



# Transparency Report 2019



KPMG in Ireland

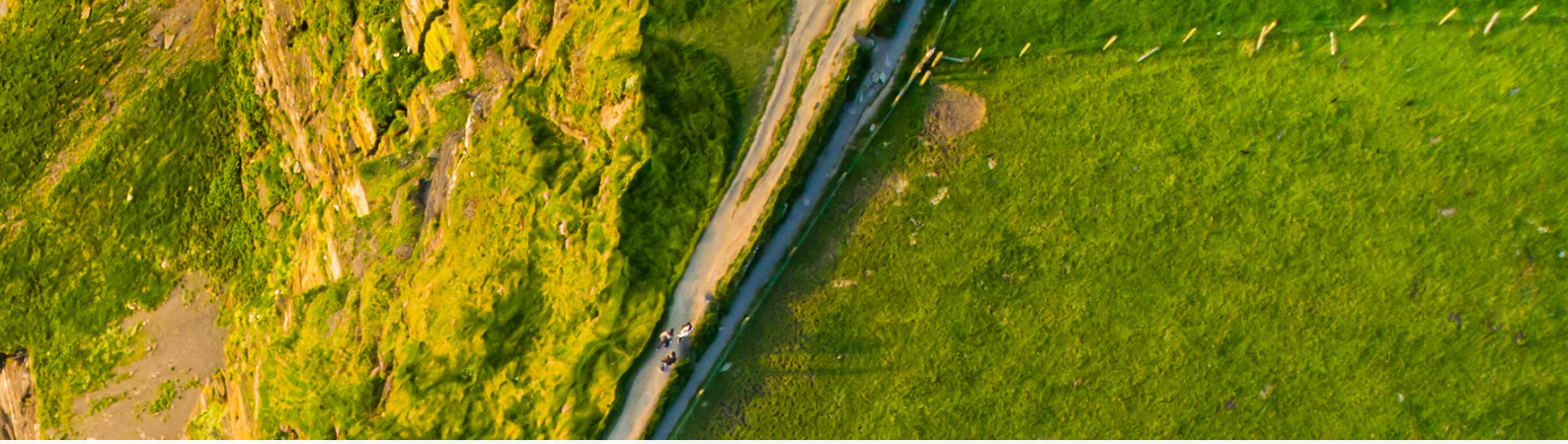
[kpmg.ie](http://kpmg.ie)



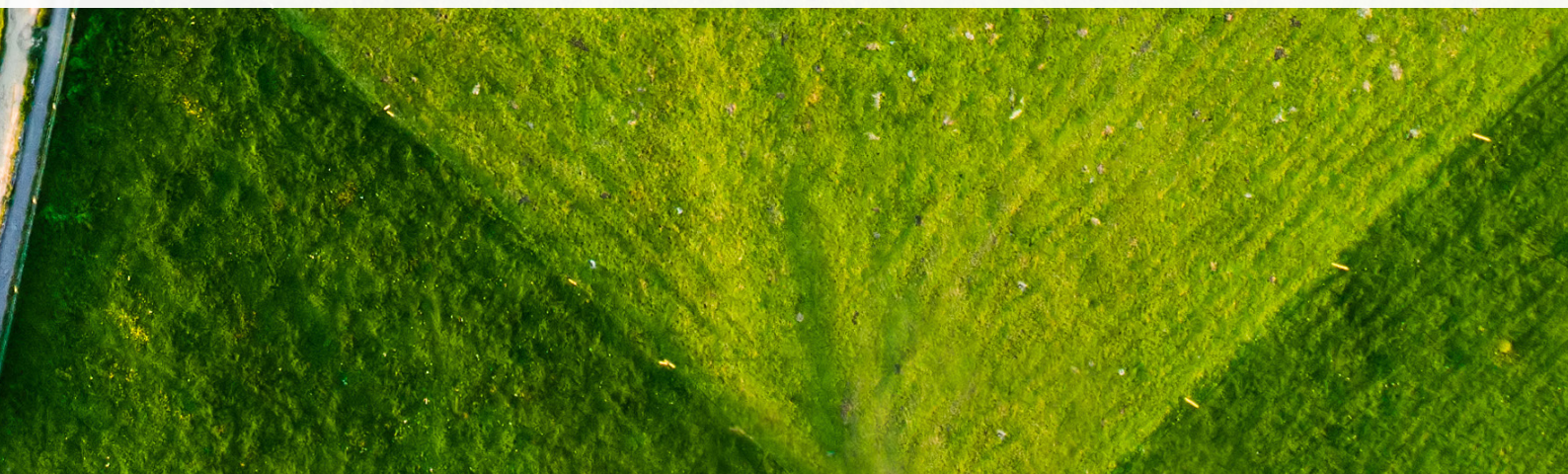
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# Message from our Managing Partner

Welcome to our 2019 Transparency Report, my first as Managing Partner of KPMG in Ireland. While this report is focused on last year, it is impossible to ignore the unprecedented events currently impacting the world we live in as a result of the COVID -19 crisis and what this will mean for our economy and Irish business over the course of 2020 and beyond.

As we approach the publication date of this report, we have experienced the initial stages of the health and economic crisis caused by this new Coronavirus and the tragic consequences for many families in our society that have experienced loss and serious illness as a result. Our sympathies are with these families whose suffering puts other matters into perspective.

Over the remainder of this year and certainly into next year, it is clear that this crisis will have significant implications for our business, for our clients, for the economy and for society. It is too early and still too uncertain to predict the economic impact that will result so it is important that all businesses remain agile, resilient and ready to deal with the challenges while preparing for the new reality.

At KPMG, we remain committed to prioritising the protection of our people in everything we do during the crisis and ensuring our teams are able to support our clients through the crisis period, preparing for recovery and in planning for the new reality. Businesses that think and act strategically at times like this will be successful and we have the skills and expertise to help them. We are committed to the maintenance of high quality across our business during this challenging time.

## *Looking back on 2019*

Reflecting on 2019, while for very different reasons, it too was a year where Irish business faced increased complexity and increasing global uncertainty. Brexit loomed large for many businesses and indeed was expected to be the biggest challenge facing the economy coming into 2020. This complexity and uncertainty provided challenges for some but opportunities for many and I am really proud that Irish business turned to

KPMG in Ireland to help them navigate these challenges and facilitate them capturing the opportunities.

During the year our business continued to perform strongly, working alongside our clients and helping them to deliver on their ambitions. We reported double digit growth in revenue and in headcount including consistent growth in our audit practice. We continued to invest in all parts of our business over the course of the year. This investment focused significantly on the recruitment, training and retention of excellent people who share in the firm's uncompromising focus on quality and ambition for success but we also substantially increased the level of our investment in technology to support the delivery of services to our clients. While not planned, this investment has also enabled us to transition seamlessly to a remote working environment and to continue to deliver quality work to our clients.

## *Investment and innovation*

Investment and innovation are key to the continuing success of our business. The environment our clients operate in continues to evolve, becoming more complex, more regulated and increasingly driven by technological developments and indeed the recent crisis is highly likely to see an acceleration in such developments. To remain relevant to our clients, it is essential that we continue to invest in the development of our people so they have the right skills and experience, in the breath of our teams by recruiting talented experts and in innovative technology solutions. During the year, we increased our investment with a focus on innovation in areas such data analytics, cybersecurity and applied intelligence all of which have enabled us to maintain our commitment to high quality.

## *Audit at the heart*

Our audit business has always been at the heart of our firm and executing our audits to the highest quality is core to our ambition. We recognise the trust that companies, regulators and others put in us to deliver high quality audits that contribute to financial reporting integrity so that investors have the confidence and trust to make key decisions.



**Seamus Hand**  
*Managing Partner,*  
KPMG in Ireland

In our 2019 Transparency Report we have shared with you details of our approach to audit quality and the initiatives that have been implemented to ensure we continue to maintain a relentless focus on quality to justify the trust placed in us by the various stakeholders we serve. It is critical that we provide exceptional quality on a consistent basis both to ensure we live up to the expectations of these stakeholders and to guarantee the long-term success of our business.

Our commitment to delivering on this expectation is facilitated by

- **Our Ambition:** to be Ireland's most successful and ambitious firm with our clients and respected as a trustworthy firm that all our people are proud to be part of. A relentless focus on quality is central to achieving this ambition.
- **Our Culture:** a quality centric culture is essential to continually delivering high quality audits. We strive to lead by example through leadership behaviours on quality and ensuring our "tone at the top" supports this culture.
- **Our Business:** we have continued to invest in audit quality initiatives, establishing our Audit Quality and Professional Practice team, investment in our system of quality management in preparation for the implementation of International Standard on Quality Management 1 (ISQM1) and the roll-out of a new audit workflow methodology and technology platform.

- **Our Global Network:** together with our global colleagues we are united in our commitment to achieving and maintaining the very highest quality standards. Our Global Board has implemented changes to the governance and control systems in our network to support a globally consistent audit quality model.

In the message from our Head of Audit, Sean provides some insights into how the above have been brought to life in our audit practice.

In this ever-evolving world we are hugely conscious of the challenges facing businesses today. In that regard it is and remains our privilege to partner with our clients in planning for what's next in their business.

I trust that the information provided in this Transparency Report is of interest and demonstrates that maintaining our focus on quality is critical to our business and to society particularly in times of unprecedented uncertainty like this. I am happy to engage with and discuss any aspects of our business with any of our stakeholders.

**Seamus Hand**  
*Managing Partner*

30 April 2020

Throughout this document, "KPMG" refers to the network of independent member firms operating under the KPMG name and affiliated with KPMG International Cooperative ("KPMG International") or to one or more of these firms or to KPMG International. KPMG International, a Swiss entity, provides no client services. Throughout the document, "we," "our," and "us" refer to KPMG in Ireland. KPMG in Ireland is a member firm of the KPMG network of independent firms affiliated with KPMG International. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

# Message from our Head of Audit

Audit has been at the heart of our firm for over 100 years. We are keenly aware of the reliance that audit committees, investors, companies and other stakeholders place in our work which underpins the efficient operation of our capital markets. We provide objective assurance over the data on which investors and others can rely. As such our audit teams, led by our audit partners, are focussed on delivering audits that are executed consistently in line with the requirements and intent of all applicable professional standards, within a strong system of quality controls. The activities related to performing our audits are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

Throughout this report we have described the structure and governance of our firm and our systems of quality control. The purpose is to provide you, the stakeholders, with a full understanding of our relentless focus on audit quality. We are very aware of the change in pace of business arising from the digital revolution and the consequent increase in risk to business. This requires KPMG in Ireland to invest in people, process and systems to remain at the forefront of our profession and to serve our public interest obligation. We hope that this report will provide you with some understanding of the activities we undertook during 2019 in furtherance of these objectives.

## *Audit overview – 2019*

During 2019 our audit practice continued to perform strongly. Our revenues from statutory audits in 2019 increased to €128 million from €114 million in 2018, an increase of 12%. This increase was broadly based across our audit practice in both our Financial Services division and our Corporate, Government and other Enterprises (CGE) division. A significant element of the increased revenue relates to the audits of a number of Ireland's largest public interest entities which became audit clients in 2019.

KPMG and its predecessors in Ireland have always had a large share of the Public Interest Entity (PIE) market and are proud, that with the introduction of mandatory audit tendering, we have continued to be successful in winning audits in this marketplace. At 31 December 2019 we were auditor to 35% of Irish Plcs listed on the main Stock Exchanges in Ireland and the UK.

While on the topic of audit tenders it is important to acknowledge that we, at KPMG in Ireland, are focussed on auditor independence in both fact and spirit. Audit tenure and the

relationship of audit to non-audit fees from individual clients has received a lot of attention internationally. It is welcome to see in a December 2019 publication from Chartered Accountants Ireland that in Ireland the ratio of non-audit to audit fees was only 7% and that most Irish PIEs have changed auditors in response to the requirements of the legislation on audit firm tenure.

## *Audit quality*

Audit quality is at the forefront of everything we do. We have a continued focus on enhancing the structures, governance and processes around the oversight and delivery of audit quality.

During 2019, and in light of the impending implementation of International Standard on Quality Management 1 "Quality Management for Firms that perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements", we renewed the Structure and Governance of audit quality in our firm. As a result of this review we

- Appointed Eamonn Russell, our existing Head of Department of Professional Practice ("DPP") to be Head of Audit Quality & Professional Practice (AQ&PP).
- Appointed Audit Quality Partners in each of our principal business units to drive audit quality and new audit quality initiatives deeper into our organisation.
- Established an Audit Quality & Professional Practice department which combines the financial accounting and reporting and audit quality and methodology groups that existed in our DPP with enhanced support to our practice in areas such as audit quality monitoring and remediation, regulatory inspections and innovation and oversight of the on-boarding of audit technology, methodology, process and systems.

Over a two-year period, we expect to increase the number of personnel working in our Audit Quality & Professional Practice department. These changes to our structures and the additional resources are designed to ensure that we are well placed to address audit quality expectations.

