



Quality, the key factor in auditing

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Quality, our top priority

Audit quality is essential to maintaining public trust and inspiring the confidence of capital markets and stakeholder groups. This is why KPMG has always been and will always be firmly committed to delivering quality to clients, audit committees, regulators and other stakeholders. Our professional reputation is measured by the quality of our audits.

In KPMG we define Audit Quality as the outcome of having executed our audits consistently, in line with the requirements and intent of applicable professional standards, and within a robust system of quality controls wherein all our audit-related activities are undertaken with the utmost objectivity, independence, ethics and integrity.

KPMG's aim is to inspire trust. We are therefore investing globally and locally to enhance the quality of our audits. At global level, KPMG has set up an Audit Quality Committee which reports to the Global Board and the Global Head of Audit Quality, and will be tasked with monitoring improvements to global audit quality. At KPMG in Spain, besides our active participation in global initiatives, we have set up an Audit Quality department headed by a partner and supported by a team of professionals with a proven track record.

This team has already started to work on various projects that will undoubtedly play their part in enhancing the quality of our audits.

A robust control system is an essential factor when it comes to performing high-quality audits. We are therefore working to adopt the new International Standard on Quality Management (ISQM 1) as soon as possible. The use of technology, including Data Analytics, is key to advancing the quality of our engagements. To this end, KPMG is investing heavily in the new audit platform, KPMG Clara, and we are strengthening our specialist teams while forging strategic alliances with technology partners such as Microsoft and IBM Watson.

We are fully aware of the importance of training to equip our professionals with the necessary skills and knowledge at the right time to enable them to deliver the highest quality audit. Training is given not only through traditional classroom-based courses and eLearning, but also to a great extent through daily on-the-job coaching, to which our "Second line of Defense" programme contributes by providing support to the teams on methodology-related matters.

Advancing the quality of our work is an ongoing project in which there is always more ground to be covered. KPMG is committed to continuing along this path and it is therefore essential to monitor our progress and perform a comprehensive root cause analysis (RCA) whenever areas requiring improvement are identified. Audit Quality Indicators (AQI) are an example of such monitoring and we also use them to assess our professionals' performance.

Our commitment to quality and continuous improvement and our work with the regulators reflect our goal, which is to heighten public and market trust in KPMG. This document summarises some of the projects KPMG in Spain is currently undertaking with a view to improving the quality of our audits.



Hilario Albarracín

Chairman of
KPMG in Spain



“

Audit quality is the key to achieving our goal of being the most trusted firm, and the yardstick against which our professional reputation is measured.

”

Borja Guinea

Head of Audit at KPMG in Spain

“

At KPMG, effectiveness and efficiency, professional scepticism, access to adequate resources and compliance with current legislation result in high-quality audits that generate trust.

”

Manuel V. Martínez

*Audit Quality Partner at
KPMG in Spain*



Audit Quality

Audit quality is the key to achieving our goal of being the most trusted firm, and the yardstick against which our professional reputation is measured.

At KPMG we believe in pursuing audit quality; it is not just about issuing the right audit opinion, but how we form that opinion. Quality is about the processes, decisions taken during the audit and integrity behind the final formal audit report issued by KPMG.

Our commitment to drive improvement to audit quality and global consistency is embodied in our **Global Audit Quality Transformation (GAQT)** programme, which began in October 2018.

The ultimate goal of GAQT is to ensure that our audit professionals have the **support, tools** and **environment** they need to consistently deliver high-quality audits.

| How does KPMG define Audit Quality??

It is the outcome of having executed our audits consistently, in line with the requirements and intent of applicable professional standards and within a robust system of quality controls, wherein all our audit-related activities are undertaken with the utmost level of objectivity, independence, ethics and integrity.

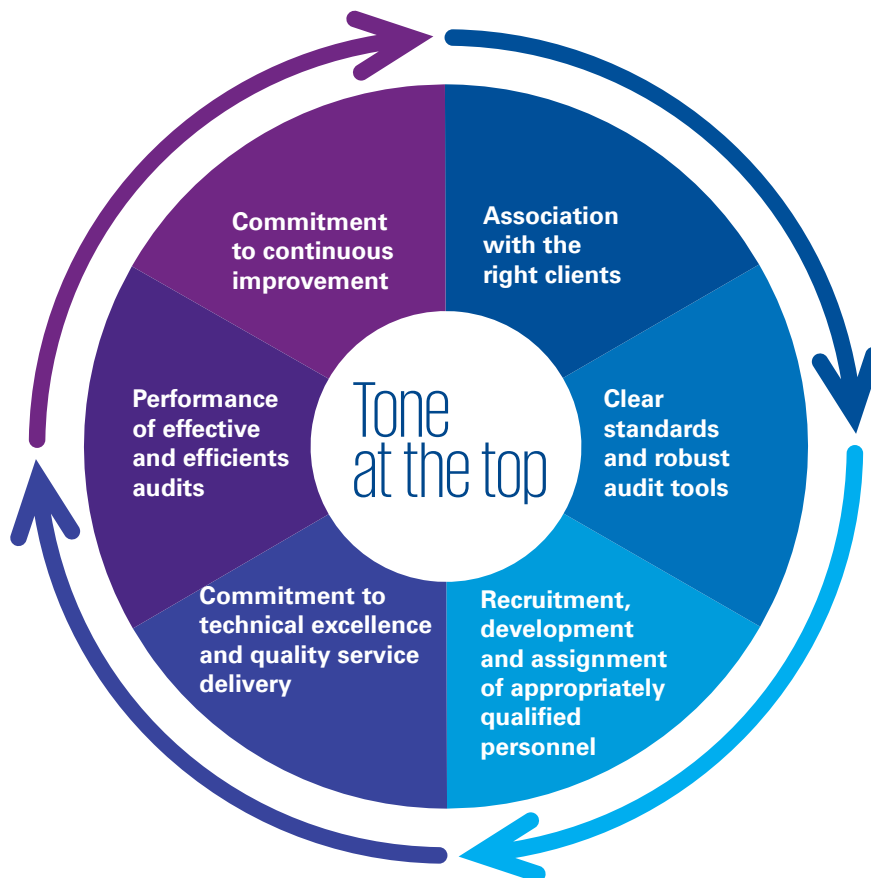
We endeavour to create an environment that focuses on “doing the right thing”, showing zero tolerance for behaviours that are not aligned with our global values and to promote audit quality as a business imperative.

