FY23 UK Transparency Report

Quality Control and Risk Management

January 2024

Introduction

We have numerous policies and procedures in place within the UK firm to enable our compliance with professional standards. Partners and employees are responsible for complying with these policies and procedures, and there are internal controls and processes in place to help them do so.

The Board annually assesses both the effectiveness of the firm's internal controls and its compliance with independence policies, and confirms the firm's compliance with the Audit Firm Governance Code.

Accountability

The Board has overall responsibility for risk management and internal control:

- The assessment and management of risk is supported by the Risk Committee.
- Monitoring of internal controls is supported by the Audit Committee.

The Firm has adopted KPMG's Global Independence Policies:

- All partners and partner equivalents are subject to a compliance audit at least once every five-year period, and those partners in a Chain of Command role are audited at least once every three years.
- We provide all relevant personnel with annual firm independence, personal independence and conflicts of interest training.
- Training on compliance with laws, regulations, professional standards and our Code of Conduct is issued to all partners and employees on joining the Firm and annually thereafter.

The Firm's Internal Audit plan is reviewed and approved by the Audit Committee:

- Internal Audit provides the Audit Committee with independent and objective assurance on the adequacy and effectiveness of our governance, risk management and internal control processes.
- The Firm's Internal Audit function was subject to an external quality assessment in FY21 and received a 'Generally Conforms' report against the professional standards for internal audit.

Our quality control and risk management systems

Policies and procedures

KPMG International ("KPMGI") has established a quality framework across its network of member firms based on the International Standard on Quality Management (ISQM1) issued by the International Auditing and Assurance Standards Board (IAASB) and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform statutory audits and other assurance and related services engagements.

The policies and associated procedures within this framework enable member firms to comply with relevant professional standards, and with regulatory and legal requirements, and help our partners and employees act with integrity and objectivity, performing their work with diligence.

KPMG in the UK supplements KPMG International's quality framework with additional policies and procedures that address its specific business risks as well as rules and standards issued by the FRC, the ICAEW and other relevant regulators, such as the US Public Company Accounting Oversight Board (PCAOB).

ISQM1

ISQM1 was issued by the IAASB and became effective on 15 December 2022, together with the UK version of the standard issued by the Financial Reporting Council (FRC) (the International Standard on Quality Management (UK) 1 (ISQM (UK) 1)). References to the application of ISQM 1 are in accordance with ISQM (UK) 1 For each component in the standard, KPMGI has established globally consistent quality objectives, quality risks and responses. The objective of this centralised approach is to drive consistency, robustness and accountability of responses for processes implemented across our global organisation. Where necessary, we have supplemented the KPMGI requirements with additional quality objectives, quality risks and responses identified through a UK risk assessment process.

Our Global Quality Framework outlines how we deliver quality at KPMG. The principle of 'Perform quality engagements' sits at its core along with our commitment to continually monitor and remediate our processes as necessary.

The Chief Executive assumes ultimate responsibility and accountability for the UK's System of Quality Management (SoQM).

The Head of Audit and Chief Operating and Financial Officer (COFO) assume operational responsibility for the UK's SoQM.

The Ethics and Independence Partner is responsible for compliance with independence requirements under the UK's SoQM and also has operational responsibility in relation to the UK Firm's ethics and independence requirements.

The Chief Risk Officer has monitoring and remediation responsibility for the UK Firm's SoQM.

In line with the KPMG Global SoQM Methodology, the Firm conducts an iterative risk assessment process (iRAP). This continuous process, overseen by those with operational responsibility for the SoQM and the Audit Committee looks at a range of internal and external sources to assess whether there are any additional risks relevant to the System of Quality Management (SoQM) that may require the implementation of additional controls or formal inclusion of existing controls within the SoQM. Once identified, controls are subject to monitoring and evaluation activities as outlined here: Global Quality Framework (1. Perform quality engagements – Internal monitoring).

Under ISQM1 we are required to evaluate the effectiveness of our system of quality management on an annual basis. Our first evaluation was performed as of 30 September 2023.

Find out more about the approach we take to the monitoring and evaluation of our SoQM here: Global Quality Framework (1. Perform quality engagements – Internal monitoring).

Statement on the effectiveness of the System of Quality Management of KPMG UK LLP as at 30 September 2023

As required by the International Auditing and Assurance Standards Board (IAASB)'s, International Standard on Quality Management (ISQM1), the Financial Reporting Council (FRC)'s International Standard on Quality Management (UK) 1 (ISQM (UK) 1), and KPMG International Limited Policy, KPMG UK LLP (the "Firm" and/or "KPMG UK") has responsibility to design, implement and operate a System of Quality Management for audits or reviews of financial statements, or other assurance or related services engagements performed by the Firm.

The objectives of the System of Quality Management are to provide the Firm with reasonable assurance that:

a) The Firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and

b) Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

KPMG UK outlines how its System of Quality Management supports the consistent performance of quality engagements in the 2023 Transparency Report.

Integrated quality monitoring and compliance programmes enable KPMG UK to identify and respond to findings and quality deficiencies both in respect of individual engagements and the overall System of Quality Management.

If deficiencies are identified when KPMG UK performs its annual evaluation of the System of Quality Management, KPMG UK evaluates the severity and pervasiveness of the identified deficiencies by investigating the root causes, and by evaluating the effect of the identified deficiencies individually and in the aggregate, on the System of Quality Management, with consideration of remedial actions taken as of the date of the evaluation.

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2023, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.

Our quality control and risk management systems

Continued

Responsibility for quality and risk management

Quality control and risk management are the responsibility of all KPMG personnel, whether they are based in the UK or in one of our offshore locations. This responsibility includes the need to understand and adhere to policies and associated procedures in carrying out their day-to- day activities.

The Chief Risk Officer is responsible for setting overall professional risk management and monitoring quality control policies and compliance for KPMG in the UK.

The Chief Risk Officer has a direct reporting line to the Chief Executive and sits on the Firm's Executive Committee, underlining the importance of the role.

The Chief Risk Officer is supported directly by a team of partners and professionals, including a Risk Management Partner in each of the Capabilities.

The Ethics Partner is supported by a core team to help ensure that we apply robust and consistent ethics and independence policies, processes and tools.