During 2019 we had an inspection by our regulator, the Irish Auditing and Accounting Supervisory Authority ("IAASA"). This involved a 'Whole of Firm' inspection focussed on four key areas and the review of five PIE engagements. The inspection process is thorough and fair and all of our interactions with IAASA have been professional.



**Sean O'Keefe**  
*Head of Audit*  
KPMG in Ireland

In addition to external reviews by IAASA, we have an annual review of the quality of a selection of our audit engagements which is overseen by KPMG International. KPMG International also conducts a review of our Governance, Structure and quality systems on a regular basis. The results of these inspections are positive for the most part but there are also learnings from issues that arise from time to time. We develop remediation plans and improve our quality processes and controls to address issues that these inspections highlight. This is a critical element in the ongoing journey to enhance audit quality.

### **Efficiency and Technology**

KPMG Clara is a new smart audit platform and workflow methodology that will be used by our firm to execute and document KPMG audits. It is an integral part of our audit quality programme which will further improve our audit teams' ability to execute audits consistently in accordance with audit standards and regulations while also providing deeper insight into our clients' businesses through enhanced use of Data and Analytics capabilities. We commenced the roll-out of KPMG Clara on a pilot basis in 2019 and expect to further embed this platform in 2020 and full deployment commencing in 2021. This is a major project and we have allocated significant resources in training and IT to ensuring the efficient roll-out of this technology and methodology.

In addition to KPMG Clara we also commenced an Audit Transformation project which will look in detail at how we deliver individual aspects of all the tasks that make up an audit. The aim of this project is to enhance the quality and efficiency of our audit process by allocating routine, repeatable tasks to on-shore and off-shore Service Centres and free up time for our client facing professional staff to focus on audit execution in key risk areas.

### **People**

Our audit headcount increased by 114 from 1,223 to 1,337 in 2019, an increase of 9%, reflecting the growth in our business and our focus on delivering quality audits. We are delighted to be able to offer so much opportunity to our existing employees and to graduates. For example, in 2019

- We promoted into or within our management group 93 people including the creation of four new partners and two new principals. This represented 31% of our total audit management group.

- We hired 257 graduates and continue to be one of the largest graduate recruiters in the country. We are pleased that so many of our country's top graduates are motivated to join KPMG in Ireland and train and qualify as chartered accountants. As a training firm we are providing an excellent grounding for the business leaders of the future.

As part of our obligation to our trainees and staff and our commitment to audit quality we spend significant resources on training. We have a full-time training group of 18 people supplemented regularly by our professional staff. In 2019 we delivered 71,707 hours of professional training to our audit staff.

Our focus on recruitment and training is reflected in our exam success rates which year after year are well in excess of the national average.

### **Conclusion and Outlook**

2019 was an excellent year for our audit practice. We have grown our business, created new opportunities for our people, introduced new technology and enhanced our audit quality structures and processes. We are, however, in no way complacent and are focussed constantly on the need to evolve to meet the needs of business and our public trust commitment.

We are very aware of the challenges faced by our profession globally and the debate about how our profession should develop. We are satisfied that we have the experience, capability and desire to ensure that our firm is in a position to meet the expectations of governments, regulators and business.

The Coronavirus crisis is clearly having a significant adverse impact on Society and business. Our focus at KPMG is on the health and safety of our people and our clients. We are closely following Government advice and taking every step to protect the health of our staff. At present all of our audit staff are working remotely from home. While this is challenging and audits will take longer to complete, we will continue to deliver high quality audits executed in accordance with auditing standards during this exceptionally difficult period.

**Sean O'Keefe**  
*Head of Audit*

30 April 2020

# Message from the Chairman of the Public Interest Committee

The Public Interest Committee ("PIC") was established in the autumn of 2013 in line with the Irish Audit Firm Governance Code prepared by the Chartered Accountants Regulatory Board ("CARB"). This sets out general principles rather than prescribing specific rules and has resulted in a learning-by-doing approach by the Committee and its members to establish a common view of the public interest as it relates to the firm's activities and performance.

The PIC has a governance role and has a right of access to relevant information and people. The Committee comprises three non-executive members, Mary Harney, Stephen Haughey and I as Chairman, the Firm's Managing Partner, Seamus Hand and its Head of Risk Management, Paul Dobey. Niall Savage, an audit partner of the firm, acts as our appointed secretary.

The Committee, like the firm, continued its personnel transition in 2019 with two new appointments during the year. In May, the newly elected managing partner, Seamus Hand, formally replaced Shaun Murphy and in July Frances Ruane retired from the Committee as part of a planned rotation giving rise to the opportunity to welcome Mary Harney as a new non-executive PIC member.

The PIC began its mandate under the leadership of Shaun Murphy who set the tone for openness and transparency and its right of access to key personnel which I wish to acknowledge. For this, his own and his management team's excellent contribution to the firm, on behalf of the PIC non-executive members, I wish to express our deep appreciation for his leadership role. I take this opportunity to wish Shaun every success in his new field of endeavour. Frances Ruane was a PIC member from August 2013 to July 2019. Throughout this period she brought the breadth of her extensive experience and insights to bear on our deliberations, exhibited a strong sense of collegiality with her fellow non-executive colleagues and made an outstanding input to our shared PIC mission.

The PIC exercises its duty of care to the firm through the oversight of matters of public interest with an emphasis on risk and quality. The mandate specifically relates to Public Interest Entities but in practice has extended to include high profile assignments of public interest, general reputational issues and consideration of the evolving regulatory debate as regards auditing and the audit profession. Our work is animated and informed by a series of in-depth presentations and discussions across a wide range of topics.

During the past year the Committee has been updated regularly by the Managing Partner and the Head of Risk Management on a rolling agenda focused on the matters of interest to the PIC, in relation to areas of wider public interest pertaining to the work of the firm, as well as providing insights related to the KPMG network in other jurisdictions.

Assisted by the Head of Audit, Sean O'Keefe and formerly by his predecessor Conall O'Halloran whose positive contribution to our work over recent years I wish to acknowledge, the PIC has focused particular attention on a series of regulatory reviews in the UK on auditing and the audit profession while, as a core element of our work, we have reviewed all in-house, KPMG International and external audit quality reviews conducted by IAASA and the PCAOB. Our deliberations in this regard having been greatly assisted by Head of Audit Quality and Professional Practice, Eamonn Russell.

The Head of People and Operations, Colm Gorman, has kept the PIC updated on HR policies and procedures and on insights arising from KPMG's Global People Survey.

The Head of Risk Management, Paul Dobey, gave a thorough explanation of the firm's policy on the identification and management of potential conflicts of interest at the request of the PIC.

The PIC also discussed the changing information technology environment and the firm's plans in this regard.



As Chairman, I had the opportunity to meet the firm's Policy Committee where its rolling agenda was discussed. The update addressed the full span of the PIC's work including key risk issues, high profile assignments, the results of regulatory inspections, Global Firm updates, new or amended policies and procedures and feedback from the firm's employee survey.

The Committee attended and presented at a Partner's Meeting, where we briefed partners on the activities of the Committee during the year and took soundings from partners on matters of public interest.

In the course of the year as part of its stakeholder engagement the PIC met with invited members of the Audit Committees of a number of significant Irish Public Interest Entities audited by the firm. It afforded a useful opportunity to exchange views not just on the firm and its services but also

on the wider policy debates surrounding the future of auditing and the audit profession.

All our meetings are conducted with due respect for confidentiality.

Based on our experience to date we consider the quality and risk management arrangements to be appropriate, robust and, when warranted, open to change. There is a focus on continuous improvement in light of the changing business and regulatory environment in which KPMG and similar firms operate and on the increasing expectations of regulators and other stakeholders of these firms.

We look forward in the coming period to making our contribution to the continued capacity of KPMG in Ireland to successfully serve the public interest.

**Pat Cox**  
*Chairman of the  
Public Interest Committee*

27 April 2020

# Profiles of Independent Non-Executive members of the Public Interest Committee

## *Pat Cox (Chairman)*

Pat Cox is currently the President of the Jean Monnet Foundation, Lausanne in Switzerland and the Président de l'Alliance Française de Dublin in Ireland. He has served as the President of the European Parliament and the President of the European Movement International. He is currently a member of several boards throughout Europe, namely the Yalta European Strategy in Ukraine, the Third Age Foundation in Ireland, the Supervisory Board of Michelin in France, the European Advisory Council of Liberty Global in the Netherlands, the Appian Asset Management in Ireland, the Institute for International and European Affairs in Ireland and Ecocem Materials Limited. He acts as the EU Project Coordinator for a multi modal transport corridor, the Scandinavian-Mediterranean TEN-T Core Network Corridor.

## *Stephen Haughey*

Stephen Haughey is a qualified solicitor and was a partner in A&L Goodbody for twenty-four years prior to retiring in 2010. Stephen was a partner in the Corporate Finance Department at A&L Goodbody, specialising in Banking and Finance and was head of the Banking Department for a period. He was appointed Chairman of A&L Goodbody in May 2005 and served in that role until he retired as a Partner in April 2010. Stephen currently acts as a Consultant to A&L Goodbody and has a number of non-executive directorships including Airbus Finance Company, Swiss Re International Treasury (Ireland) Limited and Enable Ireland Limited.

## *Mary Harney*

Mary Harney is an Irish former politician and the current Chancellor of the University of Limerick. She was leader of the Progressive Democrats party between 1993 and 2006 and again from 2007 to 2008. She is the longest-ever serving female member of Dáil Éireann, serving as a member Teachta Dála (TD) for the Dublin South-West and Dublin Mid-West constituencies from 1981 to 2011. She was Ireland's first female Tánaiste from 1997 - 2006 and the first woman to lead a party in Dáil Éireann. She was appointed Minister for Health and Children in 2004 and held this position until 2011. In 2012, She joined the board of a new healthcare company, Cara Health and the board of a start-up Ward Biotech. In April 2012 she joined the board of car fleet insurer Euro Insurances, an Irish subsidiary of Dutch leasing giant Leaseplan. She was also appointed to the board of Biocon, a Bangalore-based company employing 7,000 people.

# KPMG Values

Ethical values are the foundation of business ethics. Our values lie at the heart of the way we do things and define our culture and our commitment to the highest principles of personal and professional conduct.

KPMG people work together to deliver value to clients. We believe strongly in a common set of shared values which guide our behaviour 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 candour.

## **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 and do the hard right thing.

# 1

# Who we are

## 1.1 Our business

KPMG in Ireland is a provider of professional services, offering a range of Audit, Tax, Deal Advisory and Consulting services to a broad range of domestic and international clients across all sectors of business and the economy.

We operate on an all-Ireland basis and had an average of 101 partners (2018: 91 partners) and 3,210 people (2018: 2,937 people) during our financial year to 31 December 2019. We have five offices located across Ireland in Dublin, Belfast, Cork and Galway. Full details of all the services we offer can be found on our website [www.kpmg.ie](http://www.kpmg.ie).

## 1.2 Our strategy

Our strategy is determined by the partners; we have set out our ambition to be the Clear Choice professional services firm in Ireland. We recognise in doing this that our commitment to quality in everything we do is the most important element of our strategy: our reputation depends on it, as does our ability to achieve all other elements of our strategy. The ability to articulate clearly and consistently what quality means to us, as well as being able to demonstrate how we safeguard the quality of the service we provide, underpins all elements of our strategy.

The key elements of our strategy are to:

- drive a relentless focus on quality, service excellence and service innovation;
- continuously improve quality, consistency and efficiency;
- take a long-term sustainable view;
- act as a multidisciplinary firm, collaborating seamlessly;
- invest together in our chosen global growth priorities;
- maintain a passionate focus on our clients;
- deploy globally our highly talented people;
- bring insights and innovative ideas; and
- build public trust.



# 2

# Our structure and governance

## 2.1 Legal structure

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.

KPMG in Ireland is part of a global network of professional services firms providing Audit, Tax, Deal Advisory and Consulting services to a wide variety of public and private sector organisations. KPMG International's structure is designed to support consistency of service quality and adherence to agreed values wherever its member firms operate.

KPMG in Ireland ("the Firm") operates through a number of partnerships, formed under the Partnership Act 1890 and governed by a formal Partnership Deed, where each partner has one vote. During the year to 31 December 2019 there was an average of 101 partners (2018: 91 partners) in KPMG in Ireland.

KPMG in Ireland is affiliated with KPMG International Cooperative ("KPMG International"). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. It is the entity with which all the member firms of the KPMG network are affiliated. Further details about KPMG International and its business activities is available in the KPMG International Transparency report<sup>1</sup>.

## 2.2 The Irish Audit Firm Governance Code

The Irish Audit Firm Governance Code ("the Code") was issued by the Chartered Accountants Regulatory Board ("CARB") in June 2012 and applies to firms that audit public interest entities.