| The audit quality framework

A **robust, consistent quality control system** is an essential requirement in providing high-quality services. KPMG’s Audit Quality Framework is the cornerstone to how we execute our responsibilities.

The seven drivers in this framework, as shown in the following graphic, give KPMG Member Firms a common language to describe what we believe produces audit quality and to highlight how every one of us at KPMG contributes to the delivery of audit quality.

KPMG’s system of audit quality control not only reflects our drive and determination to deliver independent opinions but also meets the requirements of regulations and professional standards.



The purpose of this document is to provide you with insights and transparency into how we assess the performance of our audits, and to enhance the quality of communication and discussion between our audit engagement teams and our clients’ audit committees.

It also describes how KPMG safeguards engagement quality, and it expresses our commitment to providing independent assurance on what really matters to shareholders.



Audit Quality Transformation

Our commitment to enhance audit quality and global consistency is embodied in our **Global Audit Quality Transformation (GAQT)**, which began in October 2018.

The ultimate goal of GAQT is to ensure that our audit professionals have the support, tools and environment they need to consistently deliver high-quality audits.

To this end, KPMG is making changes to improve our quality control system.

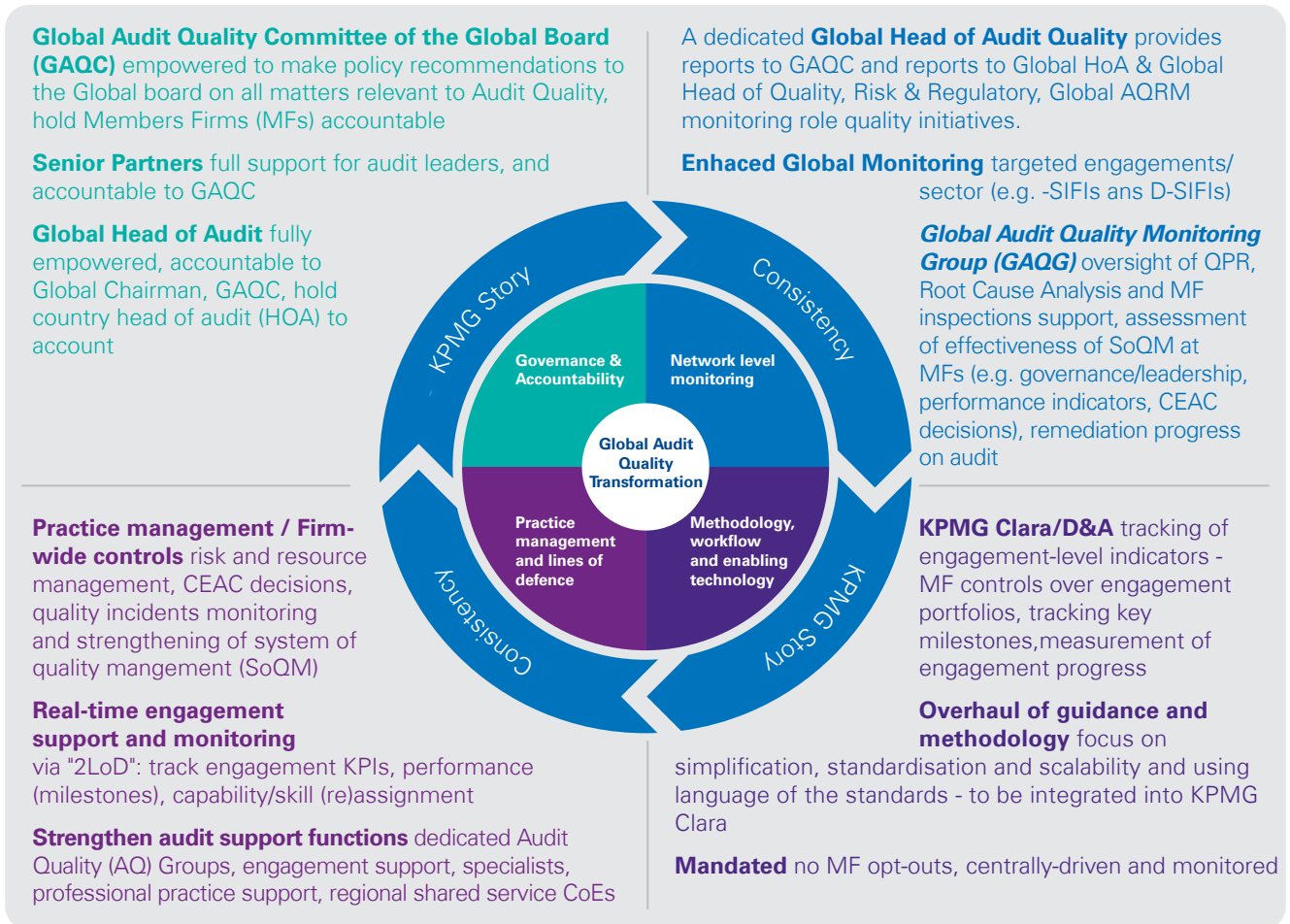
We have begun to adopt the future International Quality Standard, ISQM1 (International Standard on Quality Management) ahead of time. This will entail significant changes as it requires all KPMG Member Firms to implement a quality control system and to test the operating effectiveness of that system so that we can consistently deliver high-quality audits.

