



*cutting through complexity*

# Transparency Report

31 December 2014

[kpmg.com.vn](http://kpmg.com.vn)



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# Foreword

**W**e are pleased to present the KPMG Transparency Report – fourth edition, which sets out the structure and governance of KPMG in Vietnam as well as the quality control procedures and standards of integrity that we adopt across the range of our services, including statutory audits. Quality external auditing is integral to the proper functioning of the capital markets. Within this context, we reiterate our commitment to the highest levels of quality and integrity in everything we undertake, and in performing quality audits in particular.

This Transparency Report has been prepared in fulfillment of the requirements of Article 40 of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006. These regulations require that audit firms that carry out audits of public interest entities publish an annual transparency report on their website.

In compiling this report we have sought to provide clear information about our firm, which unless otherwise stated, reflects the position as at 30 September 2014. We have not limited ourselves to the minimum disclosures required by law and have sought to provide ample explanations on how we are organized and managed and how we ensure quality across all our service lines with a particular focus on audit. You will find on our website other information relating to other aspects of our firm.

We trust that you find this report useful in understanding how we manage our firm to ensure that we deliver quality services and in particular quality audits. We fully expect that this report will also provide the opportunity for feedback from our stakeholders and we would welcome your views on how we can improve the quality of the information presented herein in future years.

**Warrick Cleine**

*Chairman and Chief Executive Officer*



# 1. Who we are

## 1.1 Our business

KPMG Limited is a professional services firm that delivers Audit, Tax and Advisory services. We operate out of three offices across Vietnam and had an average of 739 personnel in the year to 30 September 2014 (2013: 858). Full details of the services offered by KPMG Limited can be found on our [website](#).

## 1.2 Our strategy

The strategy for our firm is set by the Partners and has remained consistent for some time. Our partners have determined that our overall ambition

remains to be the number one multi-disciplinary professional services firm in Vietnam.

We have determined that a commitment to quality is one of the most important priorities in our strategy. We recognize that if we do not get the quality of our service and deliverables right then each and every one of the other objectives in our business plan may be jeopardized. Each of the priorities in our strategy is underpinned by an enabling program to look at how we continually reinforce the importance of quality across our practice.

# 2. Our structure and governance

## 2.1 Legal structure

### Legal structure and ownership

KPMG Limited is affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law. Further details about KPMG International and its business, including our relationship with it, are available in the [2014 KPMG International Transparency Report](#).

KPMG Limited is a limited liability company incorporated under the Enterprise Law 60/2005/QH11 dated 29/11/2005 of Vietnam. It is wholly owned by KPMG Vietnam and Cambodia Limited, a company incorporated in the Cayman Islands. KPMG Vietnam and Cambodia Limited is a member firm of KPMG International.

During the year to 30 September 2014, there was an average of 24 partners in KPMG Limited (2013: 24 partners).

## 2.2 Name and ownership

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International.

Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities.

Member firms may consist of more than one separate legal entity. If this is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.





## 2.3 Governance structure

KPMG Limited's governance structure has been established and guided by the principles as set out under the Operating Agreement. In mid 2013 the Participating Partners under the Operating Agreement elected Warrick Cleine as Chairman and Chief Executive Officer (CEO).

### 2.3.1 Chairman and CEO

The Chairman and CEO is responsible for chairing meetings of Partners, acting as chief spokesman for the Firm, liaising with major clients, mentoring Partners, and ensuring Partners are contributing positively to the development, growth and technical excellence of KPMG. In addition he is also responsible for all aspects of management and implementation of the Firm's strategy. This includes recommending the appointment of leaders such as Senior Partners in each office, and taking responsibility for areas such as Sales & Markets, Brand & Innovation, People, Performance and Culture, Human Resources, Legal, Finance and Administration and Information Technology.

The Chairman and CEO is elected on a 5 year term basis based on a majority vote by the Participating Partners, and in this capacity, may act on all matters on behalf of the Firm.

### 2.3.2 Executive Committee (ExCo)

Under the terms set out in the Operating Agreement, the Chairman and CEO is required to appoint an ExCo. Members of the ExCo act in an advisory capacity to the Chairman and CEO on strategic matters in relation to the Firm as a whole.

In addition the ExCo is to provide strategic leadership inputs, development and implementation of business plans, prioritization and allocation of investment and resources, and managing the risk profile of KPMG in Vietnam and Cambodia.

Members of the ExCo currently includes Functional heads, Geographic Senior Partners, Strategic workstream leads, and the Risk Management Partner.

### 2.3.3 Management Group

In addition to the ExCo, the Chairman and CEO is supported by a number of members of Senior Management who together comprise the Firm's Operations Committee (OPSCO). The OPSCO is responsible for implementing firm policies as promulgated by the Chairman and CEO, developing strategies and tactical and operational plans to support such policies and for the sound operations of the firm. In addition, the OPSCO is also responsible for coordination and guidance of all Infrastructure Departments and Teams including maintenance of budgetary spend, defining and realizing benefits, and monitoring risks, quality, timeliness, and ultimately ensuring efficiency right across the Firm.

The firm's current OPSCO includes: CFO, Head of Brand & Innovation, Head of Human Resources & PPC and the Office of the Chairman.



### 3. System of quality control

A robust and consistent system of quality control is an essential requirement in performing high quality services. Accordingly, KPMG International has policies of quality control that apply to all member firms. These policies and associated procedures are designed to guide member firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

These policies and procedures are based on the International Standard on Quality Control 1 (ISQC 1) issued by the 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). Both of these are relevant to firms that perform statutory audits and other assurance and related services engagements.

Our firm implements KPMG International policies and procedures and adopts additional policies and procedures that are designed to address rules and standards issued by the Ministry of Finance of Vietnam and the Vietnam Association of Certified Public Accountants.

KPMG International's policies reflect individual quality control elements to help our personnel act with integrity and objectivity, perform their work with diligence, and comply with applicable laws, regulations, and professional standards.

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

While many KPMG quality control processes are cross-functional, and apply equally to tax and advisory work, the remainder of this section focuses on what we do to enable our firm to deliver quality audits. In this section we therefore focus on our system of audit quality control.

At KPMG audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the audit report. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. This means, above all, being independent and compliant with relevant legal and professional requirements.