The Audit Executive Team, as defined in the Executive Team section on page 11 overleaf, has reviewed the provisions of the Code together with details of how the firm is complying

with those provisions and has concluded that, as at 31 December 2019, KPMG in Ireland is in compliance with the provisions of the Code.

## 2.3 Responsibilities and obligations of member firms

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

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

Member firms commit to a common set of KPMG values on page 8.

KPMG International's activities are funded by a levy paid to it 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, procedures and regulations set by KPMG International or any of its other obligations owed to KPMG International.

## 2.4 Governance structure

KPMG in Ireland applies high standards of corporate governance and we are committed to ensuring that we stay at the forefront of good governance.

### *Managing Partner*

The Managing Partner acts as the chief executive of the firm and manages the firm in accordance with its policies. Executive authority over all partners is vested in the Managing Partner and extends to all areas of the firm, in accordance with the terms of the Partnership Deed. The Managing Partner may consult

1. <https://home.kpmg/xx/en/home/campaigns/2019/12/kpmg-international-transparency-report.html>

other partners and, in particular, the Policy Committee and the Executive Team as considered advisable in relation to matters which are within the power of the Managing Partner, but he is not obliged to do so.

The Managing Partner is elected by the partnership and serves a three-year term. A Managing Partner can stand for election for a second three-year term. He or she may only stand for a further term if that is approved by the partners. Any partner can put him/herself forward for Managing Partner at each three year interval as long as he/she is nominated by at least eight other partners. The current Managing Partner was appointed in May 2019.

Along with the Managing Partner there are a number of other principal bodies that deal with key aspects of governance within the firm. These are:

- the Policy Committee;
- the Executive Team;
- the Public Interest Committee; and
- the Remuneration Committee.

Details about the roles and responsibilities and composition of each of these key bodies are set out below.

#### *The Policy Committee*

The KPMG in Ireland Policy Committee is responsible for ensuring that the firm is run in the interests of its partners and employees as a whole and in a manner which is in keeping with the standing and reputation of the firm.

It has the power to make all policy decisions with the exception of certain matters which are reserved to the partners as a whole. The Committee's policy decisions are binding on the partnership. In addition, the Policy Committee is responsible for approving the strategy of the firm, overseeing its implementation by the Executive Team, considering quality and risk matters, recommending partner candidates to the partnership and considering the firm's overall financial performance.

As a matter of practice, the Policy Committee concerns itself with significant matters of policy and does not concern itself with operational matters.

The Policy Committee is composed of ten people, including the Managing Partner and secretary. The Managing Partner is ex-officio Chair of the Policy Committee. Other members are elected by the partnership at an annual election. Members who are elected serve a two-year term and can be then reappointed for a further two years. Members having served four years are not eligible for election again for two years.

The Committee meets regularly throughout the year. In the year to 31 December 2019 it met 22 times. The Committee reports to partners at least twice yearly updating them on its activities and the issues it is addressing. Minutes from each meeting are circulated to all partners.

#### *The Executive Team*

The KPMG in Ireland Executive Team acts as the key management decision making group of the firm. The composition of the Executive Team is determined by the Managing Partner for a period that is normally concurrent with and may not exceed the period of appointment of the Managing Partner. In 2019 the Executive Team comprised the Managing Partner, the Head of Audit, the Head of Tax and Legal Services, the Head of Deal Advisory, the Head of Consulting, the Heads of Markets (Financial Services, CGE Markets, and Investment and Innovation), the Head of Risk Management, the Head of People and Operations, the Head of Finance and Administration and the Secretary to the Executive Team.

The Executive Team is responsible for developing the business plan within the overall strategy approved by the Policy Committee, together with its subsequent implementation. It oversees the implementation of the business plan, monitors performance against our business plan and protection and enhancement of the KPMG brand. It deals with operational matters affecting the firm including operating and financial performance, quality and risk, budgets, new business proposals, innovation, marketing, technology development, recruitment, retention and remuneration. The Executive Team meets regularly. It met 14 times during the year to 31 December 2019.

A Functional Executive Team acts as the key management decision making group of their respective function in consultation with the Executive Team. The composition of each Functional Executive Team is determined by the Managing Partner and the Head of Function for a period that is concurrent with the period of appointment of the Managing Partner. In 2019 the Audit Executive Team comprised the Head of Audit, the Head of the Department of Audit Quality and Professional Practice ("AQ&PP") and the leaders of the key audit business units. The Tax and Legal Services Executive Team comprised the Head of Tax and Legal Services and the leaders of the key tax business units. The Advisory Executive Team comprised the Head of Deal Advisory, the Head of Consulting and the leaders of the key advisory business units.

Details of the members of the Executive Team for KPMG in Ireland for 2019 are set out in Appendix 1.

#### *The Public Interest Committee*

The Public Interest Committee ("PIC") was established in autumn 2013 to respond to the Irish Audit Firm Governance Code.

The PIC comprises three externally appointed members along with the Managing Partner and the Head of Risk Management. It is supported by a partner who acts as Secretary to the Committee.

The PIC is responsible for overseeing the public interest aspects of decision making of KPMG in Ireland. The Committee's focus is on the firm's governance, risk, quality

and oversight structures. Through its work the Committee assists in building public confidence in the quality control structures that the firm has in place to ensure we properly consider our broader public accountability in delivering our services. Acting in the public interest involves having regard to the legitimate interests of clients, government, financial institutions, employers, employees, investors, regulators, the business and financial community and others who rely upon the objectivity and integrity of the auditing profession. The PIC may also participate, together with Audit Leadership, in dialogue with external stakeholders.

The three independent non-executive members of the PIC are Pat Cox (Chairman), Stephen Haughey and Mary Harney.

The Public Interest Committee generally meets quarterly. It met 3 times during the year to 31 December 2019.

The firm has considered the Irish Audit Firm Governance Code and the Ethical Standard issued by IAASA in drawing up criteria for appointment of the members of the PIC. These criteria recognise the need for the external non-executive members of our PIC to maintain appropriate independence from the firm and its partners and have due regard to the impact of any external financial and business relationships held by the non-executive members on the firm's independence from its audit clients.

Our external non-executive members are not considered to be part of the chain of command for the purposes of auditor independence requirements. In addition, none of them hold senior management positions at audit clients of the firm which are public interest entities. They are, as a condition of their appointment, under a continuing obligation to disclose any matters which may constitute a potential conflict of interest as soon as they become aware of them. A report from the chair of the Public Interest Committee on the activities of the Committee in the year is provided on page 5.

### **The Remuneration Committee**

The Remuneration Committee is responsible for determining the remuneration of each partner on an annual basis following a detailed review of each partner's contribution over the year.

Each partner submits a written appraisal to the Remuneration Committee detailing his/her own view of performance against objectives over the previous year. The Committee hears a report from each partner's Counselling Partner on his/her individual performance for the year.

Finally, as part of its deliberations the Remuneration Committee also receives and considers presentations from the Heads of Audit, Tax and Legal Services, Deal Advisory, Consulting, Markets, Risk Management and People and Operations setting out an assessment of the quality of work performed by partners and their overall performance during the year under review.

The Remuneration Committee details its findings and its recommendation in relation to profit allocations in a report at the end of the review process which is then circulated to all partners for their approval.

The Remuneration Committee is chaired by the Managing Partner. Other members of the Committee are elected by the partner group annually. The Committee met 21 times in the year ended 31 December 2019.

Further information regarding partner remuneration is set out in Section 6.

## **2.5 Reporting**

The governance bodies receive timely and appropriate quality information to enable them to discharge their duties. Section 5 of this Transparency Report provides the following disclosures:

- the financial information required by Article 5 of the EU audit regulation (EU regulation No. 537/2014 of the European Parliament);
- a statement of who is responsible for preparation of the financial information and their respective reporting responsibilities;
- a statement in respect of going concern; and
- our internal control review process.

## **2.6 Dialogue with stakeholders**

We encourage any of our clients, audit committee chairs, investors or indeed any other stakeholder group who wish to discuss any matter set out in this report to contact us.



# 3

# System of quality control

## 3.1 Responsibility for quality and risk management

Everything we do begins and ends with quality. We are committed to achieving a high level of quality and the highest ethical standards. As a result, we continue to build a culture of continuous improvement so that we are recognised through the quality of our work. We are cognisant that fundamental to building and maintaining public trust in our audit services is a continuous commitment to improving quality. We continue to invest heavily in delivering and developing an audit offering including significant investment in training and in tools that enable us to deliver more effective audits.

Quality control and risk management are the responsibility of all KPMG in Ireland personnel. This responsibility includes the need to understand and adhere to firm policies and associated procedures in carrying out their day-to-day activities. The system of quality control applies to all KPMG partners and employees wherever they are based. While this Transparency Report summarises KPMG's approach to audit quality, it may also be useful for stakeholders interested in our Tax, Deal Advisory and Consulting services, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered.

## 3.2 Our system of quality control

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

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

KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality &

Risk Management Manual (Global Q&RM Manual) which applies to all KPMG in Ireland partners and employees. KPMG in Ireland is required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls.

There have been significant changes in professional standards and in the regulatory environment in which we operate since the implementation of EU Audit Reform. We have considered the changes in the regulatory environment and professional standards and continue to refine our policies and procedures to ensure compliance with same.

Amendments to risk and quality policies, including ethics and independence policies, are included in quality and risk management alerts and are communicated by email and our training updates. KPMG in Ireland is required to implement changes specified in these email alerts and this is checked through internal monitoring programs.

KPMG in Ireland is required to implement KPMG International policies and procedures and also adopts additional policies and procedures that are designed to address standards issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) and Chartered Accountants Ireland (CAI) and other relevant regulators as well as applicable legal and regulatory requirements.

### *Audit quality framework*

At KPMG in Ireland audit quality is not just about reaching the right opinion, but how that opinion is reached. It is about the processes, thought and integrity behind the auditors' report. The outcome of a quality audit is the delivery of an appropriate and independent opinion in compliance with relevant professional standards and applicable legal and regulatory requirements. To help all audit professionals concentrate on the fundamental skills and behaviours required to deliver a quality audit, KPMG International has developed the Audit Quality Framework.

Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands.

We define 'audit quality' as being the outcome when:

- Audits are executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality controls; and



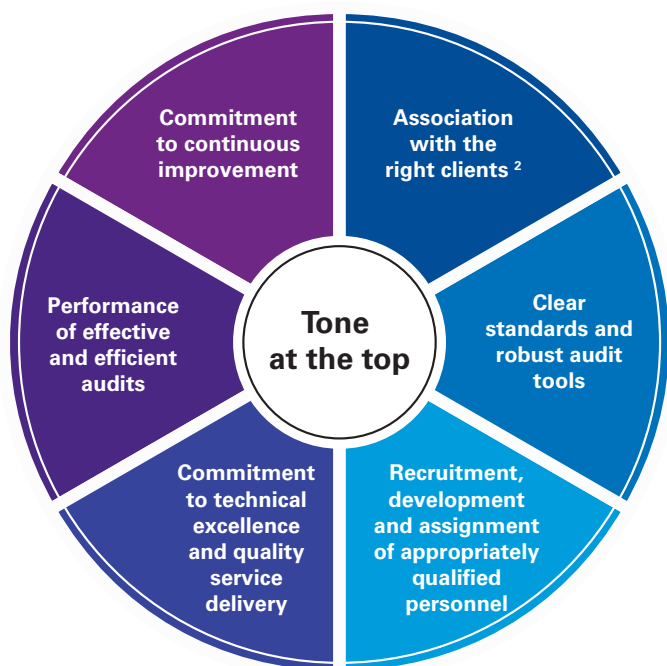
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

KPMG’s audit quality framework introduces a common language that is used by all KPMG firms to describe what drives audit quality and to help highlight to their audit professionals how they contribute to its delivery.

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 behaviours permeate all KPMG firms. All of the other drivers create a virtuous circle because each driver is intended to reinforce the others. Each of the seven drivers is described in more detail in the following sections of this report.

Leadership plays a critical role in establishing our commitment to quality and the highest standards of professional excellence. A culture based on quality, integrity and ethics is essential in an organisation that carries out audits and other services on which stakeholders and investors rely. KPMG’s leadership drives an awareness that everyone across the network who is involved in performing an audit, or any client engagement across tax and advisory, has a responsibility and a part to play. This is one of the factors that connects everyone at KPMG. It is embedded by starting at the top of the organisation.

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



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

our firms and our audit engagements. This means significant ongoing investment in our system of quality management, global monitoring of audit quality, our professionals and enhanced support, technology and tools for engagement teams. Our global audit quality program ensures consistent deployment of investments to enhance and support a common approach.

KPMG in Ireland has established an Audit Quality Committee which is chaired by the Head of Audit Quality & Professional Practice (AQ&PP). The overarching role of the committee is to promote consistent audit quality across the Irish audit practice and to oversee those activities of the audit practice which relate to improving and maintaining the consistency and quality of audits undertaken. The Committee oversees quality related activities including significant audit initiatives, internal quality monitoring programmes, results of and responses to inspections by external regulators and the principal projects and initiatives relevant to audit quality undertaken by KPMG in Ireland.