Significant changes are being made to help our audit professionals consistently deliver high-quality audits through the implementation of **KPMG Clara Workflow**, our smart audit platform. Furthermore, quality objectives will be set for all professionals who contribute to audit quality.

From its **Regional Centres of Excellence**, KPMG’s global network will provide central support to engagement teams through the Departments of Professional Practice (DPP), information audits (IRM), coaching or support programmes (such as the Second Line of Defense programme), quality control reviewers (EQCR) and learning and development (L&D).

Such centralisation and grouping will enable us to achieve the consistency that the market expects.

Furthermore, control and monitoring of engagements and quality control systems, and the **global supervision of audits of financial institutions are being strengthened** (given their importance, as KPMG audits some of the leading global financial institutions).



Through our Regional Centres of Excellence (CoE), the GAQT focuses primarily on the following workflows:





International Standard on Quality Management (ISQM1)

For an audit firm, having a robust quality control system in place is key to performing high-quality audits. That is KPMG’s view and that is how our clients and our regulators understand it.

What does a robust quality control system look like? The answer to this question is set out in the current International Standard on Quality Control (ISQC 1), which has been in effect in Spain for a number of years and applies to firms that perform financial statement audits and reviews, other assurance engagements and related services. This standard will shortly be replaced by the new **International Standard on Quality Management (ISQM 1)**.

The new standard will entail substantial changes and will require all audit firms to introduce additional controls and verify their operating effectiveness with a view to consistently delivering high-quality audits.

The main purpose of ISQM 1 is to improve audit quality, **promoting consistency and rigorous** quality management processes to foster greater **trust** among users, thus enabling the firm to provide assurance that:

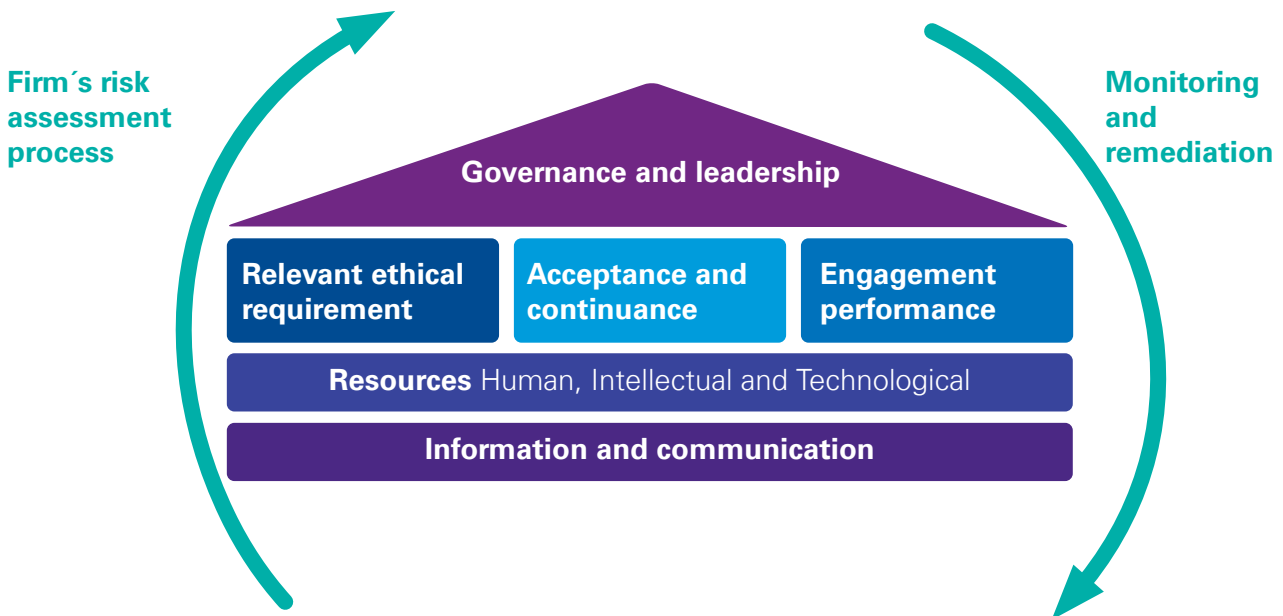
- KPMG in Spain and its personnel fulfil their duties in accordance with professional standards and applicable legal and regulatory requirements and carry out engagements that comply with the aforementioned standards and requirements; and
- The reports issued are appropriate under the circumstances.

KPMG's response to this new standard has been to create a quality management system: **System of Quality Management (SoQM)**, driven by our global network and applicable at KPMG in Spain and all network Member Firms, effective immediately.

SoQM is the **"backbone"** of Global Audit Quality Transformation (**GAQT**) and is a key element in meeting our goal of increasing audit quality and consistency, which is essential for the global network to be acknowledged as the most trustworthy professional services firm in the market.

Based on ISQM 1, SoQM consists of **10 components** and involves drawing up a detailed description for each component of the internal processes, quality objectives and associated risks, as well as **designing and implementing controls that are effective** in addressing them. In summary, it establishes a robust, effective internal quality management system.