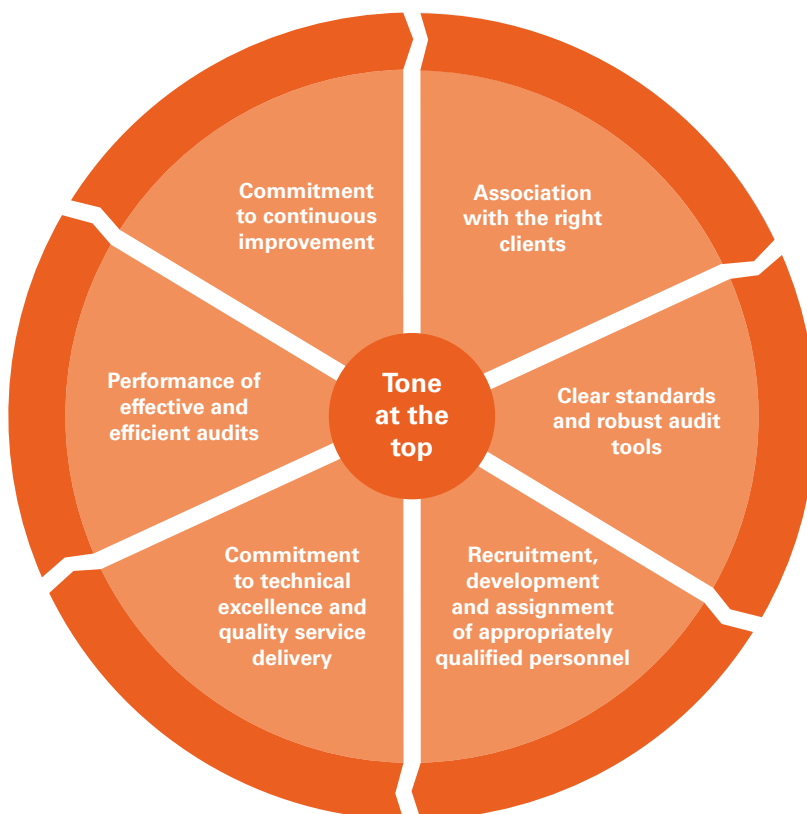
To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Our Framework introduces a common language that is used by all KPMG member firms to describe what we believe drives audit quality, and to highlight how every audit professional at KPMG contributes to the delivery of audit quality.



**Our Audit Quality Framework identifies seven drivers of audit quality.**

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

Tone at the top sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviors permeate across our entire network. All of the other drivers are presented within a virtuous circle because each driver of is intended to reinforce the others. Each of the seven drivers is described in more detail in the following sections of this report.







### 3.1 Tone at the top

Tone at the top is a term used to describe an organization's general ethical climate, as established by its leadership. KPMG and its leadership use 'tone at the top' to indicate its commitment to quality, ethics and integrity.

KPMG's tone at the top provides a clear focus on quality through:

- Culture, values, and code of conduct - clearly stated and demonstrated in the way we work
- Focused and well-articulated strategy - incorporating quality at all levels
- Standard set by our leadership
- Governance structure and clear lines of responsibility for quality- skilled and experienced people in the right positions to influence the quality agenda.

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG core value – Above all, we act with integrity. This commitment underlies our values-based compliance culture where individuals are encouraged to raise their concerns when they see behaviors or actions that are inconsistent with our values or professional responsibilities.

We have a Code of Conduct which incorporates our core values and addresses the commitments that we make as well as the responsibilities of our personnel at all levels across our firm. Our core values are further described in Appendix A.4.

A KPMG International [hotline](#) is available for KPMG personnel, clients, and other parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, those who work for KPMG International, or the senior leadership of a KPMG member firm.

#### 3.1.1 Governance structure and lines of responsibility for quality

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

##### The Senior Partner

In accordance with the principles in ISQC 1, the Board of Management has assumed ultimate responsibility for KPMG Limited's system of quality control. Details of some of the measures that he and the rest of the Partners have taken to ensure that a culture of quality prevails within KPMG Limited are set out in section 3.5.

##### The Risk Management Partner

Operational responsibility for the system of quality control, risk management and compliance in KPMG Limited has been delegated to the Firm's Risk Management Partner who is responsible for setting overall professional risk management and quality control policies and monitoring compliance with them. The seniority of the Risk Management Partner underlines the importance that the firm places on risk and quality issues. The Firm's Risk Management Partner is supported by a team of partners and professionals in each of the functions.

##### The Audit, Tax and Advisory functions – Function Heads

The three heads of the client service functions (Audit, Tax and Advisory) are accountable to the Senior Partner for the quality of service delivered in their respective functions. Between them, they determine the operation of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the Firm's Risk Management Partner. These procedures make it clear that at the engagement level, risk management and quality control is ultimately the responsibility of all professionals.

### 3.2 Association with the right clients

#### 3.2.1 Acceptance and continuance of clients and engagements

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

Accordingly, KPMG International has established policies and procedures which all member firms have implemented in order to decide whether to accept or continue a client relationship, and whether to perform a specific engagement for that client.

#### 3.2.2 Prospective client and engagement evaluation process

Before accepting a client, we undertake an evaluation of the prospective client prior to accepting it. This involves an assessment of its principals, its business, and other service-related matters. This also involves background checks on the prospective client, its key management and significant beneficial owners.

A key focus is on the integrity of management at a prospective client and the evaluation considers breaches of law and regulation, anti-bribery and corruption and human rights among the factors to consider. A second partner, as well as the evaluating partner, approves each prospective client evaluation. Where the client is considered to be 'high risk' the Risk Management Partner or their delegate is involved in approving the evaluation.

The prospective engagement partner evaluates each prospective engagement. The evaluation identifies potential risks in relation to the engagement. A range of factors is considered as part of this evaluation including potential independence and conflict of interest issues (using





Sentinel™ our global conflicts and independence checking system) as well as factors specific to the type of engagement, including for audit services, the competence of the client's financial management team and the skills and experience of personnel assigned to staff the engagement. The evaluation is made in consultation with other senior member firm personnel and includes review by quality and risk management leadership as required.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional independence evaluation procedures including a review of any non-audit services provided to the client and of other relevant relationships. Any potential independence or conflict of interest issues are documented and resolved prior to acceptance.

Depending on the overall risk assessment of the prospective client or engagement, additional safeguards may be introduced to help mitigate the identified risks.

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

Section 3.3 provides more information on our independence and conflict checking policies.

### **3.2.3 Continuance process**

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

This re-evaluation serves two purposes. Firstly, our firm will decline to continue to act for any client where we are unable to deliver to KPMG's expected level of quality, or if we consider that it would not be appropriate to continue to be associated with the client. More commonly, we use the re-evaluation to consider whether or not any additional risk management or quality control procedures need to be put in place for the next engagement (this may include the assignment of additional professionals or the need to involve additional specialists on the audit).

### **3.2.4 Client portfolio management**

Our leadership appoints engagement partners who have the appropriate competence, capabilities time and authority to perform the role for each engagement.