### 3.3 Tone at the top

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

At KPMG in Ireland we promote a culture in which consultation is encouraged and recognised as a strength.

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

The KPMG values, which have been explicitly codified for a number of years, are embedded into the working practices and values-based compliance culture at KPMG in Ireland. The KPMG values form the foundation of our culture and set the tone at the top. They also form the foundation of the KPMG approach to audit and shape how we work together. We communicate the KPMG values clearly to our people and embed them into our people processes – induction, performance development and reward. The KPMG values are set out on page 8.

#### KPMG Global Code of Conduct

KPMG’s commitment to integrity and quality is enshrined in the KPMG values that lie at the heart of the way we do things. They define KPMG’s diverse and inclusive culture and our commitment to the right personal and professional conduct emphasising that, above all, KPMG people act with integrity. The KPMG values are communicated clearly to all people and are embedded into member firms’ people processes — induction, performance development and reward.

Building on the KPMG values is the KPMG Global Code of Conduct<sup>3</sup> Member firms, including KPMG in Ireland are required to adopt, as a minimum standard, the Global Code of Conduct.

2. KPMG International has established policies and procedures which utilise global baseline acceptance criteria - see 3.6

3. <https://home.kpmg/xx/en/home/about/who-we-are/governance/global-code-of-conduct.html>

### *KPMG in Ireland Code of Conduct*

In addition, the KPMG in Ireland Code of Conduct lays out the expectations of ethical behaviour for all partners and employees at KPMG in Ireland and is built on the foundation of the KPMG values. The KPMG in Ireland Code of Conduct emphasises that each partner and employee is personally responsible for following the legal, professional, and ethical standards that apply to his or her job function and level of responsibility. The KPMG in Ireland Code of Conduct sets out our commitments and includes provisions that require KPMG in Ireland partners and employees, in summary to:

- comply with all applicable laws, regulations, professional standards and KPMG in Ireland policies;
- work with the right clients and third parties;
- focus on quality;
- maintain our objectivity and independence;
- not tolerate any illegal or unethical acts, committed within KPMG in Ireland, by clients or suppliers, or public officials with whom we deal;
- protect information;
- compete fairly;
- help our people to be extraordinary;
- be responsible corporate citizens;
- build public trust.

All KPMG in Ireland partners and employees are required to:

- comply with both the Global Code of Conduct and the KPMG in Ireland Code of Conduct and confirm their compliance with the Code of Conduct, and
- complete regular training covering the Code.

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

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

In addition, the KPMG International hotline<sup>4</sup> is a mechanism for all KPMG partners, employees, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, activities of KPMG member firms or the senior leadership or employees of a KPMG member firm.

At KPMG in Ireland, we regularly monitor the extent to which our people feel that the firm lives the KPMG values through the People Survey, refer to section 3.7.7.

### *3.3.1 Leadership responsibilities for quality and risk management*

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

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

The following individuals have leadership responsibilities for quality and risk management at KPMG in Ireland.

#### *Managing Partner*

In accordance with the principles in ISQC1, our Managing Partner, Seamus Hand, has assumed ultimate responsibility for KPMG in Ireland's system of quality control.

The Heads of Function – Audit, Tax and Legal Services, Deal Advisory and Consulting – are primarily accountable for the quality of service delivered in their respective functions. Each is supported by an executive team of partners who, together with the Head of Function, are responsible for the operation of the risk management, quality assurance and monitoring procedures for their specific functions set by the firm's policies and the Head of Risk Management. These procedures reinforce the fundamental principle that, on each individual engagement, quality is ultimately the responsibility of each and every professional.

#### *Head of Risk Management ("RMP")*

Operational responsibility for the system of quality control, risk management and compliance has been delegated to our Head of Risk Management, Paul Dobey, who reports directly to the Managing Partner and is a member of the Executive Team. This underlines the importance that our firm places on risk and quality. He is responsible for setting overall professional risk management and quality control policies and the direction and execution of ethics and independence policies. He monitors compliance for KPMG in Ireland with these policies. The Head of Risk Management consults as required with the appointed Area Quality and Risk Management Leader. The Head of Risk Management is supported by a team of professionals in the Risk Management function.

#### *Head of Audit Quality & Professional Practice ("AQ&PP")*

The AQ&PP function is responsible for providing support to the firm's professionals in meeting their professional responsibilities in the areas of auditing, accounting, reporting and assurance standards. It also provides support to our practice in areas such as audit quality monitoring and remediation, regulatory inspections and innovation and oversight of the on-boarding of audit technology, methodology process and systems. It is led by our Head of Audit Quality

4. <https://home.kpmg/xx/en/home/campaigns/2018/01/kpmg-international-hotline.html>

& Professional Practice, Eamonn Russell, and is comprised of a team of senior and experienced professionals with the technical expertise necessary to support audit teams on the interpretation and application of auditing, accounting and regulatory requirements.

The AQ&PP and Risk Management functions are involved in the internal monitoring procedures described in Section 3.9.

**The Audit, Tax and Legal Services, Deal Advisory and Consulting functions - Heads of Function**

The heads of the client service functions (Audit, Tax and Legal Services, Deal Advisory and Consulting) are accountable to the Managing 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 Head of Risk Management. These procedures make it clear that at the engagement level, risk management and quality control is ultimately the responsibility of all professionals in the firm.

Our Heads of Function are responsible for leading a sustainable high-quality practice that is attractive to KPMG people. This includes:

- setting the right ‘tone at the top’ by demonstrating an unwavering commitment to the highest standards of professional excellence, including scepticism, objectivity, and independence;
- developing and implementing strategies to monitor and maintain knowledge and skills required of partners and employees to fulfil their professional responsibilities; and
- working with the Head of Risk Management to monitor and address quality and risk matters including an annual evaluation of activities considered to be key to quality.

**3.4 Clear standards and robust audit tools**

**3.4.1 Consistent audit methodology and tools**

All KPMG in Ireland professionals are expected to adhere to KPMG International and KPMG in Ireland policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The KPMG in Ireland policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical and quality control standards, and other relevant laws and regulations as outlined by IAASA, PCAOB, FRC and the CAI where applicable.

The KPMG audit methodology developed by the KPMG Global Solutions Group (KGSG) is based on the requirements of the International Standards on Auditing (ISAs) as well as the auditing standards of PCAOB and AICPA. The KPMG audit methodology is set out in KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, which KPMG International believes enhance the quality of the audit. The methodology emphasises applying appropriate professional scepticism in the execution of audit

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

KPMG member firms may add local requirements and/or guidance in KAM to comply with additional professional, legal, or regulatory requirements.

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

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

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

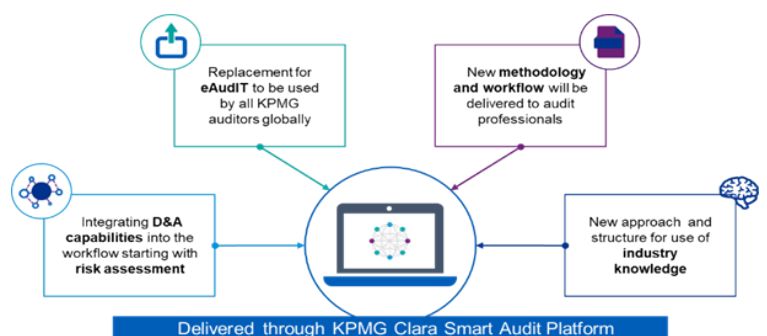
Significant investments are underway to revise and enhance the KPMG audit methodology (KAM) and workflow tool (eAudit), with the deployment of KPMG Clara workflow which was piloted in 2019, planned for limited deployment globally in 2020, and full deployment commencing in 2021.

**KPMG Clara, KPMG Clara Workflow and Audit Data & Analytics (“D&A”)**

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

**KPMG Clara**

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



### ***KPMG Clara Workflow***

Building on the launch of KPMG Clara in 2017, KPMG International is creating a new workflow tool that will be used by KPMG member firm audit teams to execute and document KPMG audits. It will be intuitive, user-friendly and modern.

The new system will genuinely be a workflow – guiding audit teams through a series of steps in a logical sequence aligned to the standards with a clear display of information and visuals, knowledge and guidance available at the moment of need, and with embedded advanced data and analytics (D&A) capabilities. The workflow and methodology will also be scalable – adjusting the requirements to the size and complexity of the audit engagement. This globally-driven project will significantly overhaul and redesign the execution of an audit by KPMG professionals and drive improvements in audit quality.

KPMG Clara workflow incorporates monitoring capabilities (e.g. data mining) at the engagement level for use by member firms. The KPMG Clara workflow was piloted in 2019, with initial limited deployment globally in 2020 and full deployment commencing in 2021. The predecessor audit workflow tool, eAudit, is expected to be decommissioned shortly thereafter.

### ***Audit data & analytics (“D&A”)***

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

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

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

### ***3.4.2 Access to specialist networks***

KPMG in Ireland engagement teams have access to a network of local KPMG specialists as well as specialists in other KPMG member firms. Specialists who are members of an audit team and have overall responsibility for specialist involvement on an audit engagement have the competencies, capabilities and objectivity to appropriately fulfil their role. Training on audit concepts is provided to these specialists.

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

### ***3.4.3 Culture of consultation***

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

is recognised as a strength and that encourages all KPMG professionals to consult on difficult or contentious matters.

To assist audit engagement professionals in addressing difficult or contentious matters, protocols have been established for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, the KPMG Global Q&RM Manual includes mandatory consultation requirements where certain matters are identified such as concerns over client integrity. 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, the Head of Audit Quality & Professional Practice, the Head of Risk Management, or ultimately the Managing Partner.

Appropriate consultation support is provided to audit engagement professionals through our professional practice resources that includes AQ&PP. Across our firm, the role of AQ&PP 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.

### ***Technical consultation and global resources***

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

### ***KPMG Global Solutions Group (“KGSG”)***

The KGSG’s mission is to drive success for KPMG’s global network of Audit practices through collaboration, innovation and technology. The KGSG develops, maintains and deploys KPMG’s audit methodology and technology-based tools used by KPMG audit professionals to facilitate effective and efficient audits. With three global locations, one in each region, the KGSG Audit team is made up of professionals with backgrounds in audit, IT, data science, mathematics, statistics, and more from around the world who bring diverse experiences and innovative ways of thinking to further evolve KPMG’s audit capabilities.

### ***International Standards Group (“ISG”)***

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

### 3.4.4 Developing business understanding and industry knowledge

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

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



### 3.5 Performance of effective and efficient audits

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

#### 3.5.1 KPMG audit process

KPMG has been investing significantly in evolving the network's Global Organisation's audit capabilities and will continue to do so in the coming years including a new global electronic audit workflow delivered through the KPMG Clara platform – KPMG's smart, modular audit platform – capable of continually integrating new and emerging technologies, with advanced capabilities embedded that leverage data, automation, and visualisation as discussed in further detail at 3.4.1 above. Data & Analytics (D&A) is integral to the way how KPMG member firms obtain audit evidence and interact with clients in the digital era.

Our audit workflow is enabled through KPMG Clara and eAudit. KPMG in Ireland's activity based workflow and electronic audit file eAudit integrates our audit methodology, guidance and industry knowledge, and the tools needed to manage audits consistently. Our high-quality audit process includes:

- timely partner and manager involvement throughout the engagement;
- timely access to the right knowledge including involvement of specialists, accredited individuals and relevant industry expertise;
- critical assessment of audit evidence obtained during the audit, exercising appropriate professional judgement and professional scepticism;
- ongoing mentoring, supervision and review;
- appropriately supported and documented conclusions; and
- robust challenge and review, including Engagement Quality Control (EQC) review.

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

The engagement leader is a key participant in the planning meetings, reviews key audit documentation – especially documentation relating to significant risks and key audit judgements – and is responsible for the final audit opinion.

The engagement manager assists the partner in these responsibilities and in the day to day liaison with the client and team, building a deep business understanding that helps the partner and team deliver valued insights.

Involvement and leadership from the engagement leader 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 leader at other stages of the engagement allows the engagement leader to identify and appropriately address matters important to the engagement, including critical areas of judgement, significant risks and other areas the engagement partner considers important.

#### Critical assessment of audit evidence with emphasis on professional scepticism

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 recognise that audit evidence obtained from external sources tends to be more persuasive. For the purpose of obtaining sufficient appropriate audit evidence all team members are

required to exercise professional judgement and maintain professional scepticism throughout the audit engagement.

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

KPMG's professional judgement process facilitates good judgement by introducing a structured approach to auditing areas that require significant judgement. It also reinforces the importance of independence and objectivity and emphasises the importance of having the right mind-set and the need to apply professional scepticism.