The Head of Audit, Head of Tax and Legal, Head of Deal Advisory and Head of Consulting are accountable to the Chief Executive for the quality of service delivered in their respective capability areas. While many of our quality control processes are cross-Capability and apply equally to Tax and Advisory work, the primary focus of the Transparency Report requirements relates to Audit. Our Global Quality Framework provides more detail on the way it helps ensure the delivery of quality statutory audits.

In the case of the Audit practice, the Head of Audit Quality chairs the Audit Quality Council which met on a monthly basis during the year. These meetings, together with the monthly Emerging Issues Meeting chaired by the Chief Auditor, addressed external regulatory matters (including progress on AQR and QAD reviews and actions to address their findings), our internal quality reviews, emerging audit quality issues and current matters from the central quality teams.

The Audit Leadership Team Risk & Quality sub-committee meets monthly to consider risk within the audited entity portfolio and to ensure there are sufficient and appropriate controls and mitigations in place to support engagement leaders in performing a quality audit and in managing risk. Other focus areas of the sub-committee include monitoring of regulatory matters, assessment of the risk watchlist and consideration of other emerging risk areas.

Our UK Audit practice is also a key contributor to our global thinking, with representatives on all major global audit quality and development councils and teams. We use these forums to understand how other member firms have tackled similar issues, share our experiences and facilitate common solutions.

At KPMG, audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the audit report.

We view the outcome of a quality audit as the delivery of an appropriate and independent opinion that complies with auditing standards. This means, above all, being independent, objective and compliant with relevant legal and professional requirements.

Risk management principles

The following statements articulate the principles through which we manage the risk we take across the Firm, ensuring we act responsibly, in the public interest and in the interest of the entities we audit, our clients, our people, our regulators, and the markets and communities we work in.

We will:

— Establish and maintain high standards in leadership, accountability, ethics and governance.

— Act as stewards for the KPMG brand and take proactive steps to ensure that we support one another, both within the UK and across our member firms, in doing so.

— Work with trusted partners and alliances, as well as engaging in mergers and acquisitions to obtain capability, where it meets our trust and growth objectives.

— Carefully consider the clients, audited entities and engagements we choose to accept, within the context of our 'ACCEPT' framework (a refreshed set of client and engagement acceptance guidance embedding our values, risk appetite and ESG commitments).

— Comply with applicable laws, regulations and codes of conduct, including KPMG's global standards and policies and KPMG's tax principles.

— Manage actual and perceived conflicts of interest.

— Protect confidential information and ensure business service continuity.

— Live our values through high standards of behaviour, and promote a culture of trust, empowerment, accountability and expertise that supports them.

— Anticipate and respond to changes in the competitor landscape, macro-economy and clients' and audited entities' needs.

— Deliver high-quality services – through experienced and appropriately resourced teams, integrated solutions and the use of robust technology.

— Set financial targets that are consistent with achieving both the trust and growth elements of our strategy.

— Be courageous in undertaking work in the public interest and in support of our wider purpose.

— Be brave in working together, contributing to important issues in accordance with our values.

— Develop our diverse, talented and motivated people through inclusive leadership.

Our quality control and risk management systems

Continued

Risk management

It is the responsibility of our Board to identify, evaluate, manage and monitor the most significant risks that face our firm and could threaten the achievement of our strategic objectives, or our business model, future performance or solvency. The principal risks and uncertainties that the UK firm faces are set out in, and managed under, the Firm's Enterprise-Wide Risk Management (ERM) Framework. This framework is used by the Board throughout the year to ensure the timely identification of new and emerging risks and the development of appropriate mitigations and action planning, in line with the Firm's strategy.

The ERM framework is subject to a comprehensive review and refresh on an annual basis. This involves robust challenge of the Firm's risk taxonomy, reflecting developments in the Firm's risk landscape (current and longer term), changes made to KPMG International's Risk Framework during the year, and the results of a Dynamic Risk Assessment. In September 2023, we provided an update on this to the Board Risk Committee. Key developments during the prior year included:

- Reviewing and updating our risk appetites at firm-wide and Capability level to align to the actual appetite more closely in individual Capabilities.
- Reviewing the impact of changes to the Coverage/Markets leadership model on the ERM framework and embedding these in the framework.
- Further engagement with Level 1 risk owners to enhance communication/oversight of Level 2 risks and actions across the matrix of firm-wide, Markets and Capability ownership.
- Introduction of an emerging themes section into the monthly Watch List for emerging risks that require separate focus.
- Identifying any inconsistencies in the reporting of Level 2 risks by Capabilities and Markets.
- Further work with the relevant ESG, Operations and Corporate Affairs teams to ensure that an appropriate level of information is captured in relation to climate risks to satisfy increasing external requirements.
- Implementation of an automated Governance, Risk and Compliance (GRC) tool to support specific aspects of our risk management.
- Identifying and agreeing Level 3 risks ready for inclusion in the ERM framework.

The Firm's Assurance Map documents the relationship between the Firm's risks, its controls and compliance and assurance activities across the first, second and third line of defence, and is reviewed and updated on an annual basis.

Principal risks

The Firm's principal risks are set out within the four key risk 'families' of: Reputational; Strategic; Operational; and Financial. For the year ending 30 September 2023, KPMG in the UK identified 11 principal risks across these four areas:

Reputational

- Trust
- Regulation
- Legal

Strategic

- Growth
- Clients and audited entities

Operational

- Execution – Quality
- Execution – Delivery
- People, Talent and Culture
- Technology and information management
- Business operation, resilience and controls

Financial

- Financial management

The risks are not shown in order of priority.

Our assessment of how these risks have moved over time, the current risk landscape and the mitigating actions we have put in place to address each risk can be found below.

Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Reputational risks		
1. Trust (FY23 Trend: No change) FY21 FY22 FY23 KPMG in the UK fails to maintain the trust of external stakeholders, due to a failure to embed trust into the firm's strategy, failure to define and communicate the standards of conduct expected by the Firm, and failure to develop a culture aligned to the Firm's core values, resulting in negative impact on the Firm's reputation at local, national and international levels.	— Continued regulator, public and colleague scrutiny of the Firm in the context of both audit quality and the outcome of historic regulatory investigations. — Eroding of societal trust in professional services from negative media coverage of issues, litigation, or regulatory enforcement in our competitors. — A culture ambition centred on being values-led, operating to the highest ethical and quality standards. — Increasing importance of, and societal expectations surrounding, ESG and IDE. — A need to embed and sustain improvement in our AQR results.	— A tone at the top which emphasises quality, ethics and integrity, with Ethics Champions embedded in the business. — Roll out of revised Partner balanced scorecard as part of FY24 goal setting, strengthening the link between behaviours and rewards. This will also be incorporated into FY24 goals for all colleagues. — A culture ambition guided by Our Values, Our KPMG, Our Impact, a Culture Steering Committee and Conflicts of Interest Working Group. Measurement of progress using culture metrics (incl. regular colleague surveys) and oversight from a Culture Steering Committee. — Values Week (held in November 2022) and Values Immersion sessions designed to ensure all partners and colleagues take greater ownership of living our values. — Refreshed Conflicts of Interest policy supported by mandatory training to relevant teams and Conflicts of Interest Working Group. — Global ethical health survey to identify successes and areas for continued focus. — Implementation of a 'Trust index' to aid with monitoring of external reputation. — A refreshed Code of Conduct (reviewed by the Institute of Business Ethics) and set of Values, on which all colleagues receive annual mandatory training. — Head of Professional & Ethical Standards and a Partner Conduct Verification Dashboard process to support performance management of partners, ensuring an appropriate link between conduct and partner remuneration. — Embedded whistleblowing processes and promotion of a Speak Up hotline overseen by a third-party ombudsman. — An Inclusion, Diversity and Equity Policy, employee networks which host a range of diversity focused learning events throughout the year and published diversity target zones, with regular progress reporting. Firm-wide training on inclusion, diversity and equity provided to all KPMG partners and employees. — A Global and UK Impact plan which set out our environmental, social and governance (ESG) commitments — holding us accountable for progress toward a more sustainable future. — Continued focus on increasing social mobility, with the Firm now publishing its socio-economic background pay gaps and setting ambitious targets to increase the socio-economic diversity of its workforce. — Continued focus on the environment, with all UK offices certified to ISO 14001:2015. — A mandated Global Quality Framework, encompassing global methodologies, mandatory training (including KPMG Audit University), accreditation requirements (including for specialists) and audit quality review programmes (see further detail in Principal Risk 6).

Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Reputational risks (continued)		
2. Regulation (FY23 Trend: No change) FY21 FY22 FY23 KPMG in the UK fails to meet the expectations of our regulators, due to poor relationships with regulators, regulatory non-compliance and lack of regulatory horizon scanning to prepare for incoming regulatory changes, resulting in regulatory sanctions and enforcement action.	— New and changing regulatory requirements and expectations or changing interpretations (in respect to historical practices). — More proactive, intrusive and better-connected regulatory supervisors leading to increased monitoring and reporting to ensure the Firm is compliant. — Continued enhanced supervisory approach as FRC transitions to ARGA. — Incoming and significant regulatory changes affecting multiple parts of the Firm, including audit reform and the transition to ARGA. — FRC published updated principles and timeline for operational separation of the Audit practice. — Emerging regulation regarding innovations such as artificial intelligence (AI). — Greater public attention/ interest and changing regulatory standards as to how we assess which clients we choose to do business with.	— A dedicated Regulatory Affairs function, with constructive and proactive arrangements to meet our regulatory commitments introduced. — Regular engagement with regulators and relevant government bodies to understand and plan for the developing regulatory landscape. — Monitoring of regulatory compliance by relevant regulatory affairs specialists and the firm's Public Interest Committee. — Regulatory horizon scanning introduced with regular reporting to relevant governance groups. — Money Laundering Risk Officer function to meet our obligations in relation to anti-money laundering and financial crime, and regular financial crime training provided on topics such as money laundering, bribery and corruption. — Maintenance of firm-wide and personal independence policies and systems (Sentinel™, KPMG Independence Compliance System, etc.) to ensure compliance, and additional approvals required for PIEs (Public Interest Entities) and OEPIs (Other Entity of Public Interest). — Regular updating of firm policies and procedures to ensure compliance by all our people, on all our clients, with all applicable regulations. — Annual mandatory firm and personal independence training and annual personal independence confirmation by all partners, colleagues and (where relevant) contractors. — Rolling programme of personal compliance audits and compliance monitoring of certain key areas by the firm-wide independence team. — ESG Corporate Reporting team, focused on ensuring timely adoption and compliance with developing ESG regulatory and reporting requirements.

Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Reputational risks (continued)		
3. Legal (FY23 Trend: No change) FY21 FY22 FY23 KPMG in the UK fails to comply with legal obligations, including contractual obligations with clients, audited entities, third parties and colleagues etc., due to a failure to identify and understand these obligations, or put in place appropriate controls and monitoring frameworks to ensure that these obligations are met, resulting in litigation, legal costs and reputational damage. The UK firm fails to appropriately monitor and mitigate the impact of reputational damage arising from actions taken by other KPMG member firms.	— Increasing complexity of contracting environment, in particular in relation to long-term nature of large advisory engagements and increasingly complex legal and regulatory frameworks (e.g., in relation to liability caps and information security and data requirements). — Increased complexity of global sanctions framework post Russia-Ukraine conflict. — Sanctions environment has continued to evolve due to the war in Ukraine. — Risk of damage to the UK firm's reputation through negative media coverage of issues, litigation, or regulatory enforcement within the KPMG Global network of firms.	— In-house Office of General Counsel team to assist the business with contracting and compliance with regulation, including specialists in regulation, data privacy and employment law. — Close liaison with KPMG Global through International Office of General Counsel and liaison with other network firms' offices of General Counsel. — Active participation in Global Governance and Committees to oversee network controls and potential reputational and other risks. — Legal input to both Deal Boards, Client and Engagement Acceptance and Continuance Committee and Conflicts Working Group, to ensure that the appropriate approvals are in place and legal/contracting risks are considered before pursuing new opportunities and agreeing scope and terms of engagement deliverables. — Comprehensive client and engagement acceptance procedures, including in relation to contracting with all stakeholders and recipients of our services/deliverables. — Framework of policies, underpinned by regular training, in relation to compliance with external regulation and legal requirements (including in relation to financial crime and fraud management). — Engagement Quality Control Reviewers (EQCRs) and other 'first line' quality control processes, including in relation to legal and contracting matters. — Annual 'second line' compliance processes (including QPR and Global KQCE) in relation to contracting and legal compliance. — Specific policies, procedures and controls related to complying with sanctions.

Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Strategic risks		
4. Growth (FY23 Trend: Increasing) FY21 FY22 FY23 KPMG in the UK fails to define and execute a strategy that is supported by an appropriately resourced operational plan, that is underpinned by further development of relevant services and propositions, and which can be measured objectively. In addition, the UK firm fails to design its strategy to be able to adapt or respond to changes in the external economic and regulatory environment, or to maximise opportunities from the KPMG global network, resulting in a failure to achieve the desired levels of growth.	Continued levels of market uncertainty in relation to the external environment, including: — the impacts of ongoing global conflicts; — the wider political landscape and growing economic uncertainty; — UK economic performance. While the worries about a deep recession have largely gone away, the prospects of high interest rates, continued uncertainty, and low productivity are set to provide headwinds to growth in the near term; — Impact of operational separation of audit on our growth strategy; — Increasing importance of, and stakeholders' expectations surrounding, ESG.	— Board approved three-year planning exercise with yearly refreshes and regular review. — Our Board and Executive Committee continuously monitor the performance of our firm and appropriate management action is taken when necessary to adjust to market conditions. — Defined strategies (at Firm and Capability/Market level) approved by leadership with Board input and oversight and aligned with Global strategy and Our Impact plan (see below). — Executive Committee sponsorship of strategic growth initiatives with an investment allocation and governance process to prioritise and monitor investment. — Enterprise-Wide Risk Management Framework with matrix reporting across Capability, Market and Firm-wide risks to support Board and Committee governance and Executive decision-making. Capability, Market and Regional risk officers in place to support second line management/oversight of risk policies, practices and decision-making. — Separate governance for Audit, including Audit Board, with impact of operational separation on delivery of the Firm's strategy reflected in both Audit and firm-wide business planning. — A Global and UK impact plan which set out our own environmental, social and governance (ESG) commitments – holding us accountable for progress towards a more sustainable future. — Globally aligned ESG solutions to address current market demand and needs.

Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Strategic risks (continued)		
5. Clients and audited entities (FY23 Trend: No change) FY21 FY22 FY23 KPMG in the UK fails to work with the right clients and audited entities, maintain a balanced portfolio across sectors and industries, optimise its use of strategic alliances and build both a unique and innovative brand proposition and a holistic go-to-market strategy, resulting in declining market share or over-concentration in specific sectors and a failure to achieve its strategy and ESG commitments.	— New and changing business models and service needs at scale and speed from clients/audited entities arising from changing market and their responses to the current external and economic environment, increasing digitalisation and growth in importance of the ESG agenda. — Changes in client/audited entity portfolio mix and/or focus that could result in over-concentration in sectors/industries/clients. — Accepting clients/audited entities because of the current external and economic environment and potential impacts on perceived public interest/reputational risk. — Impact of the firm's ESG strategy on the acceptance and delivery of services to clients and audited entities.	— Comprehensive acceptance procedures undertaken before engaging with clients and audited entities for the provision of services, including KYC checks and global conflict checking to support the management of independence when working with audited entities or potential audit targets. — Client and Engagement Acceptance and Continuance Committee consideration for higher risk clients and engagements to ensure that risks are considered, and appropriate internal approvals obtained, before pursuing new opportunities. — Conflicts Working Group (as sub-committee of the Risk Executive) and mandatory annual firm-wide Conflicts of Interest training to support adherence to conflicts of interest policy. — Continued challenge of audited entities where improvements to systems, controls and governance are required and careful management of transition where we decide to resign from audited entities, with reference to our public interest responsibilities. — ACCEPT framework to further support colleagues in making decisions about who we work with and what work we do in line with Our Impact plan, supported by firm-wide and engagement leader training and communications. — Monitoring period of audit tenure for audited PIEs in order to comply with mandatory tendering and rotation requirements. — Extensive independence policies, guidance and processes supported by annual mandatory firm-wide training on personal and firm independence and regular compliance monitoring (see further details in Principal Risk 2). — Regular portfolio strategy and account planning, with Executive Committee oversight of plans for major accounts. — Investment programme to oversee the development of new service lines and propositions, in line with Our Impact plan and reflecting market and client need developments. — Regular review of Client Insights programme feedback, including to inform development of future service propositions. — Investment in technology and specialists e.g., climate, IT audit and data scientists to ensure our audit approach is responsive to changes in the external environment and new markets.

Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Operational risks		
6. Execution – Quality (FY23 Trend: No change) FY21 FY22 FY23 KPMG in the UK fails to meet the expectations of clients, audited entities, regulators and other interested parties in relation to the quality of work delivered.	— Sustained public and regulatory scrutiny of the firm's ability, independence and qualification to deliver engagements to a high standard. — Impact of changing ways of working on the ability to deliver quality services. — Pressure on audit profession potentially leading to fewer people joining the profession, and experienced professionals leaving the profession which may negatively impact audit quality. — Increased risk of failure of clients/audited entities due to challenging economic environment. — Increasing complexity of products and services, as well as contracting/ commercials, or new and innovative service lines (where expertise is limited), posing challenges to the quality of work delivered.	— System of Quality Management (SoQM) to drive the assessment of risks and controls and to ensure audit quality. — Programme to implement ISQM1 as part of the firm's System of Quality Management, in advance of mandatory adoption date in December 2022, including close liaison with KPMG International's ISQM1 Programme team and creation of newly established System of Quality Management team to support the annual ISQM1 risk assessment and oversee our compliance post implementation. — Continued investment in our Audit Quality Plan which prioritises actions with the biggest impact on audit quality, and the Banking Audit Quality Improvement Plan, supported by the development and implementation of the KPMG Clara Audit workflows. — Mandated Global Quality Framework, encompassing global methodologies, mandatory training (including KPMG Audit University), accreditation requirements (including for specialists) and audit quality review programmes. — Mandated engagement quality controls including the use of standardised methodologies and tools, accreditation requirements, targeted involvement of Engagement Quality Control reviewers, Accounting and Auditing specialists, Risk Panels and Deal Boards. Enhanced processes for complex, longer-term engagements. — Audit Regulatory Compliance function, with a remit to deliver a dedicated audit compliance programme, testing outcomes to provide assurance that the processes, procedures and controls in place to meet regulatory requirements are operating effectively. — Regular review of Client Insights programme and requests for feedback in relation to quality of delivery. — Engagement watchlists maintained at Capability and Risk Executive Committee level, with escalation of issues as appropriate. — Firm-wide quality compliance programmes including QPR and Annual Root Cause Analysis programme. Established quality function in Consulting, with appointed quality leads for each performance group. — Rigorous recruitment, training and staff development procedures.

Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Operational risks (continued)		
7. Execution – Delivery (FY23 Trend: No change) FY21 FY22 FY23 KPMG in the UK experiences failures in its delivery of services to clients and audited entities due to taking on inappropriate clients or engagements, ineffective engagement setup, poorly managed projects, contracting and financials, lack of adequate resourcing or identification and management of third parties in its supply chain, resulting in preventable losses and missed opportunities.	— Increasingly competitive market for recruitment of talent. — Increased reliance on reliable and appropriate technology and connectivity due to hybrid working. — Increasing complexity of the work we are performing, the client/audited entity situations we are supporting. — Increased complexity of commercial models and contracting processes, in particular in relation to multi-year framework services and work delivered for the public sector. — Increased use of technology to deliver services or licensing of technology to clients. — Greater collaboration with third parties/alliance partners in engagement delivery, increasing the challenges around quality, independence, security, and contracting.	— Global Quality & Risk Management Manual supplemented by UK requirements set out in Capability-specific risk management manuals, policies and guidance. — Comprehensive client and engagement acceptance procedures, including ACCEPT framework for decision-making, Client and Engagement Acceptance and Continuance Committee and Conflicts Working Group as described under Principal Risk 5: Clients and Audited Entities. — Engagement watchlists maintained at Capability and Risk Executive Committee level, with escalation of issues as appropriate. — Increased monitoring (including in-flight reviews) and reporting of higher risk engagements. — The roll-out of ProFinda, which provides a single inventory of all colleagues' skills and experience so we can be more rigorous when resourcing projects, matching skills and resources effectively. — Template engagement letters and Office of General Counsel/risk review requirements for contracting. — Inter-firm contracting protocols when working with other KPMG International member firms. — Input from Commercial teams on pricing and terms, as well as Deal Boards for non-audit engagements, and controls in place when working with sub-contractors and alliance partners. — Significant investment in our colleague proposition, Our KPMG, and recruitment, performance management and wellbeing support, to ensure we can continue to attract and retain the talent we need to meet demand now and in the future (see further detail in Principal Risk 8). — Contractors and associates receive training on Our Code and Our Values on joining and annually. — Compliance programmes including Global GCR, QPR and Compliance Assurance Programme, with appropriate root cause analysis undertaken and action plans implemented and monitored.

Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Operational risks (continued)		
8. People, Talent and Culture (FY23 Trend: No change) FY21 FY22 FY23 KPMG in the UK fails to appropriately attract and recruit, engage, develop, retain and reward talent at all levels of seniority, resulting in a lack of expertise, capability and capacity (onshore and offshore) to meet the medium- and long-term demands of the business, loss of top talent and gaps in key leadership roles and succession plans. In addition, the UK firm fails to define and develop a culture in alignment with its core values and strategy.	— Intense competition for talent and skills shortage, impacting on ability to recruit at all colleague levels. Evolving expectations of employees including the need for a comprehensive talent management programme and succession planning, risks the attractiveness of the firm reducing over time. Increased immigration complexity. — Management of, and ability to meet, expectations in relation to the medium-to-long term, changing ways of working, including the move towards hybrid working. — Current challenging economic environment and impact of increased cost of living on employee wellbeing and morale. — Continued focus on developments in Inclusion, Diversity and Equity (IDE) and ability to meet IDE improvement objectives (including social mobility). — Increasing importance of reaching our Culture Ambition and maintaining an environment where poor employee or partner conduct is identified and addressed.	— Significant investment in colleague reward, and an attractive employee value proposition, Our KPMG, against results of annual salary benchmarking. — Range of projects ongoing to ensure we are able to recruit and retain the skills we need in the current environment, including in relation to improving our people systems, workforce planning strategy and addressing complexities in immigration and onboarding. — Defined performance management cycle and processes which includes goal setting, feedback and performance appraisal. Regular training delivered to Performance Managers and 360 feedback programme for leaders across the Firm. — Inclusion, Diversity and Equity Policy and firm-wide mandatory training for all KPMG partners and employees. Several dedicated programmes including GROW, Black Heritage Allyship Programme and Cross Company Allyship Programme. Ambitious leadership 2030 targets across six historically under-represented groups with supporting firm-wide and local action plans in place. — Our Social Mobility Network – UpBringing – empowers colleagues from lower socio-economic backgrounds to achieve tangible personal and professional development goals, raise their profile within the firm and in the marketplace and make an impact across our communities. Opening Doors to Opportunities aims to empower the next generation to thrive by inviting schools into our offices across the UK, as part of a new commitment we're making to give one million young people the opportunity to develop their skills by 2030. Comprehensive wellbeing offering including mental wellbeing, bereavement support, a Domestic Violence and Abuse Policy statement, an employee assistance programme, remote GP, private medical insurance (for relevant colleagues), counselling service and number of wellbeing apps. — Employee networks to support and engage with the various communities across the firm and an Employee Business Forum, which represents views within the firm to leadership. — Regular feedback on People strategy and practices sought through annual Global People Survey and regular Pulse Surveys, with action plans in place where required. — Culture Ambition guided by Our Values, and a refreshed Code of Conduct (reviewed by Institute of Business Ethics). Firm-wide Culture Steering Committee responsible for approving and steering the firm-wide culture strategy, plan and priorities – which include a firm-wide Values Week and People Awards, building trust through developing a speak-up culture and a psychologically safe environment and building out our leadership and management capability to support our magnet for talent agenda. — Monitoring and review of key performance indicators by the Board, People sub-committee, and Executive Committee via the Culture Dashboard that includes staff survey results and people-related data points. — Succession plans in place for members of Executive leadership. Board succession monitored and managed through Nominations Committee.

Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Operational risks (continued)		
9. Technology and information management (FY23 Trend: Increasing) FY21 FY22 FY23 KPMG in the UK fails to provide the technology solutions required by the business to support its operations, reputation and growth, or to adequately protect existing technology solutions, resulting in a breach of the confidentiality, integrity and availability of these solutions. This may lead to an inability to provide key services to internal and external stakeholders, and reputational or financial loss.	— Increased risk of cyber-attacks as a result of global political conflicts. — Increasing complexity of technology solutions provided to clients. — Increased importance of developing and investing in IT infrastructure for the future to support changing business needs. — Continued reliance on technology and increased complexity of managing information risk in hybrid working environment. — Increasing technology and security requirements in contractual arrangements with clients and audited entities. — Increased focus on the ethical use of data, AI and other technology. — Increased public, client/audit entity and regulatory scrutiny in respect of data/confidentiality because of high-profile external events.	— Governance/approval requirements in place for technology investment and changes: Technology Assurance Group, DMTAP (Demand Management and Technology Assurance Process) and CTO Forum. — Data Protection Officer and Chief Information Security Officer, each with specialist teams. — Range of projects ongoing to improve technology inventory and protections (Backup & Restore, Cloud Migration, Smart Networks, etc.). — Ongoing programme of training and awareness of the end-to-end Technology Assurance process and refreshed Technology Assurance Policy. — Multi-year Information Security Transformation Programme, introducing and embedding a new set of information security capabilities and services that can provide a more effective response to evolving cyber security threats and changes in regulations. — Three lines of defence model for management of information risk, including a central Information assurance team and an Information Governance Oversight Committee. — Ongoing mandatory training, covering information security, data protection and information management. — Additional training/learning support on confidentiality was covered as a separate mandatory training module within our November 2023 Building Trust release. — Widespread use of Information Protection Plans in engagements and introduction of Data Champions, and continued progress in our Data Remediation Programme. — ISO 27001, Cyber Essentials/+, SOC2 (eAudit) certification and regular external and internal audits to identify and address control deficiencies. — Insider policy and risk assessment reviewed annually. — Programme of ongoing phishing resilience testing, security awareness focused on a range of themes including passwords, patching, phishing and social engineering. — Rolling compliance programme (as part of second line assurance activities) in relation to Information Protection Controls and Policy Compliance. — Enterprise focus on Operational Resilience, including the identification of a Minimum Viable Firm (MVF) to provide greater focus for recovery planning and resourcing.

Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Operational risks (continued)		
10. Business operations, resilience and controls (FY23 Trend: Increasing) FY21 FY22 FY23 KPMG in the UK fails to define, implement and monitor the effectiveness of its policy, procedure and control framework, including in relation to its suppliers, and to ensure continuity in business operations. In addition, the UK firm fails to manage change effectively, resulting in control failure, and disruption to business operations and the services provided to clients and audited entities.	— Importance of maintaining robust business processes and controls and adapting where appropriate so that they remain fit for purpose in the current environment. — Conclusion of ISQM1 implementation programme and transition to 'business as usual' System of Quality Management. — Impact of rising global costs and increasing global political conflicts on the ability of third-party suppliers to deliver goods and services to KPMG. — Importance of ensuring business processes and controls align to the firm's ESG strategy, as well as the expectations of external stakeholders. — Ability to successfully manage multiple and significant transformation programmes, with appropriate governance and investment controls.	— Three lines of defence model, including internal audit, to review the design and operating effectiveness of key controls. — Enterprise-Wide Risk Management Framework with matrix reporting across Capability, Market and firm-wide risks to support Board and Committee governance and Executive decision-making. Capability, Market and Regional risk officers in place to support second line management/oversight of risk policies, practices and decision-making. — Regular updates to the Board on operational performance based on extensive MI; three-year business planning with yearly refreshes and regular review by Operations Executive and COOs. — Operations Executive oversight of both internal and external operational quality reviews. — Operation Executive oversight role in reviewing KPIs, performance and risk at its regular meetings which is a core mechanism for overall performance and operational risk management. — Defined business continuity and crisis management plans, and controls in place to support IT, Third Party, People, Facilities & Data disaster recovery. — Specialist Operational Resilience team which follows business continuity best practice guidelines and complies with ISO 22301 (as confirmed by independent internal audit). — EPMO (Enterprise Project Management Office) to manage investment and transformational change programmes. — Supplier management centre of excellence and Supplier Code of Conduct is in place which is being incorporated into new contracts. — Third party risk assessment for new subcontractors supporting the delivery of client engagements. Risks are reassessed on a regular basis. — Policies on Procurement, Subcontractors, Alliances and Contingent Workers. — New Enterprise Transformation SteerCo and governance and oversight over change programmes with risk representation. — Continued focus on embedding ISQM1, in close coordination with KPMG International and establishing the UK's System of Quality of Management (SoQM) under business as usual. — Compliance programmes including Global GCR and Global KQCE, with appropriate root cause analysis undertaken and action plans implemented and monitored. — Further work with the relevant ESG, Operations and Corporate Affairs teams to ensure that an appropriate level of information is captured in relation to climate risks to satisfy increasing external requirements.

Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Financial risks		
11. Financial management (FY23 Trend: Increasing) FY21 FY22 FY23 The UK firm fails to execute against financial targets or manage medium- to long-term financial position and performance, for example due to delivering unprofitable services, poor investment decisions, and failure to ensure a resilient balance sheet, resulting in poor business performance, inability to achieve growth and negative impacts to the financial health of the firm.	— Need to continually invest in our services, people and processes to ensure that the business model is fit for the future. — Current challenging external economic environment with impact on demand for KPMG services, increasing cost base and ability to collect payment for the services delivered to clients and audited entities. — Inherent uncertainty with respect to any outstanding regulatory investigations and civil litigation matters although this is reducing as we resolve our legacy regulatory cases.	— Budgets which are subject to various levels of approval, through a thorough budgeting process, with appropriate sensitivity analysis and planning based on emerging economic landscape. — Board role in budget and performance oversight and Executive Committee budgetary challenge. — Monthly financial analysis at firm and functional level, including regular refresh of downside scenario planning based on early warning indicators. — Appointment of new Capability FDs and Chief Accounting Officer to bring rigour and discipline to accounting treatments. — Pricing panels, pipeline monitoring, WIP management processes and regular tracking of overdue invoices. Tools available across the firm. — Approval and monitoring controls over investments, investment decisions and capital retention strategy. — Closely controlled procurement process and approvals, via technology platform. — Finance policies, including the Spend Control Policy, Timesheet Policy and Expenses Policy. — Anti-Fraud Policy, and annual training on fraud for all colleagues. Fraud risk assessment conducted annually by the MLRO. — Professional Indemnity Insurance in place.

Audit regulatory compliance

Our partner-led Audit Regulatory Compliance (ARC) function, established during FY21, is the main point of contact with the firm's primary regulator, the FRC, maintaining an overview of all interactions with Audit Market Supervision and Audit Firm-wide Supervision and ensuring that all commitments, requirements and actions are fulfilled.