## **3.3 Clear standards and robust audit tools**

Professional practice, risk management and quality control are the responsibilities of every KPMG professional. Our professionals are expected to adhere to KPMG policies and procedures (including independence policies) and are provided with a range of tools to support them in meeting these expectations. The policies and procedures set for audit incorporate the relevant requirements of accounting, auditing, ethics, and quality control standards, and other relevant laws and regulations.

### **3.3.1 Audit methodology and tools**

Significant resources are dedicated to keeping our standards and tools complete and up to date. Our global audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of the International Standards on Auditing (ISAs). The methodology is set out in KPMG International's KPMG Audit

Manual (KAM) and includes additional requirements that go beyond the ISA, and which KPMG believes enhance the quality of our audits. KPMG member firms may add local requirements and/or guidance in KAM to comply with additional professional, legal or regulatory requirements.

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

eAudit's activity-based workflow provides engagement teams with ready access to relevant information at the right time throughout the audit, thereby enhancing effectiveness and efficiency and delivering value to stakeholders. The key activities within the eAudit workflow are:

#### **Engagement setup**

- Perform engagement acceptance and scoping
- Determine team selection and timetable

#### **Risk assessment**

- Understand the entity;
- Identify and assess risks;
- Plan for involvement of KPMG specialists and external experts, internal audit, service organizations and other auditors as required;
- Evaluate design and implementation of relevant controls;
- Conduct risk assessment and planning discussion;
- Determine audit strategy and planned audit approach;

#### **Testing**

- Test operating effectiveness of selected controls;
- Plan and perform substantive procedures;

## Completion

- Update risk assessment;
- Perform completion procedures, including overall review of financial statements;
- Perform overall evaluation, including evaluation of significant findings and issues;
- Communicate with those charged with governance (e.g., the audit committee); and
- Form the audit opinion.

KAM contains, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks. Our methodology encourages engagement teams to exercise professional skepticism in all aspects of planning and performing an audit. The methodology encourages use of specialists when appropriate and also requires involvement of relevant specialists in the core audit engagement team when certain criteria are met.

KAM includes the implementation of quality control procedures at the engagement level that provides us with reasonable assurance that our engagements comply with the relevant professional, legal, regulatory and KPMG requirements.

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Quality & Risk Management Manual (GQ&RMM) that is applicable to all KPMG member firms, functions and personnel.

## 3.3.2 Independence, integrity, ethics and objectivity

### 3.3.2.1 Overview

Member firms and KPMG professionals are required to comply with independence standards that meet or exceed those set out in the IESBA Code of Ethics together with those of other applicable regulatory bodies (which may include those of a foreign jurisdiction where those requirements apply extraterritorially). These policies are supplemented by other processes to ensure compliance with the standards issued by the Ministry of Finance in Vietnam.

To help ensure ethical conduct, including integrity and independence, our firm, and our personnel, must be free from prohibited financial interests in, and prohibited relationships with, the network's audit clients, their management, directors, and significant owners. Our firm has a designated Ethics and Independence Partner (EIP). A core team of specialists led by the head of Global Independence helps ensure that robust and consistent independence policies and procedures are implemented across our firm, and that these are updated and communicated as required. Ethics and independence policies are communicated through the issuance of Risk Management Awareness communications and an annual training program. If applicable, amendments to the ethics and independence policies in the course of the year are communicated by email alerts and included in regular quality and risk communications.

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

### 3.3.2.2 Personal independence

KPMG International policy extends the IESBA Code of Ethics restrictions on every member firm partner in respect of any audit client of any member firm.

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. In common with other member firms of KPMG International, we use a Web-based independence tracking system to assist our professionals in their compliance with personal independence investment policies. This system contains an inventory of publicly available investment products. Partners and client facing managers are required to use this system prior to entering into an investment to identify whether they are able to do so. They are also required to maintain a record of all of their investments in the system, which automatically notifies them if their investments subsequently become

restricted. Our firm monitors partner and manager compliance with this requirement as part of a program of independence compliance audits of a sample of professionals.

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

### 3.3.2.3 Firm financial independence

Our firm maintains a record of its investments (made for example through pension and retirement plans and treasury activities) in the Web-based independence tracking system. This record is monitored through our compliance process.

### 3.3.2.4 Business relationships/suppliers

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

### 3.3.2.5 Independence training and confirmations

Our firm provides all relevant personnel with annual independence training appropriate to their grade and function, and provides all new personnel with relevant training when they join.

All personnel are required to sign an independence confirmation upon joining our firm. Thereafter, professionals are required to provide an annual confirmation that they have remained in compliance with applicable ethics and independence policies throughout the period. This confirmation is used to evidence the individual's compliance with and understanding of our firm's independence policies.

### 3.3.2.6 Audit partner rotation

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



applicable rotation requirements. Our firm monitors the rotation of partners and develop transition plans to enable the firm to allocate partners with necessary competence and capability to deliver a consistent quality of service to clients. The rotation monitoring is subject to compliance testing.

### **3.3.2.7 Non-audit services**

Our firm has policies as to the scope of services that can be provided to audit clients which are consistent with IESBA principles, and applicable laws and regulations. KPMG International policies require the lead audit engagement partner to evaluate the threats arising from the provision of non-audit services and the safeguards available to address those threats.

KPMG International's proprietary system, Sentinel™, facilitates compliance with these policies. Lead audit engagement partners are required to maintain group structures for their publicly traded and certain other audit clients and their affiliates in the system. Every engagement entered into by a KPMG member firm is required to be included in the system prior to starting work. The system enables lead audit engagement partners for entities for which group structure are maintained to review and approve, or deny, any proposed service for those entities worldwide.

In accordance with applicable auditor independence rules, none of our audit partners are compensated on their success in selling non-audit services to their audit clients.

### **3.3.2.8 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 operating firm expressing the audit opinion. In particular, KPMG International's policies require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years, a senior partner from another operating firm would be appointed as the engagement quality control (EQC) reviewer. Also, this would be disclosed to those charged with governance at the audit client.

No audit client accounted for more than 10 percent of the total fees received by our firm for the last two consecutive years.

### **3.3.2.9 Conflicts of interest**

Conflicts of interest may prevent our firm from accepting or continuing an engagement. The Sentinel™ system is also used to identify and manage potential conflicts of interest within and across member firms. Any potential conflict issues identified are resolved in consultation with other parties as applicable, and the outcome is documented. An escalation procedure exists in the case of dispute between member firms. If a potential conflict issue cannot be resolved, the engagement is declined or terminated.

