engagement activities

The INEs and ANEs have an extensive annual engagement programme, meeting with many different key internal and external stakeholders.

Internal stakeholders

Leadership: Individually the INEs and ANEs meet with Board members, Executives and Audit Executives. The INEs and the Chair of the Audit Board also meet with the Chair and the Chief Executive on a quarterly basis. They also regularly attend partner calls to hear messages directly from the leadership of the firm.

Partners and employees: During the year, the INEs and ANEs have met with over 190 partners and employees at:

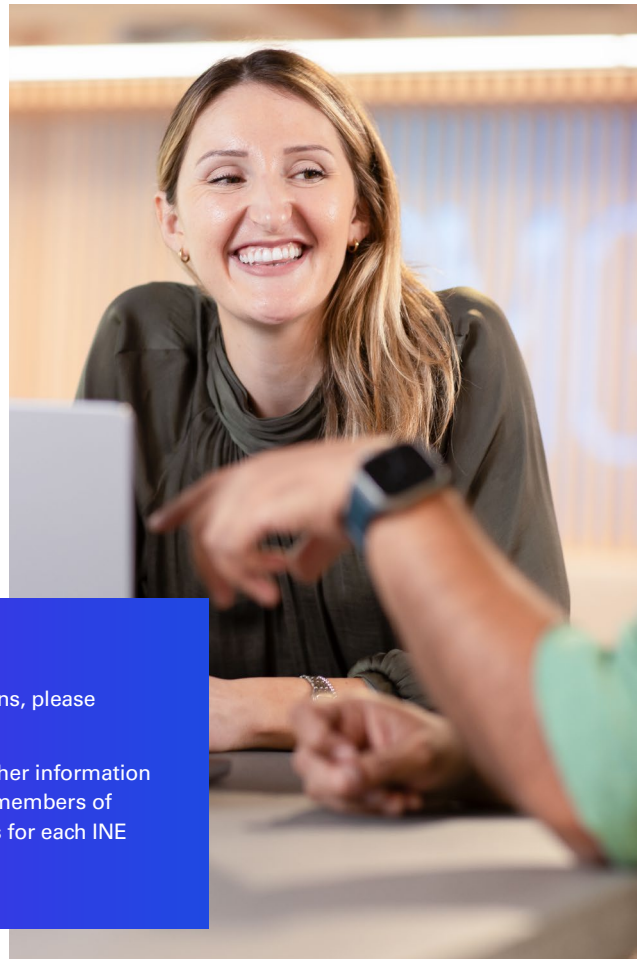
- Roundtables with partners in different parts of the business. The ANEs met with Audit partners in Financial Services Audit, the Audit Centre of Excellence and Assurance & Accounting Advisory. The INEs met with partners in Tax & Legal, Deal Advisory and Consulting.
- Regional office visits to the London and Birmingham offices. This included sessions with the Office Senior Partners, audit and non-audit colleagues, Ethics Champions, local shadow boards and other forums of elected employee representatives such as the Audit Evolution Board. Also included were meetings with the Corporate Responsibility forum, and various network groups including KPMG's Network for Women, Breathe, Workability, BeMindful and the Muslim Network.

The INEs and ANEs also observed a number of partner communication calls, including revisions to the partner scorecards.

External stakeholders

The FRC: The INEs and ANEs have had a number of meetings throughout the year with the FRC to discuss key matters relevant for the firm, including the Public Report. The INEs and ANEs engaged in roundtables with independent non-executives from the other large accountancy firms organised by the FRC covering topics such as public interest and ISQM1. The FRC also observed two Audit Board meetings during the year.

Audit Committee Chairs & Investors: The INEs and ANEs attended events hosted by KPMG's Board Leadership Centre and Audit Committee Institute, as well as holding meetings with investors. The INEs receive a quarterly update at the PIC on views and perspectives the firm is hearing from audit committee chairs and investors.



Contact

If you would like to get in touch with questions or concerns, please contact any of us at: ukfmkpmgnonexe@kpmg.co.uk

Visit the KPMG UK website, [Our leadership](#) page, for further information on the governance bodies which the INEs and ANEs are members of ([Public Interest Committee](#) and [Audit Board](#)). Biographies for each INE and ANE can also be found [here](#).

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