The **10 components of SoQM** are:



KPMG is developing and establishing globally consistent objectives in respect of quality, risk and responses (policies and controls) for adoption by each Firm. In 2019 KPMG in Spain began to adopt the future standard, collaborating with KPMG International to ensure global consistency.

Due to the scope and significance of the project, KPMG in Spain has created an implementation **Monitoring Committee** formed, among others, by the Head of Audit in Spain, the Quality & Risk Management Partner,

and the Audit Quality Partner. The task of this committee is largely to **promote the project and to guide, challenge and equip** the team in charge of implementing SoQM at KPMG in Spain with the necessary resources.

For the Spanish Firm, early implementation of ISQM 1 is an important objective, the ultimate goal being to **provide assurance to our clients and our regulators** of compliance with the new standard and to substantially enhance the **quality of the internal processes and, thereby, of our audits.**



KPMG Clara, our Integrated Technological Platform

- The evolution of technology and auditing standards has led KPMG to develop a new technological platform, **KPMG Clara**, which has evolved to include not only audit work documentation, but also the capacity to manage an audit process from start to finish and to incorporate our **Data Analytics (D&A)** capabilities.

KPMG Clara is a documentation and communication tool powered by data analytics to perform robust, controlled, communicative, consistent and quality audits.

KPMG Clara allows us to:

- Redefine the **workflow** to make it more structured and intuitive.
- Increase **consistency** and share KPMG's knowledge with all our professionals via functionalities which incorporate examples of audit risks and responses based on the identification of controls and default substantive tests.
- Improve the audit approach through an updated methodology that enhances documentation and monitoring in the **risk identification** and **assessment** phase.
- Incorporate new flexible, modular, **interactive training resources** in real-time, providing auditors with specific how-to videos and guidelines right when they need them.
- **Transform communication** between our people and our clients using modern technology-enabled interfaces and collaboration functionality.
- **Integrate our D&A capabilities** in the audit process in order to analyse all journal entries and transaction records.
- Incorporate capabilities to **monitor the progress of projects in real time**, thereby enhancing the quality of our work.
- KPMG Clara also includes **monitoring of performance indicators**, which enable us to:
 - Measure audit engagement progress and foster timely issue resolution.
 - Expedite the audit by **providing key indicators to prioritise tasks**.
 - **Highlight unexpected results / relationships** that may require further investigation.



Collaboration in the audit

KPMG Clara's home page gives real-time access to information, insights and alerts from the engagement team.



Issue identification

Keeping up-to-date on audit progress, risks and findings before issues become events.



A fresh perspective

Our technology provides teams with a risk-based understanding of significant accounts to help them build the audit approach, it is fundamental to our audit.



KPMG
Clara



Analysis of complete populations

KPMG's teams apply powerful analysis to screen, sort and filter 100% of the journal entries based on high-risk attributes.



Data-driven risk assessment

Automatic identification of transactions with unexpected or unusual account combinations, helping to focus on higher risk transactions and outliers.



Deep industry insights

At the heart of our commitment to bringing intelligence to every aspect of interactions with clients, KPMG brings clarity to complex issues, regulations and standards wherever they appear across the globe.

Automated and centralised D&A capabilities

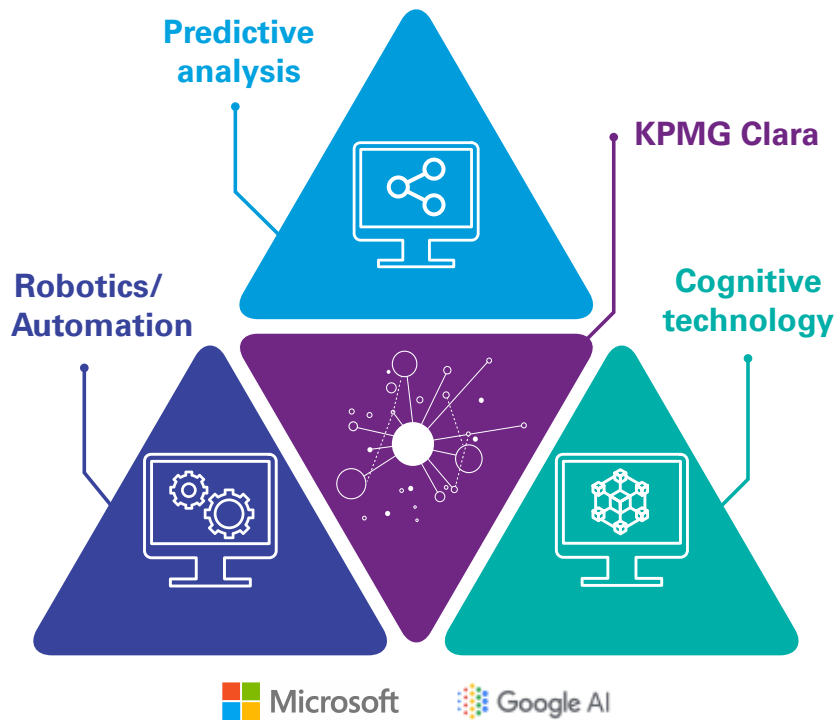
KPMG Clara's analytics capabilities allow us to scrutinise complete populations and draw more robust conclusions.

Commitment to innovation

At KPMG we believe it is essential to continue innovating and incorporating technology in audits.

Our **innovation strategy** is underpinned by four pillars with the aim of achieving a predictive audit.

We are already using **KPMG Clara and Digital Automation** to analyse data extracted from ERPs, supported at times by predictive analysis and artificial intelligence, with specific solutions.