It may be necessary to apply specific procedures to manage the potential for a conflict of interest to arise or be perceived to arise so that the confidentiality of all clients' affairs is maintained. Such procedures may, for example, include establishing formal dividers between engagement teams serving different clients and making arrangements to monitor the operation of such dividers.

### **3.3.2.10 Breaches of independence policy**

In the event of failure to comply with the firm's independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. Matters arising are factored into promotion and compensation decisions and, in the case of engagement leaders and managers, are reflected in their individual quality and risk metrics. The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations. Any breaches of auditor independence regulations are reported to those charged with governance at the audit client, on the basis agreed with them.

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

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

has a zero tolerance of bribery and corruption.

Accordingly, training covering compliance with laws (including those relating to anti-bribery and corruption), regulations, professional standards, and the KPMG Code of Conduct is required to be completed by client-facing professionals at a minimum of once every two years, with new hires completing such training within three months of joining our firm. In addition, certain non-client-facing personnel who work in finance, procurement or sales and marketing departments, and who are at the manager level and above, are required to participate in anti-bribery training.

Further information on KPMG International anti-bribery and corruption can be found on the [anti-bribery and corruption site](#).

## **3.4 Recruitment, development and assignment of appropriately qualified people**

One of the key drivers of quality is ensuring the assignment of professionals with the skills and experience appropriate to the entity subject to audit. This requires a focus on recruitment, development, promotion and retention of our personnel and the development of robust capacity and resource management processes. Member firms monitor quality incidents for the purposes of partner assignments and also for the purposes of partner evaluation, promotion and remuneration.

### **3.4.1 Recruitment**

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

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

### 3.4.2 Personal development

It is important that all professionals have the necessary business and leadership skills to be able to perform quality work in addition to technical skills (see section 3.5.1).

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

### 3.4.3 Performance evaluation and compensation

All professionals, including partners, undergo annual goal-setting and performance reviews. Each professional is evaluated on his or her attainment of agreed-upon goals, demonstration of the KPMG skills global behaviors, technical capabilities and market knowledge. These evaluations are conducted by performance managers and partners who are in a position to assess their performance and propose a performance rating. Where performance ratings are awarded, this is following a robust calibration process to effectively address rating inconsistencies and ensure fairness in the rating process. This is achieved through our global performance development process, which is supported by a web-based application. KPMG is committed to the career development of its people. To support this, the Global People, Performance, and Culture group has designed a behavioral capability framework which is being adopted in member firms around the world. This framework, combined with development initiatives in areas such as coaching and mentoring, will support our people in enhancing their skills, maximizing their performance, and reaching their full potential.

### Compensation and promotion

Our firm has compensation and promotion policies that are clear, simple, and linked to the performance evaluation process, which for partners includes the achievement of key audit quality and compliance metrics. This helps our partners and employees know what is expected of them and what they can expect to receive in return. Our policies do not allow audit partners to be compensated for the sale of non-audit services to their audit clients.

### 3.4.4 Partner admissions

Our process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. Our criteria for admission to partnership are consistent with our commitment to professionalism and integrity, quality and being an employer of choice. These are strongly aligned to KPMG's behavioral capabilities and are based on consistent principles.

### 3.4.5 Assignment

Our firm has procedures in place to assign both the engagement partners and other professionals to a specific engagement on the basis of his or her skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the partner assignment process. Key considerations include partner experience, accreditation, and capacity, based on an annual partner portfolio review, to perform the engagement in view of the size, the complexity and risk profile of the engagement and the type of support to be provided (i.e., the engagement team composition and specialist involvement). Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies and capabilities, including time, to perform audit engagements in accordance with KAM, professional standards and applicable legal and regulatory requirements. This may include involving specialists or from our own or other KPMG member firms.

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

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

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

We provide all professionals with the technical training and support they need. This includes access to networks of specialists and professional practice departments (DPP). These are made up of senior professionals with extensive experience in audit, reporting and risk management, either to provide resources to the engagement team or for consultation.

At the same time we use our audit accreditation and licensing policies to require professionals to have the appropriate knowledge and experience for their assigned engagements. Our structure enables our engagement teams to apply their business understanding and industry knowledge to deliver valued insights and to maintain audit quality.



### 3.5.1 Technical training

In addition to personal development discussed at 3.4.2, our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Audit Learning and Development steering groups at the global, regional and, where applicable, local levels identify annual technical training priorities for development and delivery using a blend of classroom, e-learning and virtual classroom methods. Audit Learning and Development teams' work with subject matter experts and leaders from GSC, the International Standards Group (ISG) and DPP as appropriate to ensure the training is of the highest quality, is relevant to performance on the job and is delivered on a timely basis.

### 3.5.2 Accreditation and licensing

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

Our firm is responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience in the local predominant financial reporting framework.

In addition, we have specific accreditation requirements for partners and managers working on IFRS engagements, US Generally Accepted Accounting Principles engagements, US Generally Accepted Auditing Standards engagements, and the Standards of the Public Company Accounting Oversight Board for SEC engagements performed outside the US. These require that the partner, manager and Engagement Quality Control reviewer have sufficient training and experience in performing engagements that apply the relevant reporting standards.

Our firm requires that all Audit professionals maintain accreditation with their professional bodies and satisfy the Continuing Professional

Development requirements of such bodies. Our policies and procedures are designed to ensure that those individuals that require a license to undertake their work are appropriately licensed.

### 3.5.3 Access to specialist networks

Our engagement teams have access to a network of local KPMG specialists or specialists in other KPMG member firms. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills.

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

### 3.5.4 Consultation

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

To assist audit engagement professionals in addressing difficult or contentious matters, we have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues.

Our firm provides appropriate consultation support to audit engagement professionals through professional practice resources that include a DPP or equivalent, which is made up of senior professionals with extensive experience of audit, reporting and risk management.

Technical support is available to our firm through the International Standards Group (ISG) as well as the U.S. Capital Markets Group for work on SEC foreign registrants.

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

Across our firm, the role of DPP is crucial in terms of the support that it provides to the audit function. It provides technical guidance to client service professionals on specific engagement related matters develops and disseminates specific topic related guidance on emerging local technical and professional issues and disseminates international guidance on IFRS and ISAs.

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

### 3.5.5 Developing business understanding and industry knowledge

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

For significant industries global audit sector leads are appointed to support the development of relevant industry information, which is made available to audit professionals within eAuditIT. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes). In addition industry overviews are available which provide general and business information in respect of particular industries as well as a summary of the industry knowledge provided in eAuditIT.

### 3.6 Performance of effective and efficient audits

How an audit is conducted is as important as the final result. Our drivers of audit quality enhance the quality of the engagement team's performance during the conduct of every audit.