ARC incorporates a Compliance Monitoring function whose purpose is to deliver a dedicated compliance programme, providing independent assurance that the processes, procedures and controls in place to meet audit regulatory requirements are operating effectively. A monitoring plan is developed and presented for approval to the Audit Executive at the start of the year and updated where necessary during the year to ensure it remains focused on appropriate risk areas.

Internal audit

Internal Audit, which is led by a dedicated Head of Internal Audit, provides independent and objective assurance on the adequacy and effectiveness of our governance, risk management and internal control processes. The Internal Audit plan was approved at the start of the year and was updated during the year to ensure that it remained appropriate and reflected changes to business risks including the heightened risks presented by the current external environment. The plan is devised by understanding the risk profile of the firm (whether strategic, operational or in relation to change risks), considering other risk management, compliance and assurance activities, and - based on this - agreeing what internal audit work is required.

In reviewing and approving the internal audit plan, the Audit Committee ensured a balance between coverage of the highest priority risks and maintaining appropriate coverage of core business processes.

Maintaining an objective and independent mindset

We have adopted the KPMG Global Independence Policies which are derived from the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the IESBA Code) and incorporate other applicable regulatory standards. For KPMG in the UK, we supplement these policies with other processes to ensure compliance with the FRC's 2019 Ethical Standard (FRC's 2019 ES).

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. In the UK, the Ethics Partner is supported by a core team to help ensure that we apply robust and consistent independence policies, processes and tools. Ethics and independence policies are set out in our intranet-hosted Quality & Risk Management Manual as well as various guidance materials on the internal UK portal and reinforced through training.

Failure to comply with the firm's independence policies, whether identified in the rolling compliance review, self-declared, or otherwise, is, in the case of engagement leaders and managers, reflected in their individual ethics and compliance metrics. The Independence Working Group (formerly the Ethics Working Group) oversees policies and procedures in relation to ethical matters and breaches of the requirements of the FRC's 2019 ES.

Personal independence

KPMG International policy extends the IESBA Code restrictions on ownership of audited entity securities to every member firm partner in respect of any audited entity of any member firm. KPMG in the UK has a policy whereby all staff who are involved in delivering professional services engagements are also prohibited from holding securities in companies audited by KPMG.

Our professionals are responsible for making appropriate inquiries to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes. We also use a web-based independence compliance tracking system to assist our professionals in their compliance with personal independence investment policies.

We monitor partner and employee compliance with these requirements through a programme of audits on a sample of professionals. In the year ended 30 September 2023, 1,258 (2022: 984) of our people were subject to a compliance audit. This included approximately 27% of our partners as well as an increase in the number of non-partner individuals selected for review.

In accordance with KPMG International policy, all partners and partner equivalents are compliance audited in a five-year period, and those partners in a Chain of Command role are audited every three years.

In addition, all direct-entry partners are subject to a compliance audit as a condition of their admission to the partnership and are subject to a further audit after 12 months in the firm.

The policy we apply to members of the audit team who are recruited by entities we audit goes beyond the requirements of the FRC's 2019 ES. It requires any member of an audit team to inform the Ethics and Independence team of any situation involving their potential employment with an entity where they are part of the audit engagement team. We also prohibit all partners in the firm from accepting a director or key management position role at an entity that we audit within two years of retiring from the partnership.

Business relationships/suppliers

We have policies and procedures in place to ensure that business relationships are maintained in accordance with the FRC's 2019 ES and the IESBA Code. Consultation with our ethics and independence professionals is required for any proposed business relationship with an entity we audit, or its management, to ensure compliance with the relevant independence regulations. Compliance with these policies and procedures is reviewed periodically.

Independence training and confirmations

We provide all relevant colleagues (including all partners and staff who are involved in delivering professional services engagements) with independence training appropriate to their grade and business area and provide all new colleagues with relevant training when they join the firm.

All colleagues are required to sign an independence confirmation upon joining the firm. Thereafter, all personnel confirm annually they have remained in compliance with applicable ethics and independence policies throughout the period. Partners and partner equivalents make an additional confirmation at the mid-year in respect of their personal investment compliance.

Audit engagement leader rotation

All audit engagement leaders are subject to periodic rotation of their responsibilities for entities we audit under applicable laws and regulations and independence rules, which limit the number of years that engagement leaders may provide audit services to an audited entity. KPMG rotation policies comply with the requirements of the FRC's 2019 ES (and, where applicable for certain engagements, the rules of the PCAOB). For example, under the FRC's 2019 ES the audit engagement leader for a public interest entity cannot serve in that role for more than five years and once they have rotated off the audit cannot participate in the audit again for a further five years.

We monitor the rotation of audit engagement leaders and any other key roles where there is a rotation requirement, including the Engagement Quality Control Reviewer, and have transition plans to enable us to allocate partners with the necessary competence and capability to deliver a consistent quality of service to audited entities.

Maintaining an objective and independent mindset

Continued

Firm rotation

PIEs, as defined in the FRC's 2019 ES, are required to rotate their firm of auditors. Mandatory Firm Rotation (MFR) rules in the UK require that all PIEs must tender their audit contract at least every 10 years and rotate their auditor at least every 20 years. We have processes in place to track and manage MFR.

Non-audit services

We have policies regarding the scope of services that can be provided to entities for whom we are auditors which are consistent with the FRC's 2019 ES and the IESBA Code, and, where applicable, the rules of the SEC and PCAOB. KPMG policies require the audit engagement leader to evaluate the threats arising from the provision of non-audit services and the safeguards available to address those threats, including whether an objective, reasonable and informed third party would consider it appropriate for the auditor to provide the non-audit service.

Every engagement intended to be entered into by a KPMG member firm is required to be included in our Sentinel™ tool, prior to starting work, enabling group lead audit engagement partners to review and approve, or deny, any proposed service for those entities worldwide. As reported in the FRC's public report, during the year we identified and reported instances where other KPMG member firms had commenced and performed non-audit services without receiving necessary approvals from UK audit engagement partners. We commissioned a third-party firm to perform a root cause analysis of this issue. In addition, a root cause analysis was also undertaken by KPMG International. Our controls have now been enhanced to prevent this issue from happening in the future.

To maintain auditor independence, no individual with the ability to influence the conduct and outcome of an audit can be rewarded for selling non-audit services to entities we audit.