In the future, **artificial intelligence** will be fully integrated into our KPMG Clara platform, enabling us to incorporate external unstructured data and the global knowledge of KPMG into our analyses, thereby assisting audit teams by suggesting approaches, making predictions and drawing reasoned conclusions upon which teams can base their final decisions.

KPMG Clara reflects the **strategic priority represented by KPMG Global’s commitment to innovation and to inspiring confidence through quality and the use of technology.**

The inclusion of tech professionals in the audit team forms part of this strategy. We are developing new ways of working, becoming more responsive, efficient, effective and adapting to an evolving business landscape.





Technology in Audits. Data & Analytics (D&A)

| Governance

At KPMG in Spain we are aware of the importance of having tech specialists on our team, which is why over three years ago the tech team was incorporated into the Audit department. **This team dedicates 100% of its time to performing audits.** This facilitates integration with the audit team throughout the audit process.

KPMG in Spain has more than **100 professionals who work exclusively on the audit of technological risks, as well as another 30 professionals tasked with mass data processing.** They work solely for the Audit department, which allows for specialised audit training and ensures engagements **have the necessary and appropriate resources,** especially in Public Interest Entities.

A standard methodology shared globally and accessible to the teams

Our methodology is standardised worldwide and is one of the key drivers in fostering and maintaining high quality in our technological audits. All the teams have access to robust materials that are updated globally every year, enriching both the technical knowledge of standards and the sector expertise that our professionals require in order to **perform audits consistently** throughout the world. Our Firm has mechanisms in place to share best practices on an ongoing and practical basis, and to analyse technical and methodological aspects.

We also have an international network of tech experts across the globe, organised by region. Spain forms part of the EMA region, in which more than 40 professionals representing the main countries in the region provide technical support to audits, allowing for a swifter transfer of knowledge and resolution of methodological challenges arising from the continuous technological progress of organisations.

Specialised technical training and innovative measures to attract talent

Given the continuous evolution of technology and its importance in the audit process, the number of tech professionals has risen, thus affecting the training to be provided as well.

We are putting together **specific training plans as a driver for developing the profile of auditors of the future**, with dual expertise in both technological and accounting risks, and how they are inter-related. We train financial auditors in technological risks and tech experts in accounting risks and sector knowledge. In order to attract and retain technological audit specialists, we must change our models for hiring and training specialised tech profiles.

To this end we have been progressively recruiting a diverse range of talent (data scientists, physicists, mathematicians, engineers, ethical hackers, etc.). Attracting these profiles poses a challenge, which we approach in several ways, one being by changing our selection processes. For several years now we have incorporated an innovative, interactive and technical stage to our traditional selection process, called the "Hackathon".

Retaining these professionals also involves a specific training plan, allowing these technical auditors to keep up to speed with technical aspects and remain committed to quality. We continue to invest in addressing **the ongoing challenges faced in audit methodology**: Cybersecurity, Artificial Intelligence, Bots, Blockchain, Integrated systems, Cloud, Lean methodology applied to the identification and assessment of risk.

Increased quality

We are mindful of the need for continuous quality and have thus incorporated professionals with technological profiles to work in quality roles in the second line of defense review teams. These professionals play an active and coordinated part in periodic quality reviews.

Data analysis capabilities

In addition to our specialisation in technological risks, we remain committed to furthering our knowledge and development in all matters related to technology and its application in audits. We therefore include **mass data processing and Data Analytics specialists** in the technological audit team.

Our data analysis capabilities are centralised and automated in a **technology hub** integrated in KPMG's team of technology specialists. KPMG in Spain's tech hub is in permanent contact with KPMG EMA's tech hub located in Berlin.

This hub, or centralised D&A team, enables us to increase the quality, efficiency and consistency of our data processing, generating reports with the analysis results which permit us to perform further pertinent analyses, obtain additional required evidence and draw conclusions.

Our data analysis capabilities are currently concentrated on financial information, automatically processing data using complex algorithms (based on the specific business rules of each process) and generating reports showing patterns and anomalies on which to focus our substantive procedures. We are also starting to work with external data to corroborate a company's financial information, increasing assurance for 100% of populations.



Second Line of Defense

One of our primary objectives regarding quality in the Firm, and specifically in our Audit department, is to **ensure the quality of the documentation of our work**.

At KPMG we understand that audit quality is not only about issuing a correct opinion based on the evidence and tests performed, but **how we form that opinion and how it is documented**: it therefore encompasses the processes, the decisions made during the audit and the integrity behind the final audit report issued, as well as how all of this is reflected in our working papers. We understand that the way in which we conduct an audit is as important as the final result.

It has been demonstrated that a KPMG audit with the right balance between **effectiveness and efficiency**, performed with **professional scepticism**, making the necessary inquiries of **appropriate specialists** and based on **established audit standards**, inspires significant **trust in our clients, regulators and other stakeholders**.

KPMG has many levers which contribute to achieving this objective and providing a value-added service to our clients through audits. Detailed below are some which are directly related to the quality of working papers:

- **Risk analysis**, a **timely** audit planning and approach with **professional scepticism and efficiency**:

Documentation of our final judgements is also critical. Professional scepticism involves an alertness to inconsistencies and a questioning mind to identify risks, consider different alternatives and to confirm evidence. It features prominently throughout audit standards and thus in our audit methodology and attracts significant focus from regulators. We recognise the exercise of professional scepticism is critically important to our role as auditors.