We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. These behaviors are discussed below.

### 3.6.1 KPMG Audit Process

As set out above, our audit workflow is enabled in eAudIT. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are:

- Timely partner and manager involvement
- Critical assessment of audit evidence
- Exercise of professional judgment and professional skepticism
- Ongoing mentoring and on the job coaching, supervision and review
- Appropriately supported and documented conclusions
- If relevant, appropriate involvement of the EQC reviewer
- Reporting
- Insightful, open and honest two-way communication with those charged with governance
- Client confidentiality, information security and data privacy.

#### 3.6.1.1 Timely partner and manager involvement

To help identify and respond to the significant audit risks applicable to each audit, the engagement team requires an understanding of the client's business, its financial position and the environment in which it operates.

The engagement partner is responsible for the overall quality of the audit engagement and therefore for the direction, supervision and performance of the engagement.

Involvement and leadership from the engagement partner during the planning process and early in the audit process helps set the appropriate scope and tone for the audit, and helps the engagement team obtain maximum benefit from the partner's experience and skill. Timely involvement of the engagement partner at other stages of the engagement allows the engagement partner to identify and appropriately address matters significant to the engagement, including critical areas of judgment, and significant risks.

The engagement partner is responsible for the final audit opinion and reviews key audit documentation – in particular, documentation relating to significant matters arising during the audit and conclusion reached. The engagement manager assists the partner in meeting these responsibilities and in the day-to-day liaison with the client and team.

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

We consider all audit evidence obtained during the course of the audit, including consideration of contradictory or inconsistent audit evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We critically assess audit evidence obtained from all sources. The analysis of the audit evidence requires each of our team members to exercise professional judgment and maintain professional skepticism to obtain sufficient appropriate audit evidence.

Professional skepticism involves a questioning mind and alertness to contradiction or inconsistencies in audit evidence. Professional skepticism features prominently throughout auditing standards and receives significant focus from regulators. Our Audit Quality Framework emphasizes the importance of maintaining an attitude of professional skepticism throughout the audit.

We have developed a professional judgment process that provides audit professionals with a structured approach to making judgments. Our professional judgment process has professional skepticism at its heart. It recognizes the need to be alert biases which may pose threats to good judgment, consider alternatives, critically assess audit evidence by challenging management's assumptions and following up contradictory or inconsistent information and document rationale for conclusions reached on a timely basis as a means of testing their completeness and appropriateness.

#### 3.6.1.3 Ongoing mentoring and on the job coaching, supervision and review

We understand that skills build over time and through exposure to different experiences. To invest in the building of skills and capabilities of our professionals, without compromising on quality, we use a continuous learning environment. We support a coaching culture throughout KPMG as part of enabling personnel to achieve their full potential.

Ongoing mentoring and on-the-job coaching and supervision during an audit 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; and
- Identifying matters for consultation with more experienced team members during the engagement.

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

#### 3.6.1.4 Appropriately supported and documented conclusions

Audit documentation records the audit procedures performed, evidence obtained and conclusions reached on significant matters on each audit engagement. Our policies require review of documentation by more experienced engagement team members.



Our methodology recognizes that documentation prepared on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before our report is finalized. Teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is ordinarily not more than 60 calendar days from the date of the audit report but may be more restrictive under certain applicable regulations.

The key principle that engagement team members are required to consider is whether an experienced auditor, having no previous connection with the engagement, will understand:

- The nature, timing, and extent of audit procedures performed to comply with the ISAs;
- Applicable legal and regulatory requirements;
- The results of the procedures performed, and the audit evidence obtained;
- Significant findings and issues arising during the audit, and actions taken to address them (including additional audit evidence obtained); and
- The basis for the conclusions reached, and significant professional judgments made in reaching those conclusions.

Our firm has a formal document retention policy in accordance with applicable laws and regulations that govern the period we retain audit documentation and other client-specific records.

### **3.6.1.5 Appropriate involvement of the EQC reviewer**

EQC reviewers have appropriate experience and knowledge to perform an objective review of the decisions and judgments made by the engagement team. They are experienced audit professionals who are independent of the engagement team. They offer an objective review of the more critical and judgmental elements of the audit.

An EQC reviewer is required to be appointed for the audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an

EQC review under applicable laws or regulations, and other engagements as designated by the risk management partner or country head of audit. Before the date of the auditor's report these individuals review:

- Selected audit documentation and client communications,
- Appropriateness of the financial statements and related disclosures, and
- Significant judgments the engagement team made and the conclusions it reached with respect to the audit.

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved.

We are continually seeking to strengthen and improve the role that the EQC review plays in audits, as this is a fundamental part of the system of audit quality control. In recent years we have taken a number of actions to reinforce this, including:

- Issuing leading practices guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers,
- Incorporating specific procedures in eAudit to facilitate effective reviews, and
- Developing policies relating to recognition, nomination and development of EQC reviewers, as well as monitoring and assessing the nature, timing and extent of their involvement.

### **3.6.1.6 Reporting**

Auditing standards and applicable legislation or regulation largely dictate the format and content of the audit report that includes an opinion on the fair presentation of the client's financial statements in all material respects. Experienced engagement partners arrive at all audit opinions based on the audit performed.

In preparing audit reports, engagement partners have access to extensive reporting guidance and technical support to audit through consultations with DPP, especially where there are significant matters to be reported to users of the audit report, either as a qualification to the audit report or through the inclusion of an emphasis of matter paragraph.

### **3.6.1.7 Insightful, open and honest two-way communication with those charged with governance**

Two-way communication with those charged with governance is key to audit quality. Often the audit committee will be the group identified as those charged with governance. We stress the importance of keeping those charged with governance informed of issues arising throughout the audit and of understanding their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and ongoing discussions with members of the audit committee.

We deliver insights such as our assessment of the appropriateness of significant accounting practices including accounting policies, accounting estimates, financial statement disclosures, significant deficiencies in the design and operation of financial reporting systems, controls when such deficiencies come to our attention during the course of the audit, and any uncorrected misstatements. We share our industry experience to encourage discussion and debate with those charged with governance.

In recognition of the demanding and important role that Audit Committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, KPMG International Audit Committee Institute ('ACI') aims to help Audit Committee members enhance their awareness, commitment and ability to implement effective Audit Committee processes. The ACI operates in 35 countries across the globe and provides Audit Committee members with authoritative guidance on matters of interest to Audit Committees as well as the opportunity to network with their peers during an extensive programme of technical updates and awareness seminars. Globally the ACI has thousands of members across both the private and public sectors and in 2014 provided seminars, workshops and roundtables for Audit Committee members, Risk Committee members and other Non-Executive directors.