Our professional judgement process recognises the need to be aware of and alert to biases which may pose threats to good judgement. The structured approach to auditing areas that require significant judgement involves:

- considering alternatives;
- critically assessing audit evidence by challenging management's assumptions and following up contradictory or inconsistent information; and
- documenting rationale for conclusions reached on a timely basis as a means of evaluating their completeness and appropriateness.

The use of the professional judgement process and the application of professional scepticism is reinforced through coaching and training, acknowledging that judgement is a skill developed over time and with different experiences.

### 3.5.2 Ongoing mentoring, supervision and review

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

Ongoing mentoring, coaching and supervision during an audit involves:

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

- identifying matters for consultation with more experienced team members during the engagement.

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

#### *Appropriately supported and documented conclusions*

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

KAM recognises 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 finalised.

Engagement teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is ordinarily not longer than 60 days (45 days for SEC registrants) from the date of the audit report. A key principle that engagement team members are required to consider when preparing audit documentation is whether an experienced auditor, having no previous connection with the engagement, reviewing the audit documentation sometime in the future will understand:

- the nature, timing, and extent of audit procedures performed to comply with ISAs, KAM and other requirements 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 judgements made in reaching these conclusions.

#### *Timely engagement quality control (EQC) reviews*

EQC reviewers are independent of the engagement team and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgements made by the engagement team and the appropriateness of the financial statements. They are experienced audit professionals who are independent of the engagement team and are required to be involved at several stages of the audit. They offer an objective review of the more critical and judgemental areas of the audit.

An EQC reviewer is required to be appointed for 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 Head of Risk Management, the Head of Audit Quality & Professional Practice or Head of Audit.

The EQC review takes place before the date of the auditor's report and includes, among other matters:

- review of selected audit documentation relating to significant judgements the engagement team made and the conclusions it reached;
- review of the financial statements and proposed auditor's report; and
- evaluation of the conclusions reached in formulating the audit report and consideration of whether the proposed report is appropriate.

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

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

- rollout of separate training for EQC reviewers
- issuing guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers;
- incorporating specific procedures in the KPMG audit workflow to facilitate effective reviews; and
- implementing policies relating to recognition, nomination and development of EQC reviewers, as well as monitoring and assessing the nature, timing and extent of their involvement.

### Reporting

Auditing standards and Company Law largely dictate the format and content of the audit report that includes an opinion on the fair presentation in all material respects of the client's financial statements. Experienced auditors arrive at all audit opinions after involvement in and review of the work performed by the audit team.

We provide through AQ&PP extensive reporting guidance and technical support to audit partners in preparing audit reports where there are significant matters to be reported to users of the audit report including the key audit matters which form part of our extended audit report.

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

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

At KPMG in Ireland we stress the importance of keeping those charged with governance informed of issues arising throughout the audit and the need to listen to and understand their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board

meetings, and when appropriate, ongoing informal discussions with management and members of the audit committee.

Communications with audit committees include:

- an overview of the planned scope and timing of the audit, which includes communicating significant risks identified;
- significant findings from the audit which may include control deficiencies and audit misstatements; and
- an annual written communication that states the engagement team and KPMG in Ireland has complied with relevant independence requirements; describes all relationships and other matters between KPMG in Ireland and the audit client that, in our professional judgement, may reasonably be thought to bear on independence; and states related safeguards we have applied to eliminate (or reduce to an acceptable level) identified threats to independence.

We ensure such communications meet the requirements of professional standards.

### Audit Committee Institute

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, the 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 more than 40 countries across the globe including KPMG in Ireland and provides audit committee members with authoritative guidance (such as the ACI Audit Committee Handbook) on matters of interest to audit committees; updates on issues like changes to accounting standards and other matters of interest to Audit Committees (such as cyber security and corporate culture); and the opportunity to network with their peers during an extensive program of technical updates and awareness seminars.

The ACI's offerings cover the array of challenges facing audit committees and businesses today – from risk management and emerging technologies to strategy and global compliance.

Further details and insights on Audit Committee Institute are available on our website<sup>5</sup>.

### IFRS Institute

KPMG's Global IFRS Institute provides information and resources to help the KPMG in Ireland's Board and Audit Committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial reporting framework.

## 3.6 Association with the right clients

### 3.6.1 Acceptance and continuance of clients and engagements

One of the key ways to manage audit quality is to understand the nature of our client's business and the issues they face and to build a robust audit response to address the identified risks.

5. <https://home.kpmg/ie/en/home/services/audit/audit-committee-institute.html>

Rigorous client and engagement acceptance and continuance policies and processes are vital to protect KPMG's reputation, support the KPMG brand and play an important part in enabling us to provide high quality professional services.

Accordingly, KPMG International has established policies and procedures which all member firms are required to implement in order to decide whether to accept or continue a client relationship, and whether to perform a specific engagement for that client. Where client/engagement acceptance (or continuance) decisions pose significant risks, additional approvals are required.

### **3.6.2 Client and engagement acceptance process**

#### ***Client evaluation***

KPMG in Ireland undertakes an evaluation of every prospective client.

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

A second partner, as well as the evaluating partner, approves each prospective client evaluation. Where the client is considered to be 'high risk' the Head of Risk Management or a sufficiently skilled and experienced delegate is involved in approving the evaluation.

#### ***Engagement evaluation***

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, as well as factors specific to the type of engagement. For audit services these include the competence of the client's financial management team and the skills and experience of personnel assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG 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. These procedures include a review of any non-audit services provided to the client and of other relevant business and personal relationships.

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

We follow specific procedures (detailed further in section 3.6.6) to identify and evaluate threats to independence for prospective audit clients that are public interest entities.

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

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

### **3.6.3 Continuance process**

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

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

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

### **3.6.4 Withdrawal**

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

### **3.6.5 Client portfolio management**

KPMG in Ireland's leadership appoints engagement partners who have the appropriate competence, capabilities, time and authority to perform the role for each engagement. Each audit partner's client portfolio is regularly reviewed to ensure they have sufficient time to manage the portfolio and the related risks. These reviews consider the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the partner to deliver a quality audit for every client.



### 3.6.6 Independence, integrity, ethics and objectivity

#### Overview

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

KPMG in Ireland has adopted the KPMG Global Independence Policies which are derived from the IESBA Code of Ethics and incorporate, as appropriate, the rules of the US Securities and Exchange Commission (“SEC”) and of the US PCAOB. These are set out in KPMG’s Global Q&RM Manual. Automated tools which are used for every prospective engagement to identify potential independence and conflicts of interest issues and facilitate compliance with these requirements. In addition, we comply with relevant local ethics and independence requirements issued by the Irish Auditing & Accounting Supervisory Authority (IAASA) and/or the Financial Reporting Council (FRC).

The firm’s policies cover areas such as firm independence (including, for example, treasury and procurement functions), personal independence, firm financial relationships, post-employment relationships, partner rotation, and approval of audit and non-audit services.

The designated Ethics and Independence Partner (“EIP”) is also the Head of Risk Management and is supported by a core team of specialists to help ensure that we apply robust and consistent independence policies, processes and tools.

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

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

Ethics and independence policies are set out in our Global Quality and Risk Management Manual which contains our independence policies and is reinforced through the issue of alerts and an annual training program. Amendments to the ethics and independence policies during the course of the year are communicated through the use of e-mail practice alerts and are incorporated in regular risk and quality communications

and this is checked through the internal monitoring programs described in Section 3.9.1

KPMG in Ireland personnel are required to consult with the EIP on certain matters as defined in the Global Q&RM Manual. Consultations may also be required with the Global Independence Group, depending upon the facts and circumstances.

#### Personal financial independence

KPMG International policies require that KPMG member firms and KPMG professionals are free from prohibited financial interests in, and prohibited relationships with, KPMG member firm assurance and audit clients, their related entities or affiliates, their management, directors, and significant owners. The policies also extend the IESBA Code of Ethics restrictions on ownership of audit client securities to every KPMG member firm partner in respect of any audit client of any member firm.

All KPMG partners — irrespective of their member firm and function — are generally prohibited from owning securities of any audit client of any member firm.

KPMG member firms use a web-based independence compliance system (KICS) to assist our professionals in complying with personal independence investment policies. This system contains an inventory of publicly available investments and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e., late reporting of an investment acquisition).

Our professionals are responsible for making appropriate inquiries and taking other appropriate actions on an ongoing basis to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes.

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

#### Employment relationships

Any KPMG in Ireland professional providing services to an audit client irrespective of function is required to notify the EIP if they intend to enter into employment negotiations with that audit

client. For partners, this requirement extends to any audit client of any KPMG member firm that is a public interest entity.

Former members of the audit team or former partners of KPMG in Ireland are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to the member firm financially and have ceased participating in KPMG in Ireland's business and professional activities.

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

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

#### ***Firm financial independence***

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

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

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

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

#### ***Business relationships/suppliers***

KPMG in Ireland has policies and procedures in place that are designed to ensure its business relationships are maintained in accordance with both the relevant Ethical Standards and the IESBA Code of Ethics. Detailed guidance is maintained covering, inter alia, business alliances and joint working arrangements, procurement relationships and marketing and public affairs activities. Consultation with our ethics and independence professionals is required in any case of uncertainty to ensure that no relationship is entered into with an audit client or its management which is not permitted for independence purposes. Compliance with these policies and procedures is reviewed periodically.

All prospective business relationships are evaluated to assess association risks and to identify potential auditor independence and conflicts of interest issues. A relationship involving a third-party service provider - that a member firm will use to assist with client engagements or other purposes - is also required to be evaluated to determine whether the third party has the competence to provide the relevant services. The individuals providing the services are required to confirm they understand and will comply with applicable ethics and independence

requirements, and they are also required to complete ethics training. Third parties providing services to audit or assurance clients are required to complete independence training.

#### ***Business acquisitions, admissions and investments***

If KPMG in Ireland is in the process of considering the acquisition of, or investment in, a business, it is required to perform sufficient due diligence procedures on the prospective target to identify and address any potential independence and risk management issues prior to closing the transaction. Specific consultation requirements with Global Independence Group and Global Quality & Risk Management are applied to enable independence and other issues to be addressed when integrating the business into KPMG in Ireland and the wider KPMG network.

#### ***Independence clearance process***

KPMG in Ireland follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities and to identify any services that we need to terminate prior to accepting the client as an audit client. These procedures, also referred to as 'the independence clearance process', must be completed prior to accepting an audit engagement for these entities. Our independence clearance is also completed when an audit client becomes a public interest entity.

#### ***Independence training and confirmations***

KPMG in Ireland requires that all relevant personnel (including all partners and client service professionals) complete independence training that is appropriate to their grade and function upon joining KPMG in Ireland and on an annual basis thereafter.

New personnel who are required to complete this training must do so by the earlier of (a) thirty days after joining KPMG in Ireland or (b) before providing any services to, or becoming a member of the chain of command for, any audit client, including any of its related entities or affiliates.

We also provide all personnel, on a biennial basis, with training on the Code of Conduct, including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards, and reporting suspected or actual non-compliance with laws, regulations, professional standards and KPMG's policies. New personnel are required to complete this training within three months of joining KPMG in Ireland.

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 also required to undertake anti-bribery training.

Upon acceptance of employment, all KPMG personnel are required to confirm that they are in compliance with and will abide by applicable ethics and independence rules and policies. Thereafter, all KPMG personnel are required to sign an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the period covered by the confirmation. This confirmation

is used to evidence the individual's compliance with and understanding of KPMG's independence policies.

In addition, all KPMG personnel are required to confirm their understanding of, and compliance with, the applicable Code of Conduct upon joining their member firm and on an annual basis thereafter. This confirmation is used to evidence the individual's compliance with and understanding of our Code of Conduct.

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

KPMG in Ireland have policies, that are consistent with the IESBA Code of Ethics, the Ethical Standards and applicable laws and regulations, which address the scope of services that can be provided to audit clients.

KPMG in Ireland have a process to review and approve all new and modified services that are developed by the firm. The EIP is involved in the review of potential independence issues, and the Global Independence Group is involved in the case of services developed which are intended to be delivered to audit or assurance clients in more than one jurisdiction.

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

#### ***Fee dependency***

KPMG International's policies recognise that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the member firm expressing the audit opinion. These policies require 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:

- The member firm consult the Area Quality and Risk management leader; and
- This would be disclosed to those charged with governance at the audit client; and
- A senior partner from another KPMG member firm would be appointed as the EQC reviewer.

No audit client accounted for more than 10 percent of the total fees received by KPMG in Ireland over the last two years.

Additionally, the Ethical Standards require that where it is expected that the total fees for services receivable from a public interest entity audit client or other listed audit client and its subsidiaries will regularly exceed 5% of the annual fee income of the firm or the part of the firm by reference to which the engagement partner's profit share is calculated, but will not regularly exceed 10%, the engagement partner shall disclose that expectation to the EIP and to those charged with governance of the entity, including the audit committee where there is one, and discusses with both the threat to integrity, objectivity and independence of the firm and covered persons and whether safeguards need to be applied to eliminate or reduce the threat to a level where independence would not be compromised.