- **Timely reviews by partners and managers** during the different stages of the work, allowing us to maintain **open communication with clients**: at KPMG we consider it enriching as well as fundamental for an efficient audit that the team members be guided throughout the process by the engagement leader, i.e. the partner signing the report, who shares their experience and skills with the rest of the team members throughout the engagement. The managers support the partners in these responsibilities and also share their experience and points of view. In short, at KPMG we advocate an **environment of continuous learning** through reviews of the work performed and sharing points of view with the whole team, thereby generating added value for everyone and increasing audit quality.

- **Reviews by the Engagement Quality Control Reviewer** (EQCR). Audits of Public Interest Entities and those considered as high-risk are required to have an EQCR. These are experienced audit partners, independent from the team and the client, carefully designated by the Audit Risk Management Partner as an additional objective reviewer of significant and key audit matters.

They carry out a review including an **evaluation of the suitability** of the disclosures in the annual accounts, the **judgements and decisions** made by the team on significant matters and the **findings**, the communications with those charged with governance and the auditor's report. Their reviews and comments are duly documented in the working papers and the auditor's report is not issued until all their questions and concerns have been satisfactorily answered.

- Involvement of **appropriate Specialists** in the work, as well as any necessary **consultations** regarding relevant matters: We understand that not all audits are identical or managed in the same way, thus our specialists, who form part of the audit team, play a significant role in those areas requiring their involvement and support. The areas where they usually contribute most are tax, IT, actuarial work, financial instruments and valuations. KPMG promotes a culture in which consultation is recognised as a strength, and that encourages all KPMG professionals to consult on complex matters. To this end protocols are in place to make inquiries of the Audit Department of Professional Practice, which does not form part of the engagement team.

- **Second line of Defense Program.**

For several years now KPMG in Spain had already a coaching programme with various approaches and scopes. This programme, which runs throughout the whole year, was conceived as a tool for **coaching in real time** and helps teams over the course of the audit in its different stages.

Among other aspects, this programme helps us to:



- The **reviewers selected are experienced professionals**, independent of the engagement and the client, who do not form part of the team. They are principally partners, directors and some experienced senior managers.
- Their role is to review, **helping and challenging** the teams in respect of the analysis performed on the **risks identified, the response** to such risks, the tests to be carried out and their scope, **key matters** and all the documentation related to the planning, tests conducted in significant areas, findings and their impact on the report.
- The reviewers have many **tools** at their disposal, from specific training for this task to a “work programme” detailing the areas to be reviewed and how to do so. There are also **guidelines** on the documentation of their reviews.
- The **selection of engagements** that benefit from this programme each year is approved by the Audit Risk Management Partner, the Audit Quality Partner and the Head of Audit, applying **risk-based** criteria. This selection is, in turn, corroborated and approved by KPMG’s Regional Audit Quality Partner for EMA.



KPMG evaluates this programme on a yearly basis through different internal sources, including annual satisfaction surveys on the programme and the reviewers. Every year we are more and more convinced by the results, specially how the programme is being used by the teams and its benefits both in the **identification of opportunities** to improve quality and **in the sharing of best practices**.





Training, Accreditation and Specialists

Training our professionals is essential in order to deliver quality work.

Our Firm is responsible for ensuring that our professionals have **adequate knowledge and experience** to carry out their work. We therefore provide specific training courses tailored to the needs of the engagement teams. Engagements are thus assigned based on the selection of partners and professionals with the appropriate training and experience.

We provide all our teams with the **training and technical support** they need, including access to Specialists and our Department of Professional Practice (DPP).

We also have access to a network of professionals with extensive experience and knowledge in other KPMG Member Firms.

| Continuing professional development

Our training policy and plan is based on meeting the criteria and requirements of KPMG's Global Quality & Risk Management Manual.