### **3.6.1.8 Focus on effectiveness of group audits**

Our audit methodology covers the conduct of group audits in detail. We stress the importance of effective two-way communication between the group engagement team and the component auditors, which is a key to audit quality. The group audit engagement partner is required to evaluate the competence of component auditors, whether or not they are KPMG member firms or not, as part of the engagement acceptance process. Our audit methodology incorporates the heightened attention currently being given to key risk areas for group audits, e.g., emerging markets and business environments that may be subject to heightened fraud risks.

### **3.6.2 Client confidentiality, information security and data privacy**

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

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

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

## **3.7 Commitment to continuous improvement**

We focus on ensuring our work continues to meet the needs of participants in the capital markets. To achieve this goal, we employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for continuous improvement.

Additionally, we have processes in place to proactively identify emerging risks and to identify opportunities to improve quality and provide insights.

### **3.7.1 Monitoring**

#### **3.7.1.1 Internal monitoring**

KPMG International has an integrated monitoring program that covers all member firms to assess the relevance, adequacy, and effective operation of key quality control policies and procedures. This monitoring addresses both engagement delivery and KPMG International policies and procedures. The results and lessons from the programs are communicated within each member firm, and the overall results and lessons from the programs are considered and appropriate action taken at regional and global levels. Our internal monitoring programs also contribute to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively.

Our monitoring procedures involve ongoing consideration of:

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

Two KPMG International developed and administered inspection programs are conducted annually across the Audit, Tax, and Advisory functions, the Quality Performance Review Program (QPR) Program and the Risk Compliance Program (RCP).

Additionally all member firms are covered by cross-functional Global Compliance Reviews (GCRs). These programs are designed by KPMG International and participation in them is a condition of ongoing membership of the KPMG network.

### **Quality Performance Reviews (QPRs)**

The international QPR Program is the cornerstone of our efforts to monitor engagement quality and one of our primary means of ensuring that member firms are collectively and consistently meeting KPMG International's requirements and applicable professional standards. The QPR Program assesses engagement level performance in the Audit, Tax, and Advisory functions and identifies opportunities to improve engagement quality. All engagement partners are generally subject to selection for review at least once in a three-year cycle. The reviews are tailored to the relevant function, performed at a member firm level, generally overseen by a senior experienced lead reviewer independent from our firm, and are monitored regionally and globally.

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





Lead audit engagement partners (LAEPs) are notified of less than satisfactory engagement ratings on their respective cross-border engagements. Additionally lead audit engagement partner of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the Audit QPR.

#### **Risk Compliance Program (RCP)**

The RCP is a member firm's annual self-assessment program. The objectives of the RCP are to monitor, assess, and document member firm-wide compliance with the system of quality control established through KPMG International's quality and risk management policies and applicable legal and regulatory requirements as they relate to the delivery of professional services. The program is overseen and monitored regionally as well as globally.

#### **Global Compliance Review (GCR) program**

GCRs are performed by reviewers independent of the member firm, who report to Global Quality & Risk Management and are led by the Global Compliance Group. GCRs are carried out on member firms once in a three-year cycle. These reviews focus on significant governance, risk management, independence and finance processes (including an assessment of the robustness of the firm's RCP). In the event that a GCR identifies issues that require immediate or near-term attention, a follow-up review will be performed as appropriate.

All three programs require action plans to address identified issues, with timelines, to be developed by the member firm, and these actions to improve performance are followed up at the regional and global level to ensure that the actions address the identified issues with the objective of continuous improvement.

#### **3.7.1.2 External monitoring**

In Vietnam the Vietnam Association of Certified Accountants has been carrying out independent inspections, under the supervision of the Ministry of Finance of Vietnam, for a number of years. They completed their work on the 2009 inspection of the firm on 18 September 2009.

Our firm is also registered with the State Securities Commission of Vietnam (SSC).

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

#### **3.7.2 Client feedback**

In addition to internal and external monitoring of quality, we operate a formal client care program where we actively solicit feedback from management and those charged with governance on the quality of specific services that we have provided to them. The feedback that we receive from this program is formally considered by our firm and individual engagement teams to ensure that we continually learn and improve the levels of client service that we deliver. Any urgent actions arising from client feedback are followed up by the engagement partner to ensure that concerns on quality are dealt with on a timely basis.

#### **3.7.3 Monitoring of complaints**

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work.

KPMG Limited takes any complaints about the quality of its services or the behavior of its people seriously. We undertake to investigate them promptly and do what we can to address the concerns raised.

#### **3.7.4 Interaction with regulators**

At an international level KPMG International has regular two way communication with the International Forum of Independent Audit Regulators (IFIAR) to discuss audit quality findings and actions taken to address such issues at a network level.



## 4. Financial information

The financial information set forth represents the analysis of KPMG Limited's revenue for the financial year ended 30 September 2014.

	2014 US\$'000	2014 VND mil equivalent	2013 US\$'000	2013 VND mil equivalent
Statutory audit work	15,309	323,745	14,692	307,304
Other assurance work	850	17,958	691	14,457
Tax	9,359	197,909	9,194	192,289
Advisory	4,621	97,719	3,391	70,923

	US\$'000	VND mil equivalent	US\$'000	VND mil equivalent
Audit services for audit clients	16,159	341,703	15,383	321,761
Non-audit services for audit clients	4,526	95,695	3,389	70,876
Non-audit services for non-audit clients	9,454	199,933	9,196	192,336





## 5. Partner remuneration

Participating Partners receive remuneration from the Partner Profit Pool, which is determined by the Senior Partner, and are personally responsible for funding pensions and most other benefits. Partner remuneration is composed primarily of a pre-determined proportion of the profits for the year, which is based, in part, on the seniority and experience of each Partner. Retirement allowance will be paid to Partners who have been a Participating Partner in the Firm for at least 10 years with conditions specified in the Partner Remuneration policy.

There are four elements to partner remuneration:

- a. A fixed sum** – shall be determined by the Senior Partner from time to time;
- b. Seniority** – the seniority pool shall comprise the Partner Profit Pool minus the total fixed sum, multiplied by 30%. The seniority points for each Participating Partner are specified in the resolution of Participating Partners and one additional point will be awarded on the last day of each financial year;
- c. Responsibility** – the responsibility pool shall comprise the Partner Profit Pool minus the total fixed sum, multiplied by 30%. The apportion to individuals shall be at

the discretion of the Senior Partner based on responsibilities to client service, engagements, projects, management or leadership roles. Provisional allocations of incomes may be made to individual at commencement of and during the fiscal year subject to the final reconciliation pursuant to the overall size of the pool;

- d. Performance** - the performance pool shall comprise the Partner Profit Pool minus the total fixed sum, multiplied by 40%. The apportion to individuals shall be at the discretion of the Senior Partner based on the performance during the fiscal year.