Fee dependency

KPMG firms have agreed to consult with their Regional Risk Management Partner where total fees from an audit client are expected to exceed 10%of the annual fee income of the KPMG firm for two consecutive years. If the total fees from a public interest entity audit client and its related entities were to represent more than 15% of the total fees received by a particular KPMG firm in a single year, this would be disclosed to those charged with governance at the audit client. Where the total fees continued exceeding 15% for two consecutive years, we would engage a partner from another KPMG firm as the engagement quality control (EQC) reviewer and the fee dependency would be publicly disclosed.

Conflicts of interest

To perform a professional services engagement, both KPMG and all members of the engagement team need to be objective in both fact and appearance. This means that before accepting any engagement it is necessary to identify if there are any conflicts of interest (or any other threats to objectivity) associated with taking on that work and to determine if these can be safeguarded to an acceptable level such that the conflict can be managed, and the engagement accepted. Our Conflicts of Interest Policy and procedures are designed to ensure that that we meet these requirements. In 2022, we commissioned an external legal firm to undertake a detailed review of our conflicts policies and procedures. During 2023 they completed a follow-on phase of work which was to undertake actual testing on the outcomes of our systems and controls to manage conflicts of interest. They made a small number of recommendations from this phase, all of which have been implemented.

Our Conflicts of Interest Policy sets out how to identify, assess and safeguard threats to objectivity, as well as setting out situations where conflicts would always be unmanageable. The policy also details the escalation requirements for specific conflict situations and what the special considerations are with respect to conflicts involving audited entities. Where a conflict of interest involves an audited entity, our policy requires consideration of how accepting that service might give rise to a condition or relationship (or conflict) that would (or would be perceived to) impact on KPMG's independence as auditors. The overarching principle is that we would not accept an engagement where it was clear at acceptance that it would involve the client or KPMG (on behalf of or supporting the client) taking an adversarial position against a statutory audited entity of KPMG on a matter that was material to its financial statements or involved challenging the accounting for any matters that were material to the audited financial statements.

Sentinel™ is used to identify and manage potential conflicts of interest within and across member firms. Any potential conflict of interest issues identified are resolved in consultation with other parties as applicable and the outcome is documented. Where conflicts of interest are identified, it is necessary to consider how they can be safeguarded - for example, through establishing formal dividers between engagement teams serving different entities and/or seeking consent. If a potential conflict issue cannot be safeguarded, the engagement is declined or terminated.

More complex conflicts require consultation and escalation, and the most complex conflicts are considered by our firm's Conflicts Working Group, which is chaired by our Ethics Partner and is one of the enhancements to our processes that we introduced last year.

All partners and client-facing personnel received mandatory training during the year on the process for identifying, assessing, documenting and safeguarding conflicts of interest, along with the need to be alert throughout the engagement for new conflicts or threats to objectivity.

Maintaining an objective and independent mindset

Continued

Compliance with laws and regulations

We provide training on compliance with laws (including those relating to anti-bribery and corruption, money laundering and sanctions), regulations and professional standards (including conflicts of interest) and our Code of Conduct to all partners and employees on joining the firm and annually thereafter. Other topics, including Fraud Risk Awareness, Corporate Criminal Offences and Modern Slavery are run bi-annually for all partners and employees.

All partners and employees are asked to confirm annually, in our Ethics and Independence Confirmation, that: "I understand that at KPMG we are all committed to behaving ethically and to demonstrate that we are trustworthy – which I do by proactively living Our Values, upholding the highest ethical and professional conduct standards and adhering to Our Code."

Statement by the Board on the effectiveness of internal controls

Internal controls statement

The Board is responsible for the firm's system of internal controls and for reviewing its effectiveness. Such a system manages, rather than eliminates, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, loss, or non-compliance with relevant regulatory or legislative requirements. The day-to-day responsibility for managing our operations rests with the Executive Committee.

In accordance with the Audit Firm Governance Code, the Board has reviewed the effectiveness of its systems of internal control. In reviewing these systems and their effectiveness, it has adopted the approach prescribed within the UK Corporate Governance Code.

This monitoring covers risk management systems and all key controls, including those relating to finance, operations and compliance. It is based principally on the consideration and review of reports from relevant Executive Members and reports from the Audit, Risk and People Committees as well as from the Executive Committee and Audit Board to consider whether significant risks are identified, evaluated, managed and controlled.

During 2023, the Board has:

- Received regular reports from members of the Executive Committee, including:
  - Chief Operating and Financial Officer on the firm's financial performance and on any emerging financial and operational risks and issues;
  - Head of Audit on the Audit Quality Transformation Programme and other quality improvement programmes relating to audit quality; and
  - Chief Risk Officer who provides updates on emerging regulatory, risk and compliance matters and quarterly reporting under the firm's Enterprise-Wide Risk Management Framework;
- Received regular updates with regards to ethics and independence matters directly from the Ethics and Independence Partner, including updates on the firm's Ethical Health Plan and matters identified through the Speak Up hotline;
- Received regular reports from the Chair of the Risk Committee including:
  - Regulatory, risk and compliance matters; and
  - External regulatory inspections and reviews.
- Received regular reports from the Chair of the Audit Committee including:
  - Results of the evaluation of the SoQM as at 30 September 2023 (see here) and the design and status of the remediation plans relating to identified deficiencies;
  - The findings and associated action plans arising from testing of our compliance with our Global Quality and Risk Management Manual policies;
  - Results of internal audit work commissioned as part of the approved annual internal audit plan, and the progression on resolving weaknesses identified; and
  - Progress reports from the group's external auditors, Grant Thornton UK LLP, on its annual audit and discussions with them on any control issues they have identified.
- Considered reports to the Board made by the Risk, Audit, Nominations and People Committees and the Audit Board on how each has discharged its duties in the year.

Conclusions

The Board of KPMG LLP confirms that internal reviews of the effectiveness of internal controls and of independence practices within our firm have been undertaken. Our compliance and internal audit programmes identify deficiencies and opportunities for improvement, and, in such instances, remediation activities are agreed with subsequent follow-up to assess the extent to which the matters identified have been addressed satisfactorily.

However, matters arising from these activities are not considered, either individually or in aggregate, to undermine the overall system of internal control in place.

Compliance with requirements of Audit Firm Governance Code

The Board has reviewed the provisions of the 2016 Audit Firm Governance Code and confirms that the firm complied with these provisions throughout the year ended 30 September 2023.

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