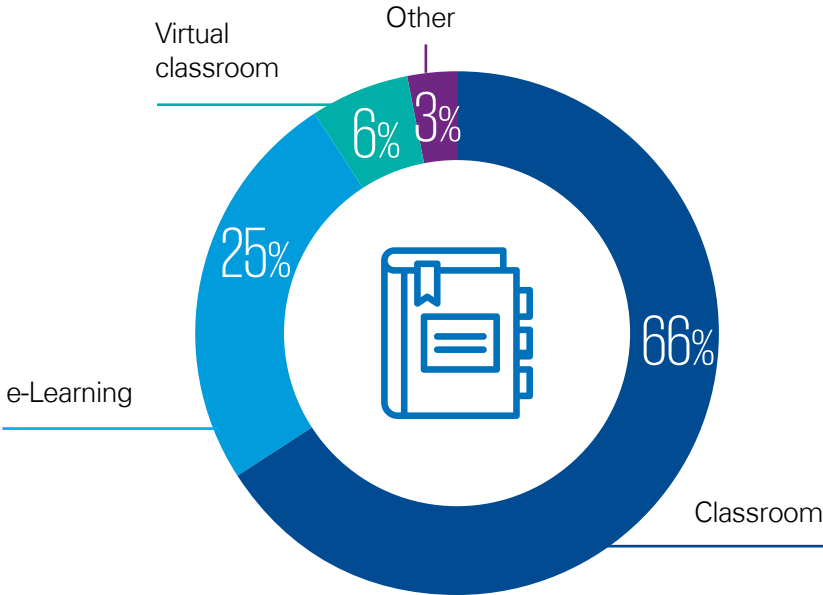
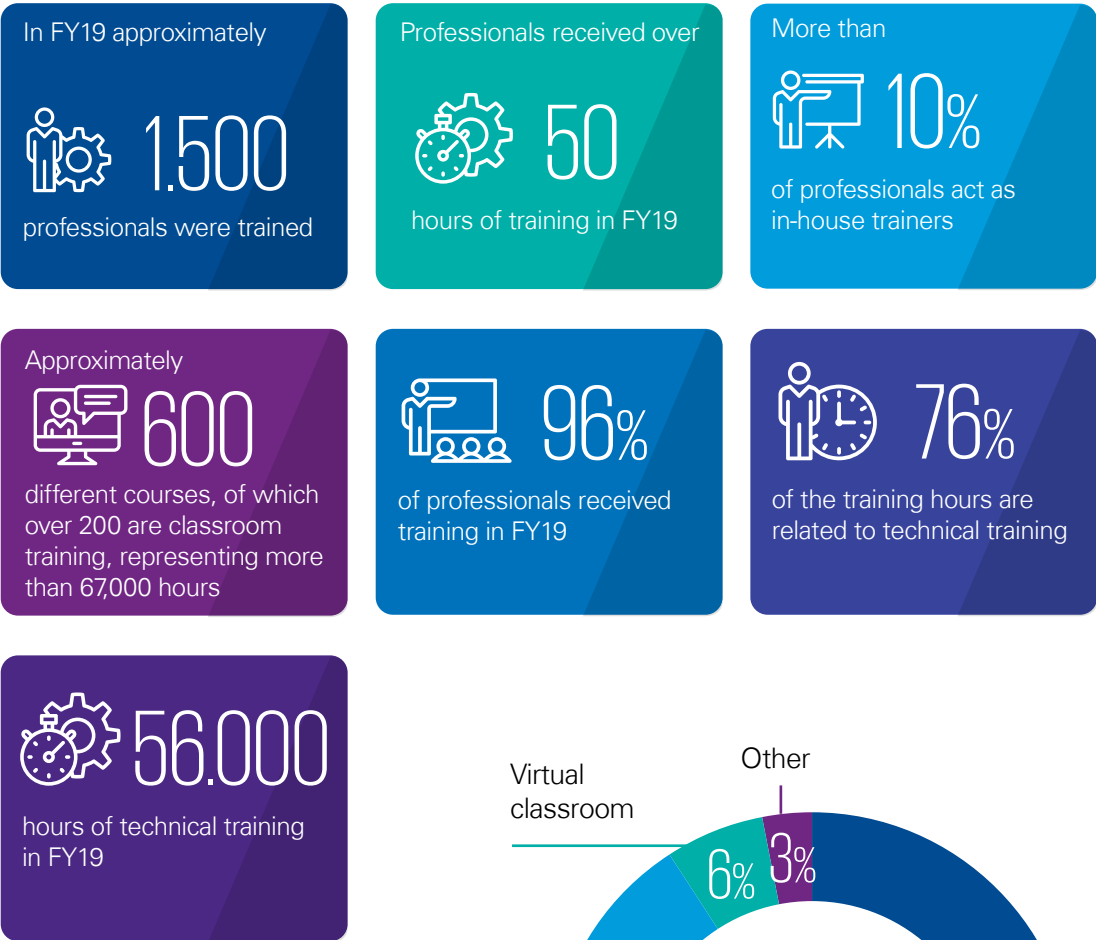
In accordance with this manual, Continuing Professional Development (CPD) must **comply with professional standards**, applicable legislation and, at the very least, the provisions of the IFAC's International Educational Standard 7 (IES 7).

At global level, Global Audit Learning & Development is responsible for identifying the needs of the teams and preparing the materials used consistently by KPMG Member Firms, thereby achieving **global consistency**.

KPMG in Spain's Department of Professional Practice reviews the global materials and complements them where necessary to meet local requirements.

KPMG in Spain's Learning and Development Department is tasked with **monitoring and evaluating the quality of training** provided, carrying out satisfaction surveys among attendees and subsequently analysing and assessing the surveys in order to implement corrective measures and adopt any necessary improvements.

Below are some figures related to the training of audit professionals and specialists:



University Master’s Course

100% of the Firm’s **new hires receive methodological and technical training** which complements the university degree they hold when joining KPMG.

This training is reinforced, in their first year at KPMG, by a University Master’s Course which complements the rest of the training received. Professionals successfully completing this course are exempted from the theoretical part of the exam for access to the Official Register of Auditors (ROAC).

The course is given at prestigious universities such as ICADE and Universitat Pompeu Fabra.

Accreditation and Specialists

The complexity of current legislation (accounting, regulatory, sector-specific, etc.) requires professionals who are experts in a particular field to be involved in audits.

Audit standards, as well as regulators, demand that all individuals participating in an audit possess adequate knowledge of the necessary standards and regulations governing the profession.

Accordingly, three years ago KPMG in Spain launched an accreditation system to enable us to be certain that the expert **professionals** (specialists) involved in audits are suitably **skilled**. The system ensures that the specialists receive **adequate functional training as well as training in audit standards and regulations**, enabling them to take part in the engagements and adequately document their conclusions.



Number of participants

ICADE (Madrid)	34	UPF (Barcelona)	35
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Number of KPMG trainers

ICADE (Madrid)	102	UPF (Barcelona)	62
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Length

ICADE (Madrid)	656 hours	UPF (Barcelona)	589 hours
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Classroom training

ICADE (Madrid)	76%	UPF (Barcelona)	83%
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Online

ICADE (Madrid)	24%	UPF (Barcelona)	17%
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The use of specialists in audits, and training them specifically in audit standards, substantially enhances the quality of work, which is the ultimate objective in KPMG's audits.

Key figures

More than 100 partners, directors and managers accredited for audits under US standards (PCAOB, etc.)