### Drawings

During the year, participating partners receive monthly drawings from (a), (b) and (c), and from time to time, performance pool. The portion and timing of the performance pool are decided by the Senior Partner, taking into account cash requirements for operating and investing activities. All such drawings and profit distributions to members represent payments on account of current year profits and are reclaimable from members until profits have been allocated. Any over-distribution of profits during the year is also recoverable from members.









## 6. Network arrangements

### 6.1 Legal Structure

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. The KPMG network consists of approximately 162,000 personnel working in 155 countries. For the year ended 30 September 2014 the member firms comprising the network generated aggregate revenues of US\$24.82 billion. KPMG International carries on business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

The structure is designed to support consistency of service quality and adherence to agreed values wherever in the world the member firms operate. One of the main purposes of KPMG International is to facilitate the provision by member firms of high quality Audit, Tax, and Advisory services to their clients. For example, KPMG International establishes, and facilitates the implementation and maintenance of uniform policies and standards of work and conduct by member firms, and protects and enhances the use of the KPMG name and brand.

KPMG International is an entity that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

### 6.2 Responsibilities and obligations of member firms

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

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

### 6.3 Professional Indemnity Insurance

A substantial level of 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.

### 6.4 Governance structure

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





The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit that KPMG International has no share capital and, therefore, only has members, not shareholders). Among other things, the Global Council elects the Chairman for a term of up to four years (renewable once) and also approves the appointment of Global Board members. It includes representation from 56 member firms that are "members" of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG International, and approving policies and regulations. It also admits member firms and ratifies the global chairman's appointment of the global deputy chairman.

The Global Board includes the global chairman, the global deputy chairman, the chairman of each of the three regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)) and a number of senior partners of member firms. It is led by the global chairman who is supported by the Executive Committee, consisting of the global

chairman, the global deputy chairman, the chairman of each of the regions and currently three other senior partners of member firms.

One of the other Global Board members is elected as the lead director by those Global Board members who are not also members of the Executive Committee of the Global Board ("nonexecutive" members). A key role of the lead director is to act as liaison between the global chairman and the "nonexecutive" Global Board members.

The Global Board is supported in its oversight and governance responsibilities by several other committees, including a Governance Committee, an Operations Committee, an Investments Committee, a Quality and Risk Management Committee, and a Professional Indemnity Insurance Committee. The lead director nominates the chairs and members of certain Global Board committees for approval by the Global Board.

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing global strategy by working together with the Executive Committee. The Global Management Team also supports the member firms in their execution of global strategy and is responsible for holding them accountable for commitments. It is led by global deputy chairman and includes the global chairman, the global deputy chairman, the global chief operation

offer, global function and infrastructure heads, and the general counsel.

The Global Steering Groups are responsible for supporting and driving the execution of the strategy and business plan in their respective areas and act under oversight of the Global Management Team.

Each member firm is part of one of three regions (the Americas, ASPAC, and EMA). Each region has a Regional Board comprising a regional chairman, regional chief operating or executive officer, representation from any sub-regions, and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in the implementation of KPMG International's policies and processes within the region.

Further details about KPMG International including the governance arrangements, can be found in its Transparency Report, which is available [here](#).

## 6.5 Area Quality & Risk Management Leaders

KPMG International has a network of Area Quality & Risk Management Leaders (ARLs), reporting to the Global Vice Chair–Quality and Risk and Regulatory. The ARLs are members of the Global Quality & Risk Management Steering Group and each ARL performs a monitoring function over a group of member firms. Their role is to enhance the KPMG network's ability to proactively monitor quality and risk management across member firms.



## 7. Statement by the Board of Management of KPMG Limited 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 Limited 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 Board of KPMG Limited has 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 as described in section 3.7.1 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 Board of KPMG Limited confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 30 September 2014.

Further, the Board of KPMG Limited confirms that an internal review of independence compliance within our firm has been conducted in the year to 30 September 2014.

*Hanoi, 31 December 2014*

**Warrick Cleine**

# A. Appendices

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

Name of Entity	Legal Structure	Regulatory Status	Nature of Business	Area of Operation
KPMG Limited	KPMG Limited is a limited liability company incorporated in Vietnam and wholly owned by KPMG Vietnam and Cambodia Limited, a company incorporated in the Cayman Islands. KPMG Vietnam and Cambodia Limited is a member firm of KPMG International.	Limited liability company	Professional firm	Audit, Tax and Advisory



## A.2 Details of those charged with governance at KPMG Limited



**Warrick Cleine**

Warrick is the Chairman, Chief Executive Officer, Head of Tax. He has been a partner with KPMG for 14 years.



**John Ditty**

John is the Head of Advisory. He has been a partner with KPMG for ten years (and a partner with another Big 4 firm for an additional seven years).



**Kwang Puay Chong**

Kwang Puay is the Head of Audit. He has been a partner with KPMG for ten years.

## A.3 Public Interest Entities

The list of public interest entity audit clients for which KPMG Limited has signed an audit opinion in the year ended 30 September 2014 is given below.

Public Interest Entities in EU member states	Country
Vietnam Enterprise Investments Limited	Cayman Islands
Vietnam Debt Fund SPC	Cayman Islands
Vietnam Growth Fund Limited	Cayman Islands
Vietnam Property Fund Limited	Cayman Islands
Vietnam Resource Investments (Holdings) Limited	Cayman Islands

Public Interest Entities in EU member states	Country
ACB Growth Fund	Vietnam
ACB Securities Company Ltd	Vietnam
Agribank Insurance Corporation	Vietnam
Agribank Leasing Company No. 1	Vietnam
Agribank Leasing Company No. 2	Vietnam
Agribank Securities Joint Stock Company	Vietnam
An Giang Plant Protection Joint Stock Company	Vietnam
ANZ Bank (Vietnam) Limited	Vietnam
ANZ Bank Vietnam Operation	Vietnam
Asia Commercial Bank Leasing Co., Ltd	Vietnam
Asia Commercial Joint Stock Bank	Vietnam
BIDV Vietnam Partners Investment Management Joint Venture Company	Vietnam
Bien Hoa Sugar Joint Stock Company	Vietnam
CauTre Export Goods Processing Joint Stock Company	Vietnam
Chailease International Leasing Company	Vietnam
CIMB-Vinashin Securities Limited	Vietnam
Citibank - Hanoi Branch	Vietnam
Danapha Pharmaceutical Joint Stock Company	Vietnam
Deutsche Bank AG, Ho Chi Minh City Branch	Vietnam
Dong Tam Group	Vietnam
Dry Cell & Storage Battery Joint Stock Company	Vietnam