No public interest entity audit client or other listed audit client accounted for more than 5 percent of the total fees received by KPMG in Ireland over the last two years.



#### ***Resolving conflicts of interest***

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

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

doubt on the individual's or the member firm's integrity, independence, objectivity or judgement.

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

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

KPMG in Ireland has risk management resources ("Resolvers") who are responsible for reviewing an identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which must be documented. 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.

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

#### ***Independence breaches***

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

KPMG in Ireland has a documented disciplinary policy in relation to breaches of independence policies. 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 but at a minimum on an annual basis.

Matters arising are factored into promotion and compensation decisions and, in the case of engagement partners and responsible individuals, are reflected in their individual quality and risk metrics.

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

Compliance with laws, regulation and relevant standards is a key requirement for all KPMG in Ireland personnel. In particular, we have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery – even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third-parties, including by our clients, suppliers or public officials.

Further information on KPMG International anti-bribery and corruption policies can be found on our website on the anti-bribery and corruption page<sup>6</sup>.

#### ***Partner and firm rotation***

##### ***Partner rotation***

KPMG in Ireland partner rotation policies are consistent with the Ethical Standards and where applicable any stricter rotation requirements.

Partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide statutory audit services to a client, followed by a 'time-out' period during which time these partners may not:

- participate in the audit;
- provide quality control for the audit;
- consult with the engagement team or the client regarding technical or industry-specific issues;
- in any way influence the outcome of the audit;
- lead or coordinate professional services at the client;
- oversee the relationship of the firm with the audit client; or
- have any other significant or frequent interaction with senior management or those charged with governance at the client

KPMG in Ireland monitors the rotation of audit engagement leaders (and any other key roles, such as the Key Audit Partner and EQCR, where there is a rotation requirement) and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients. The process to monitor partner rotation is subject to compliance testing.

##### ***Firm rotation***

KPMG in Ireland is permitted to act, as an auditor, for public interest entity audit clients, to which the EU Audit Regulation applies, for a maximum period of 10 years and not to act as auditor for such clients for a period of four years thereafter – referred to as the 'cooling off period'. KPMG in Ireland has processes in place to track and manage audit firm rotation.

### **3.7 Recruitment, development and assignment of appropriately qualified personnel**

One of the key drivers of quality is ensuring that all KPMG professionals have the appropriate skills and experience,

6. <https://home.kpmg/xx/en/home/about/who-we-are/governance/anti-bribery-and-corruption.html>

passion and purpose, to deliver the highest quality in audit. This requires the right recruitment, development, reward, promotion, retention and assignment of professionals.

### 3.7.1 Our people

We depend on our ability as a firm to recruit, train and motivate intelligent professionals who take personal responsibility to deliver high-quality work. We make a big effort to develop our people and help them advance their careers.

Over the past three years 719 of our people qualified as Chartered Accountants and 135 of these people also qualified as Chartered Tax Advisers. Our people sit the FAE Elective examination which corresponds to their line of business ensuring better delivery of services to our clients.

Exam success is a key priority for our people and for the firm. Our overall exam success rate is significantly higher than the national average and our people regularly achieve the top exam placings in both the Chartered Accountants Ireland and the Irish Taxation Institute exams.

In 2019 KPMG in Ireland won the most popular graduate recruiter which reflects the tremendous investment we make in our student programmes and graduate training programme. In previous years we have won the Best Internship Programme and the Best Graduate Training & Development Programme at the Graduate Ireland Awards. These awards are an acknowledgment of our ongoing focus on innovative and quality graduate recruitment.

We are committed to supporting our people sitting professional exams; 214 of our people passed Chartered Accountants Ireland’s final admitting exams (FAE) and 47 people passed the Irish Tax Institute’s final examinations (“Part 3”) in 2019.

Internally, the firm participates in the “KPMG Global People Survey” on an annual basis which, inter alia, measures people engagement and performance excellence with a view to maximising the success of the firm. We engage in a comprehensive programme of communication and feedback with our people in all business units each year following the Global People Survey results. We continue to invest in equipping our people with the technical, coaching and management skills needed to deliver quality work and we also encourage regular, honest feedback to help in their development.

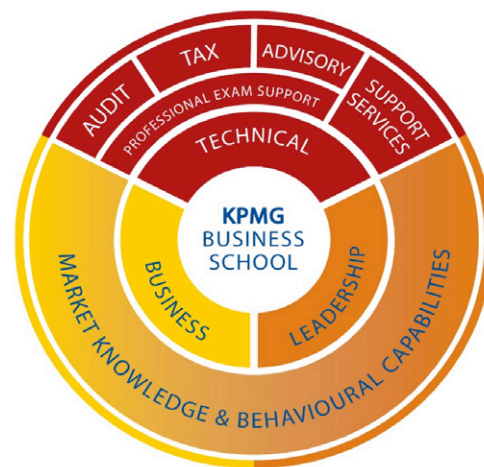
KPMG in Ireland delivers over 1,500 courses every year to ensure our people have the best leadership, business and technical skills to support them to succeed as individuals and the firm to continue to succeed. Being part of the KPMG Business School ensures we have access to state-of-the-art virtual classroom and on-line resources from across the KPMG network and we engage with cutting edge universities and executive education schools to ensure our Leadership and Business training remains first class. Our technical training is delivered by a combination of our partners, directors and managers, who are subject matter experts, and external specialists.

Our learning culture focuses on the application of training in a supportive, coaching orientated and learning environment. We strongly believe that people learn in the classroom, through on-line forums, by networking with others and by applying their knowledge in a range of work environments.

On joining the firm and in each year of their training contract our graduates attend a structured programme that combines technical and leadership skills in line with the increasing challenges of their role. As they progress through their professional exams (through Chartered Accountants Ireland and the Irish Tax Institute) they benefit from our additional supports and development, helping our exam results remain well ahead of the national average.

As people are promoted to the grade of manager and above they continue to enhance their technical skills and they benefit from our leadership skills development, helping them to excel with their clients and support them as they contribute and lead more complex and challenging projects.

In 2019 the people in our audit function completed 71,707 hours (2018: 56,192 hours) of technical (audit and accounting) training programmes, and additional leadership courses were also available and accessed. Training is only one aspect of our people’s development. We offer a mix of on-the-job experience, coaching and training programmes. This is supported by additional development opportunities such as secondments and international assignments.



### 3.7.2 Recruitment

KPMG in Ireland strives to be an employer of choice by creating an environment where our people can fulfil their potential and feel proud and motivated to give their best.

Our recruiting strategies are focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools, but also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age. In 2019, 408 graduates joined the firm (2018: approximately 370) and we expect a further 400+ to join us in 2020.

KPMG in Ireland also recruits significant numbers at an experienced hire and partner level.

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

Where individuals are recruited for senior grades. A formal independence discussion is conducted with them by the Ethics and Independence Partner or a delegate. KPMG in Ireland does not accept any confidential information belonging to the candidate's former firm/employer.

The Partner hire process is rigorous and thorough, involving appropriate members of leadership. Our criteria for Partner hires are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice.

### 3.7.3 Personal development

It is important that all of our professionals have the necessary business and leadership skills in addition to technical skills to be able to perform quality work (see Section 3.8).

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

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

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

A culture of continuous improvement is encouraged to drive feedback, both positive and developmental, from both junior and senior colleagues, as well as peers. In our performance development approach feedback can be sought and received through two mechanisms, informal feedback, which should be regular and owned by the individual for their own development and growth, and formal feedback through an engagement review form.

Partners and certain professionals are also required to be evaluated on key quality and compliance metrics. KPMG in Ireland monitors quality incidents and maintains quality and compliance metrics for the purpose of partner assignments and also for the purposes of partner evaluation, promotion and remuneration.

In relation to audit, opportunities are provided for professionals to develop the skills, behaviours and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership and business skills.

KPMG in Ireland professionals are also developed for high performance through access to coaching and mentoring on the job and global mobility opportunities.

### 3.7.4 Inclusion and Diversity programmes

Inclusion and diversity is part of who we are at KPMG. We embrace diversity of background, diversity of experience, diversity of perspective – as we recognise the value that diverse thinking brings to our firm and our reputation in the marketplace. We're committed to inclusion at every level in our firm and acknowledge the role of leaders in driving this from the top through their inclusive actions and behaviours.

We want to bring about a positive integration between work and life that not only promotes career achievement but also provides an environment that enables everyone, regardless of gender, ethnicity, age, disability, religion, socio-economic background or sexual orientation, to reach their full potential by being valued for being themselves. We strive to be an employer of choice by ensuring that all our people feel proud and motivated to do their best. Being inclusive enables us to bring together successful teams with the broadest range of skills, experiences and ways of working, to deliver solutions for our clients, but it is our culture and environment that enables us to harness this most effectively.

We are proud to lead and support a wide range of programmes to help foster diversity in business. These include celebrating Pride Week, encouraging young women's interest in STEM, investing in children's literature initiatives such as Bold Girls, supporting the 20x20 campaign to shift Ireland's cultural perception of women's sport by the end of 2020, supporting early stage women-led businesses through Going for Growth and adding our voice to the campaign for greater diversity at board level in Ireland through the 30% Club. For International Women's Day 2020, we support the theme 'An equal world is an enabled world' and we reaffirmed our pledge to advocate for gender parity and to support the next generation of women leaders.

We believe that the established Inclusion and Diversity strategy of KPMG International provides a good framework to drive the actions that are necessary to promote inclusive leadership at KPMG in Ireland and across the KPMG network. While we have made good progress on our agenda we still have a long way to go. For more on Inclusion and Diversity please see our website<sup>7</sup>.

### 3.7.5 Performance & Reward

#### *Evaluation process including quality and compliance metrics*

KPMG in Ireland professionals, including partners, have annual goal-setting and performance reviews. Each professional is evaluated on their agreed-upon goals, demonstration of our leadership competencies, technical capabilities and market knowledge. A culture of continuous improvement is encouraged to drive feedback - both formal and informal, from junior and senior colleagues, as well as peers. Feedback gathered forms an integral part of performance reviews.

KPMG in Ireland monitors quality and compliance incidents and maintains quality metrics in assessing the overall evaluation,

promotion and remuneration of partner and certain personnel. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

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

#### **Reward**

We have compensation and promotion policies that are clear, simple, and linked to the performance review process, which for audit professionals 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.

Reward decisions are based on consideration of both individual and organisational (member firm) performance. The extent to which our people feel their performance has been reflected in their reward is measured through the Global People Survey, with action plans developed accordingly (refer to Section 3.7.7).

#### **Promotion**

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

#### **Partner admissions**

The KPMG in Ireland process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. The procedure includes a business case and a personal case for the individual candidate along with assessment of performance. We use criteria for admission to the KPMG in Ireland partnership that are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice. The criteria are strongly aligned to KPMG's behavioural capabilities and are based on consistent principles to help achieve quality in our partner admissions. All recommendations for admission to the partnership of KPMG in Ireland needs to be approved by the partners.



### **3.7.6 Assignment of professionals**

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

Heads of Function are responsible for the partner assignment process. Key considerations include partner experience and capacity - based on a regular partner portfolio review - to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement).

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

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

- 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 specialised areas of auditing or accounting;
- knowledge of relevant industries in which the client operates;
- ability to apply professional judgement;
- an understanding of KPMG in Ireland's quality control policies and procedures; and
- QPR results and results of regulatory inspections.

### **3.7.7 Insights from our people – People Survey**

On an annual basis KPMG in Ireland invites its people to participate in an independent People Survey to share their perception about their experience working for KPMG. The Survey provides an overall measure of our people's engagement through an Employee Engagement Index ("EEI") as well as insights into areas driving engagement which may be strengths or opportunities. The survey also identifies opportunities to strengthen those levels of engagement. Results can be analysed by functional or geographic area, grade, role, gender to provide additional insight. Additional insight is provided on how we are faring on categories known to impact employee engagement.

The survey also specifically provides KPMG in Ireland leadership with results related to audit quality, upholding

the KPMG values, employee and partner attitudes to quality, leadership and tone at the top.

KPMG in Ireland participates in the People Survey and monitors the results and takes appropriate actions to communicate and respond to the findings of the survey. This includes monitoring Survey results including those related to:

- audit quality and tone at the top – referred to in the Survey as leadership behaviour; and
- employee engagement through the EEI.

The results of the Survey are also aggregated for the KPMG network and are presented to the partners and employees and the Global Board each year and appropriate follow-up actions agreed.

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

All KPMG in Ireland professionals are provided with the technical training and support they need. This includes access to specialists, Risk Management and DPP, which 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. Where the right resource is not available within KPMG in Ireland, access is provided to a network of highly skilled KPMG professionals in other KPMG member firms.