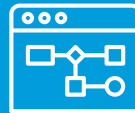


Over 200 partners, directors and managers accredited in 23 different specialities:

- 87 professionals from the legal department
- 60 consultant professionals (Corporate Finance, Forensic, Risk Consulting, etc.)
- Other professionals specialising in IT, financial instruments, pensions, etc.



- Other professionals specialising in:
- Audits of foundations and non-profit organisations
 - Sampling
 - IT tools applied to audit





Monitoring / Root Cause Analysis

At KPMG in Spain we continuously monitor and evaluate our performance to ascertain the quality of our audits, thus allowing us to prioritise any areas for improvement. When it comes to earning the trust of our clients, capital markets, regulators and shareholders, **learning from the opportunities for improvement identified** is something we take very seriously.

Our monitoring programme includes the annual global quality performance review (QPR) programme for engagements. It also encompasses oversight of the test of design and implementation and the operating effectiveness of the controls in the different processes that make up the 10 components of the System of Quality Management (SoQM) workflow, in respect of the implementation of ISQM 1.

At KPMG we perform an annual internal review of our Audit department through the **global quality performance review programme**. This programme is designed to verify compliance with the quality control points required by the strictest professional standards. Every year quality control procedures are applied to the work of 35-40% of KPMG in Spain's partners and directors.

Moreover, the forthcoming implementation of the new International Standard on Quality Management (ISQM 1) will bring significant changes and require all Member Firms to have **quality controls in place, whose operating effectiveness has been tested** and which are designed so as to perform quality audits throughout the practice in a consistent manner.

At KPMG in Spain we are working alongside KPMG Global to adopt this standard before the end of 2020. With a view to its implementation we have created the System of Quality Management (SoQM) workflow, which forms part of the backbone of our audit quality transformation programme.

However, like most companies with quality review programmes, we identify areas for continuous improvement. When necessary we conduct a formal root cause analysis of the audit quality issues identified and **we design corrective action to address the root causes**. These actions include improving policies and guidelines, communications and training for partners, managers and other professionals.

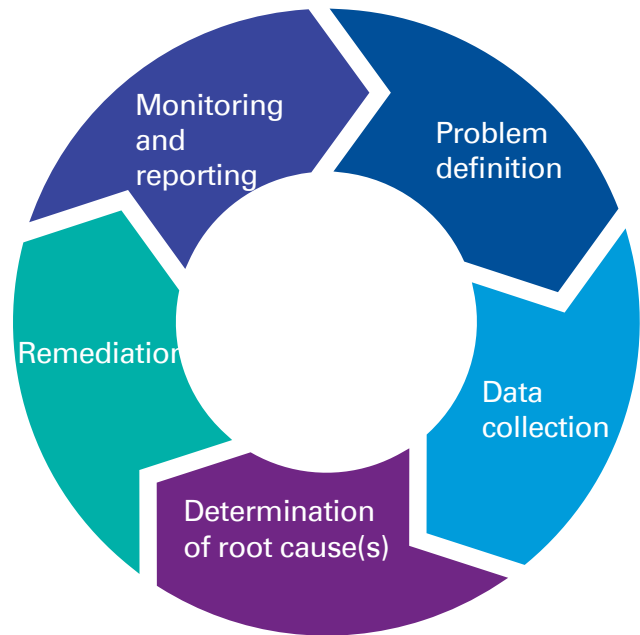
| Root Cause Analysis

Root cause analysis (RCA) is based on the belief that problems are better resolved by identifying and resolving the **root causes**, rather than simply addressing the immediately apparent symptoms.

The term root cause analysis describes a plethora of approaches, tools and techniques that are used to discover the root causes of an issue - or the so-called "why behind the why".

Robust root cause analysis is the **key to understanding and appropriately responding to audit quality matters**.

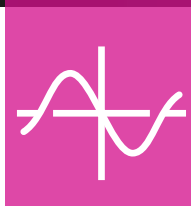
KPMG's methodology comprises the following five steps:



The effectiveness of any response to a quality issue depends on the understanding of the root cause, the omnipresence of the issue, the capacity to adopt a solution under different circumstances, and the leadership.

We draw on our **knowledge from past experiences** and our root cause analysis framework, designed specifically so as to fully understand the root cause of the issues identified and devise innovative, suitable fitting solutions.

The findings from our monitoring and the results of external inspections are distilled through root cause analysis to ensure that corrective actions are developed which address our need to improve and which meet the requisite quality standards.



Audit Quality Indicators

At KPMG in Spain we are deeply committed to striving to maximise quality in all our work. With this in mind, in 2018, in order to tangibly measure the quality of work performed by our professionals, we started to introduce a series of indicators **to assess certain key or relevant aspects in relation to audit quality**. These Audit Quality Indicators are reviewed and measured every year for all audit partners, directors, senior managers and managers.

The Audit Quality Indicators are structured in a way **that they cover the different stages**

of an audit, including the planning stage, the execution of the work, communications with management and the auditor independence analysis, as well as the engagement closing process and the evaluation of the Engagement Quality Control Review (EQCR).

They also take into account the auditors' **compliance with the annual training programme**, as well as the results obtained from internal quality reviews and the **findings of external inspections** carried out by regulators.

These Audit Quality Indicators are assessed using mass data processing technology, allowing for **precise and objective measurements**, as well as **comparison** of the results obtained.

These Audit Quality Indicators have become a measure that enables us to **drive the quality** of our work because, not only do they serve as an incentive for our professionals as part of the quality targets set each year, but they have also developed into an **effective way** of analysing

specific aspects of the quality of our work in general.

KPMG in Spain intends to roll out the application of Audit Quality Indicators to other audit professionals, as well as other groups within the Audit function (such as IT and financial instrument specialists, etc.).





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