Public Interest Entities in EU member states	Country
FPT Capital Fund Management Joint Stock Company	Vietnam
Fubon Insurance (Vietnam) Co., Ltd.	Vietnam
Fubon Life Insurance (Vietnam) Co., Ltd.	Vietnam
Garment 10 Joint Stock Company	Vietnam
Gia Lai Cane Sugar Thermoelectricity Joint Stock Company	Vietnam
Golden Gate Trade & Service Joint Stock Company	Vietnam
Ha Do Group Joint Stock Company	Vietnam
Ha Giang Mineral and Mechanics Joint Stock Company	Vietnam
Habeco Trading Joint Stock Company	Vietnam
Halong Canned Food Joint Stock Corporation	Vietnam
Hanoi Beer Alcohol and Beverage Joint Stock Corporation	Vietnam
Hanoi Investment and Construction JSC No.1	Vietnam
HIPT Group Joint Stock Company	Vietnam
Hoa Phat Group JSC	Vietnam
Hoa Tho Textile & Garment Joint Stock Corporation	Vietnam
Hongkong and Shanghai Banking Corporation Ltd- Ha Noi Branch	Vietnam
HSBC Bank (Vietnam) Ltd.	Vietnam
Indovina Bank Limited	Vietnam
Industrial and Commercial Bank of China	Vietnam
Interfood Shareholding Company	Vietnam
JACCS International Vietnam Finance Co.,	Vietnam
Japan Vietnam Medical Instrument Joint Stock Company	Vietnam
Kien Long Commercial Joint Stock Bank	Vietnam
Ma San Consumer Corporation	Vietnam
Ma San Corporation	Vietnam
MB Securities Joint Stock Company	Vietnam
Military Commercial Joint Stock Bank	Vietnam
Military Commercial JS Bank-Laos Branch	Vietnam



Public Interest Entities in EU member states	Country
Military Insurance Corporation	Vietnam
Minh Phu Seafood Joint Stock Company	Vietnam
Mirae Asset Securities (Vietnam) Joint Stock Company	Vietnam
MSIG Insurance (Vietnam) Company Limited	Vietnam
Nam Dinh Textile Joint Stock Company	Vietnam
Nam Viet Oil Refinery and Petrochemicals Joint Stock Company	Vietnam
Natixis Bank - Branch in Ho Chi Minh	Vietnam
Ngo Han Joint Stock Company	Vietnam
Ngoc Nghia Industry – Service – Trading Joint Stock Company	Vietnam
Ninh Hoa Sugar Joint Stock Company	Vietnam
Phu Hung Securities Corporation, Vietnam	Vietnam
Prudential Balanced Fund (Vietnam)	Vietnam
Prudential Vietnam Assurance Private	Vietnam
Prudential Vietnam Finance Company Ltd.	Vietnam
Saigon General Service Corporation	Vietnam
Saigon Thuong Tin Real Estate Joint Stock Company	Vietnam
Samsung Vina Insurance Co., Ltd	Vietnam
Song Da 5 JSC	Vietnam
Song Da 6 Joint Stock Company	Vietnam
Standard Chartered Bank - Hanoi Branch	Vietnam
Standard Chartered Bank (Vietnam) Limited	Vietnam
Taipei Fubon Commercial Bank Co. Ltd - Binh Duong	Vietnam
Taipei Fubon Commercial Bank Co., Ltd., Hanoi Branch	Vietnam
Taipei Fubon Commercial Bank Co., Ltd., HCM branch	Vietnam
Taya (Vietnam) Electric Wire & Cable J.S. Co	Vietnam
Techcom Securities Company Limited	Vietnam
Textile - Garment Import - Export and Production Joint Stock Corporation (Vinateximex)	Vietnam
Thanh Thanh Cong Tay Ninh Joint Stock Company (fka: Societe de Bourbon Tay Ninh)	Vietnam
The Shanghai Commercial & Savings Bank Ltd., Dong Nai Branch	Vietnam
Thien Viet Securities Joint Stock Company	Vietnam
Thu Duc Housing Development Corporation	Vietnam

Public Interest Entities in EU member states	Country
Toan Thinh Phat Architecture Investment Construction Joint Stock Company	Vietnam
Tran Anh Digital World Joint Stock Company	Vietnam
Van Phat Hung Corporation	Vietnam
VID Public Bank - Hanoi Branch	Vietnam
Viet Capital Commercial Joint Stock Bank	Vietnam
Viet thang Corporation	Vietnam
Viet Thang Garment Joint Stock Company	Vietnam
Vietcombank Cardif Life Insurance	Vietnam
Vietnam Active Fund	Vietnam
Vietnam Asia Commercial Joint Stock Bank	Vietnam
Vietnam Bank for Agriculture and Rural Development	Vietnam
Vietnam Blue-Chips Fund	Vietnam
Vietnam Container Shipping Corporation	Vietnam
Vietnam Dairy Products Joint Stock Company	Vietnam
Vietnam International Commercial Joint Stock Bank	Vietnam
Vietnam Investment Fund	Vietnam
Vietnam Maritime Commercial Joint Stock Bank	Vietnam
Vietnam National Seed Corporation	Vietnam
Vietnam Prosperity Joint Stock Commercial Bank	Vietnam
Vietnam Securities Corporation	Vietnam
Vietnam Technological and Commercial Joint Stock Bank	Vietnam
Vietnam Textile and Garment Finance	Vietnam
Vietnam Thuong Tin Commercial Joint Stock Bank	Vietnam
VinaCafe Bien Hoa Joint Stock Company	Vietnam
Vinaconex - Viettel Finance JSC	Vietnam
Vinacontrol Group Corporation	Vietnam
Vinafco Joint Stock Corporation	Vietnam
VinaSiam Bank	Vietnam
VNDirect Securities Joint Stock Company	Vietnam
VPBank Securities Company Limited	Vietnam

## A.4 KPMG's Values

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:

**We lead by example:**

At all levels we act in a way that exemplifies what we expect of each other and our clients.

**We work together:**

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

**We respect the individual:**

We respect people 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, we strengthen our reputation as trusted and objective business advisers.

**We are open and honest in our communication:**

We share information, insight and advice frequently and constructively and manage tough situations with courage and candor.

**We are committed to our communities:**

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

**Above all, we act with INTEGRITY:**

We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.





**KPMG**

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