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

#### 3.8.1 Lifetime learning strategy

We have invested heavily in delivering and developing training. In addition to personal development, discussed at Section 3.7.3, our lifetime learning strategy is underpinned by policies requiring all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

##### *Formal training*

Annual training priorities for development and delivery are identified by the Audit learning and Development steering groups at global and regional level and locally through the Audit Training Committee. Training is delivered using a blend of classroom, e-digital learning and performance support to assist auditors on the job. Audit Learning and Development teams work with subject matter experts and leaders from the 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. Training would include, for example, Audit quality workshops, learning from quality reviews, IFRS updates, US GAAP and/or US GAAS/PCAOB and industry specific training.

In relation to audit, KPMG in Ireland:

- deploys a variety of learning solutions that are designed to reinforce the KPMG values and ensure our professionals get the fundamentals right, and develop the necessary skills

and attitudes to make judgements, and apply professional scepticism that enhance audit quality and the value of audit;

- provide instructor-led and virtual classroom training, performance support tools, coaching guides and just-in-time learning. Guidance is available on judgemental audit topics — this is used by audit teams and this guidance is embedded across audit learning solutions;
- have also developed professional judgement tools, designed to reinforce the importance of independence and objectivity, and to assist engagement teams in demonstrating professional scepticism;
- provide courses to enhance personal effectiveness and develop leadership and business skills. Our partners and employees are developed further for high performance through coaching and mentoring on the job, stretch assignments and country rotational and global mobility opportunities.

For the year ended 31 December 2019, our formal audit training programme included mandatory technical, risk and technology-based courses. In addition to this formal structured training, partners and staff are required to complete additional training relevant to their role and grade. All partners and staff also undergo training relevant to the industry in which they specialise. The aggregated number of hours of training undertaken by partners and staff for the year was 114,802 hours (83,000: 2018). These hours exclude time spent on any programmes to support career and professional development, and the hours spent ensuring Continued Professional Development.

##### *Mentoring and on the job training*

Learning is not confined to the classroom – rich learning experiences are available when needed through coaching and just-in-time learning, available at the click of a mouse and aligned with job specific role profiles and learning paths. All classroom courses are reinforced with appropriate performance support to assist auditors on the job.

#### 3.8.2 Licensing and mandatory requirements for IFRS and U.S. GAAP engagements

All KPMG in Ireland all professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development (“CPD”) requirements in the jurisdiction where they practice. Policies and procedures are designed to facilitate compliance with licence requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience in the local predominant financial reporting frameworks – principally IFRS and accounting standards issued by the Financial Reporting Council (“FRC”).

We have specific requirements for partners and managers working on International Financial Reporting Standards (“IFRS”) engagements, US Generally Accepted Accounting Principles (“US GAAP”) engagements, US Generally Accepted Auditing Standards (“US GAAS”) engagements, and the Standards



of the PCAOB for SEC and Internal Control Over Financial Reporting (“ICOFR”) engagements performed outside of the US. These require that the partner, manager, in-charge senior and EQC reviewer have completed relevant training and that the engagement team collectively has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

### 3.8.3 Client confidentiality, information security and data privacy

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

We have a formal document retention policy 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.

We have clear policies on information security that cover a wide range of areas. Data Privacy policies are in place governing the handling of personal information, and associated training is required for all KPMG in Ireland personnel.

## 3.9 Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG audits. Integrated quality monitoring and compliance programmes enable us to identify quality deficiencies, to perform root cause analysis and develop, implement and report remedial action plans both in respect of individual audit engagements and KPMG’s system of quality control. KPMG International’s integrated quality and monitoring programmes include the Quality Performance Review (“QPR”) programme, the Risk Compliance Program (“RCP”) and the Global Compliance Review (“GCR”) programme.

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

### 3.9.1 Internal monitoring and compliance programmes

KPMG in Ireland monitoring programmes evaluate both:

- engagement performance in compliance with the applicable standards, applicable laws and regulation and KPMG International policies and procedures; and
- KPMG in Ireland compliance with KPMG International policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

Our internal monitoring programmes also contributes to the assessment of whether our system of quality control has been

appropriately designed, effectively implemented, and operates effectively. These include:

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

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

### Audit Quality Performance Reviews (“QPR”)

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

### Risk based approach

Each engagement leader, in every KPMG member firm, is reviewed at least once in a three-year cycle. A risk-based approach is used to select engagements.

KPMG in Ireland conducts the annual QPR programme in accordance with KPMG International QPR instructions. The reviews are performed at KPMG in Ireland level and are monitored regionally and globally. Member firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the member firm.

### Reviewer selection, preparation and process

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the member firm under review.

Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be as rigorous as external reviewers.

### Evaluations from Audit QPR

Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations.

Audit engagements selected for review are rated as ‘Satisfactory’, ‘Performance Improvement Needed’ or ‘Unsatisfactory’.

### Reporting

Findings from the QPR program are disseminated to member firm professionals through written communications, internal training tools, and periodic partner, manager and staff meetings.

These areas are also emphasised in subsequent inspection programs to gauge the extent of continuous improvement.

Lead audit engagement partners are notified of less than satisfactory engagement (defined as ‘Performance Improvement Needed’ or ‘Unsatisfactory’) ratings on their respective cross-border engagements. Additionally, lead audit engagement partners 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 QPR.

**Risk Compliance Program (“RCP”)**

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

The objectives of the RCP are to:

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

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

**Global Compliance Review (“GCR”) program**

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

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

- a member firm’s commitment to quality and risk management (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment;
- a member firm’s compliance with KPMGI policies and procedures; and
- the robustness with which the member firm performs its own compliance program (RCP).

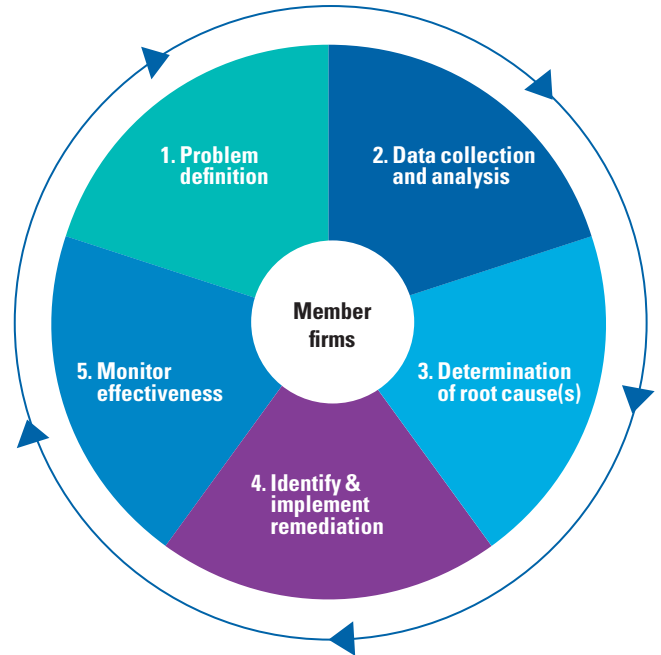
KPMG in Ireland develop action plans to respond to all GCR findings and agree these with the GCR team. Our progress on action plans is monitored by the GCR central team. Results are reported to the Global Quality & Risk Management Steering Group and, where necessary, to appropriate KPMG International and regional leadership, to help ensure timely remedial actions taken by the member firm.

**Root Cause Analysis (“RCA”)**

KPMG in Ireland performs root cause analysis to identify and address audit quality issues in order to prevent them from

recurring and help identify good practices as part of continuous improvement. In 2019, RCA training based on our Global RCA 5 Step Principles was attended by those individuals at KPMG in Ireland who will be performing RCA or directing those performing RCA. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA.

The Global RCA 5 Step Principles are as follows:



It is our responsibility to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified.

KPMG in Ireland’s Head of Audit is responsible for overseeing the development and implementation of action plans as a result of RCA, including identification of solution owners. The Risk Management Partner monitors their implementation.

At a global level, through the GAQSC and the Global Quality & Risk Management Steering Group, KPMG International reviews the results of the quality monitoring programs, analyses member firm root causes and action plans and develops additional global actions as required.

Global remediation plans developed by KPMG International are aimed at changing culture and behaviour across the Global Organisation and at driving consistent engagement team performance within KPMG member firms. The remediation plans have been implemented through the development of global training, tools and guidance to drive consistency, ensure the fundamentals are right and that best practice is shared across the Global Organisation.

### 3.9.2 External feedback and dialogue with Regulators

Our firm is registered as a statutory audit firm with Chartered Accountants Ireland (“CAI”). CAI is subject to oversight by IAASA. On 17 June 2016 IAASA was designated as the independent statutory audit oversight body in Ireland. IAASA is directly responsible for the inspection of the audits of Public Interest Entities (“PIE”) and is ultimately responsible for:

- the approval of statutory auditors and audit firms;
- the disciplinary systems in relation to all statutory auditors and audit firms;
- quality assurance; and
- continuing professional education requirements for auditors.

The firm is also subject to review by the Professional Standards department of CAI in relation to statutory audits of non-PIE entities. Professional Standards is the department within CAI which is responsible for developing standards of professional conduct and supervising the compliance of member firms in their execution of statutory audits.

IAASA have recently completed their second inspection of the firm, and as at the date of this report and we are working through the actions in the action plan developed to respond to the matters arising from the inspection. While we are satisfied with the outcome of the visit, we do recognise that there are areas where additional focus and attention is required and we have committed to working with our regulators to ensure that appropriate programmes are implemented to ensure we meet the standards they expect of us.

As the firm is registered with the Public Company Audit Oversight Board (“PCAOB”) in the US, we are also subject to inspections by the PCAOB. The most recent inspection took place in November 2018 and encompassed detailed audit file reviews of two of our US registrant audit clients and one referred work engagement, together with a review of our system of quality control. The PCAOB report was issued in September 2019. We have considered each of the findings and recommendations and are implementing the remedial actions to address deficiencies and strengthen policies and procedures as appropriate.

Our firm is also registered with the Isle of Man Financial Supervision Commission, the Jersey Financial Services Commission, the Guernsey Registry and the Japanese Financial Services Agency.

#### *Client feedback*

We proactively seek feedback from clients through in-person conversations and third-party surveys to monitor their satisfaction with services delivered. We endeavour to take this feedback and make dynamic changes at both the engagement level and firm level to meet clients’ needs.

#### *Monitoring of complaints*

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work. These procedures are detailed in our general terms of business.





# 4

# Corporate Citizenship

At KPMG in Ireland we believe in Corporate Citizenship. It is at the heart of all great organisations, and we are committed to making a real difference to the communities in which we operate.

All organisations have a social responsibility to their people, their clients and to society. We believe a real commitment to Corporate Citizenship unites an organisation, strengthens its reputation and creates vital links with the communities in which it operates. We want our employees to be part of this effort and to be actively involved in Corporate Citizenship activities that will ultimately make a positive impact on society.

KPMG in Ireland strives to create a well-rounded Corporate Citizenship programme. In recognition of this, our initiatives have been grouped into six categories: Community, Charity, Education, Environment, Developing World and Workplace/Marketplace.

We measure our Corporate Citizenship activity in our communities through a number of key metrics. Our metrics for the year to 31 December 2019 are set out below.

|                                 |            |
|---------------------------------|------------|
| <b>Community Connections</b>    | 159        |
| <b>Employee volunteer hours</b> | 14,911     |
| <b>Cash Donations</b>           | €347,859   |
| <b>Employee fundraising</b>     | €129,223   |
| <b>In-Kind Donations</b>        | €1,002,558 |

Corporate Citizenship involves creating innovative and proactive solutions to societal and environmental challenges, as well as collaborating with both internal and external stakeholders to maximise the impact of our Corporate Citizenship activity in our community. The firm is committed to playing a leading role in achieving a sustainable future. We take responsibility for our actions and promote responsible business practices, support the growth and development of our people and communities, embed Corporate Citizenship in our values and business processes and create a distinctive business in a responsible way.

## Community

We have an opportunity to play a significant role in positively impacting our surrounding communities. The education obtained by our people and their work ethic serves as a good example to the youth in our community and allows us to engage with many organisations in the wider community such as the Business in the Community Ireland – Ready for Work initiative which provides work experience and guidance to people who are looking to move on from homelessness into employment or training.

The Get Cents programme sees KPMG in Ireland volunteers work with early school leavers (aged 16-21) to develop their financial know-how in managing their money, budgeting and saving.

KPMG in Ireland partners with St. Michael’s House to work with the charity to develop a new and innovative project of writing and packaging multi-sensory stories for use in the development and wellbeing of profoundly disabled children.

## Charity

Each year KPMG in Ireland supports individual staff members who fundraise for their own personal charities and gives them a donation towards their fundraising efforts based on the amount raised. This ensures that the firm supports a wide range of charities that our people feel passionate about.

2019 was the thirteenth year of the Denis O’Connor Walk, which has raised €620,000 for various charities to date. The Denis O’Connor Walking Festival is an annual event that aims to raise funds for deserving causes. For the last number of years, people in KPMG in Ireland, our alumni, and family and friends have raised money for a number of charities. In 2019 we had over 80 people participate in the walk and raised €30,000 for Temple Street Foundation.

## Education

Education is one of the key pillars of KPMG in Ireland’s Corporate Citizenship strategy and we believe that education is paramount in terms of its contribution to the development of a successful society. Our education programme allows us to further the capacity of schools and colleges, work with children and young people to advance potential, and invest in skills that



support enterprise in the community. As part of this initiative through Business in the Community Ireland, KPMG in Ireland has forged a highly successful relationship with CBS Westland Row School. This programme involves KPMG in Ireland people mentoring 5th and 6th year students and making a real difference in their lives.

KPMG in Ireland is also working with Business in the Community on a programme called Time to Read. This programme involves volunteers from businesses, including KPMG in Ireland, providing one to one reading support to second class students in City Quay National School. The desired outcomes of the programme are to: increase the enjoyment of reading; improve fluency and comprehension when reading; increase confidence in reading; and improve and encourage self-discovery.

KPMG in Ireland has led the charge in establishing Enactus in Ireland. Enactus is an international non-profit organisation, founded in the US that works with leaders in business and higher education to mobilise university students to make a positive difference in their communities while developing the skills to become socially responsible business leaders. This is a way of uniquely engaging students by:

- giving them personal development opportunities;
- showcasing their talents and skills to a key business audience;
- getting students to be more socially aware and put in place solutions to community, environment and social issues;
- utilising the skill-sets of students to put their academic learning into real-life practice; and
- potentially having the honour and prestige of being crowned the Enactus Ireland National winner and going on to represent Ireland at the Enactus World Cup.

There are 1,600 universities in 37 countries around the world participating in Enactus and this is a wonderful opportunity to showcase the best of Irish talent. The Board of Directors of Enactus Ireland is chaired by a representative of KPMG in Ireland. The Board also consists of the CEOs of Enactus Ireland's other sponsors. In the 2018/19 academic year, ten third level institutions participated in the initiative.

#### ***Environment***

We are pleased to confirm that KPMG in Ireland renewed its carbon neutral status for 2019/20. KPMG in Ireland was the first professional services firm to achieve carbon neutral status in January 2007. KPMG in Ireland has moved all its energy supply to renewable sources and moved to a bin free office, encouraging all staff to individually segregate and recycle their waste.

#### ***Workplace/Marketplace***

We have a range of workplace and marketplace policies and practices in the Corporate Citizenship area. As part of a workplace Corporate Citizenship Initiative, KPMG in Ireland has a workplace entrepreneurial programme to encourage staff to address local social and environmental needs. Project Bright is an innovative workplace initiative aimed at encouraging staff to be social entrepreneurs. Staff participate in a competition to identify social issues and then develop unique solutions that make a real difference to the associated community organisation, utilising the skill-set of our own employees. Through this initiative KPMG in Ireland is:

- directly engaging with staff;
- encouraging them to be innovative;
- getting the winning team to project manage the winning idea;
- empowering them to engage with a broad cross-section of their peers; and
- giving the winning team a tremendous development opportunity to attend the annual One Young World Summit for young leaders.

# 5

## Financial information

The EU Regulation No. 537/2014 requires disclosure of financial information that shows the importance of statutory audit work to the overall firm's results. The results set out below for the year to 31 December 2019 have been extracted from the draft partnership accounts which have not as of yet been finalised and approved by the partners.

Revenue is presented in accordance with the EU Regulation No. 537/2014 and included for:

1. Revenues from the statutory audit of annual and consolidated financial statements of PIEs, and entities belonging to a group of undertakings whose parent undertaking is a PIE
2. Revenues from the statutory audit of annual and consolidated financial statements of other entities
3. Revenues from permitted non-audit services to entities that are audited by the audit firm
4. Revenues from non-audit services to other entities. Financial information for the period ended 31 December 2019 expressed in Euro million.

Financial information for year end 31 December 2019 and 2018 in euro million is detailed below.

| Service   | 2019 Revenue<br>€ million | Percent     |
|---|---------------------------|-------------|
| Statutory audits and directly related services for PIEs         | 16                        | 4%          |
| Other audit services and directly related services for non-PIEs | 112                       | 24%         |
| Non-audit services provided to audit clients                    | 60                        | 13%         |
| Non-audit services provided to other entities                   | 270                       | 59%         |
| <b>Total revenue</b>  | <b>458</b>                | <b>100%</b> |

| Service   | 2018 Revenue<br>€ million | Percent     |
|---|---------------------------|-------------|
| Statutory audits and directly related services for PIEs         | 15                        | 4%          |
| Other audit services and directly related services for non-PIEs | 99                        | 24%         |
| Non-audit services provided to audit clients <sup>8</sup>       | 59                        | 14%         |
| Non-audit services provided to other entities <sup>8</sup>      | 241                       | 58%         |
| <b>Total revenue</b>  | <b>414</b>                | <b>100%</b> |

The classification above for audit work includes a small proportion of revenues derived from other assurance services which are directly related to audit.

As the firm's business has grown, we have invested very significantly in additional skills and resources. Our headcount has grown from 1,993 at 31 December 2013 to 3,210 at 31 December 2019.

The firm's Head of Finance and Administration is responsible for the preparation of financial information. Financial Performance is reviewed on a monthly basis by the Executive Team and is circulated to all partners on a monthly basis and is discussed at partners' meetings.

The Executive Team has a reasonable expectation that the firm has adequate resources to continue in operational existence for the foreseeable future and therefore considers that the firm is a going concern.

The identification, evaluation, management and monitoring of the most significant risks that face our firm and could threaten the achievement of our strategic objectives are the joint responsibility of the Executive Team and Policy Committee.

8. Following further analysis in 2019 there has been a re-categorisation from non-audit services to audit clients to non-audit services to other entities in the 2018 comparative figures.

# 6

## Partner remuneration

Partners are remunerated out of the distributable profits of the firm as set out in the partnership accounts and as approved by the partnership. The determination of the profits available for distribution is based on the results of the firm as a whole and is not dependent directly on the performance of any particular line of business or function. The final allocation of profits to partners is made after assessing each partner's contribution for the year. This assessment is considered on an individual basis by the Remuneration Committee.

Each partner is required to submit a written appraisal to the Remuneration Committee detailing his/her own view of performance against objectives over the previous year. The Audit Executive Team specifically considers the contribution of each audit partner to audit quality on their engagements and to the audit quality agenda across the audit practice as a whole. The Committee hears a report from each partner's Counselling Partner on his/her individual performance for the year. Finally, as part of its deliberations, the Remuneration Committee also receives and considers presentations from the Heads of Audit, Tax and Legal Services, Deal Advisory and Consulting, Markets, Risk Management, and People and Operations setting out an assessment of the quality of work performed by each partner during the year under review.

The Remuneration Committee details its findings and its recommendations in relation to profit allocations in a report at the end of the review process which is then circulated to all partners for their approval before the profit allocations for the year are finalised. Partner remuneration comprises primarily a predetermined proportion of the profits arising which reflects the seniority and experience of each partner.

In addition to the profit share as described above, certain partners also receive a bonus payment, or special award, based on a number of criteria.

Our policies for all elements of partner remuneration take into account a number of factors including the quality of work, the link between quality and partner remuneration, excellence in client service, growth in revenue and profitability, leadership and supporting the firm's values.

Audit partners, (plus other non-audit specialist partners who are members of the audit team) are not permitted to have any objectives related to, or receive any remuneration based on, selling non-audit services to the firm's audit clients.





# 7

# Network arrangements

## 7.1 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.

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.

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

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

The name of each audit firm that is a member of the network and the EU/EEA countries in which each network member firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available in Appendix 3.

### **Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements<sup>9</sup>.**

Aggregated revenues generated by KPMG audit firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was €2.9 billion during the year ended 30 September 2019. The EU/EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended 30 September 2019.

## 7.2 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 multi-national clients, manage risk, and deploy global methodologies and tools.

Each member firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG values.

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.

## 7.3 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.

## 7.4 Governance structure

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

9. The financial information set forth represents combined information of the separate KPMG member firms from EU and EEA Member States that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.

### **Global Council**

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 KPMG International has no share capital and only has members, not shareholders).

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 59 member firms that are "members" of KPMG International as a matter of Swiss law. Sublicensees<sup>10</sup> are generally indirectly represented by a member.

### **Global Board**

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.

The Global Board includes the Global 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 Chairman of each of the regions and currently three other senior partners of member firms. The list of Global Board members, as at October 2019 is available on the KPMG Global website<sup>11</sup>.

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 ("non-executive" members). A key role of the lead director is to act as liaison between the Global Chairman and the "non-executive" Global Board members.

### **Global Management Team**

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 the global strategy and is responsible for holding them accountable for commitments.

It is led by the Global Chairman and includes the Global Chief Operating Officer, Global Chief Administrative Officer, global function and infrastructure heads, and the General Counsel.

The list of Global Management Team members as at October 2019 is available on the KPMG Global website<sup>11</sup>.

### **Global Steering Groups**

The Global Steering Groups represent the function and infrastructure groups of KPMG International and are the main driving groups of the organisation. They act under delegated authority from the Global Board and oversight by the Global Management Team, in particular the Global Audit Steering Group, Global Audit Quality Steering Committee and Global Quality Risk Management Steering Group work closely with regional and member firm leadership to:

- establish and communicate appropriate audit and quality/risk management policies;
- enable effective and efficient risk processes to promote audit quality; and
- proactively identify and mitigate critical risks to the network.

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section 'Governance and leadership' of the KPMG International Transparency Report<sup>12</sup>.

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 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 section 'Governance and leadership' of the KPMG International Transparency Report<sup>12</sup>.

## **7.5 Area Quality & Risk Management Leaders**

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

The objectives of the ARL role are to:

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

10. Unless otherwise stated, the words 'member firm' or 'KPMG member firm' when used in this Transparency Report include the following:

- Those entities that are members of KPMG International as a matter of Swiss law because KPMG International is a Swiss cooperative (i.e. similar to shareholders, albeit KPMG International has no share capital and, therefore, only has members not shareholders).  
- Those entities ('sublicensees') that are not members of KPMG International as a matter of Swiss law but have still entered into legal agreements with KPMG International and also an entity that is a 'member'.

11. <https://home.kpmg/xx/en/home/about/who-we-are/our-leadership.html>

12. <https://home.kpmg/xx/en/home/campaigns/2019/12/kpmg-international-transparency-report.html>

# 8

## Statement by the Policy Committee of KPMG in Ireland 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 in Ireland 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.

Our Policy Committee has considered:

- the design and operation of the quality control systems as described in this report;
- the findings from the various compliance programmes operated by our firm (including the KPMG International Review Programs as described in Section 3.9 and our local compliance monitoring programmes); and
- findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of this evidence together, the Policy Committee confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 31 December 2019.

Further, the Policy Committee confirms that an internal review of independence compliance within our firm has been conducted in the year to 31 December 2019.

### **Policy Committee**

KPMG in Ireland

23 April 2020



# Appendices



# Appendix 1: Leadership roles

## Executive Team



**Seamus Hand**  
- Managing Partner



**Hugh Crehan**  
- Head of Markets: Financial Services



**Sean O'Keefe**  
- Head of Audit



**Emer McGrath**  
- Head of Markets: CGE



**Tom Woods**  
- Head of Tax & Legal Services



**Declan Keane**  
- Head of Markets:  
Investment & Innovation



**Mark Collins**  
- Head of Deal Advisory



**Colm Gorman**  
- Head of People & Operations  
- Member of Global HR Steering Group



**Paul Toner**  
- Head of Consulting



**Mark Mulqueen**  
- Head of Finance & Administration



**Paul Dobey**  
- Head of Risk Management  
- Member of Global Quality & Risk  
Management Steering Group  
- EMA Head of Risk, Quality and Regulatory

## Policy Committee



**Seamus Hand**  
- Managing Partner



**Kieran O'Brien**  
- Consulting Partner / Secretary



**Niamh Marshall**  
- Audit Partner



**Kieran Wallace**  
- Deal Advisory Partner



**Frank Gannon**  
- Audit Partner



**David Meagher**  
- Audit Partner



**Jim Clery**  
- Tax Partner



**David Wilkinson**  
- Deal Advisory Partner



**Ian Nelson**  
- Consulting Partner



**Cliona Mullen**  
- Audit Partner

# Appendix 2:

## Public interest entities

This list includes those audit clients for whom KPMG in Ireland issued an audit opinion between 1 January 2019 and 31 December 2019 that were public interest entities as defined in the European Union (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/56/EU and Regulation (EU) No 537/2014) Regulations 2016 (S.I. No. 312 of 2016).

|  |   |
|--|---|
| Acorn Life Designated Activity Company                                 | Codeve Insurance Company Designated Activity Company        |
| Adidas International Re Designated Activity Company                    | Continuum Global Finance Public Limited Company             |
| AMG Funds Public Limited Company                                       | Corsair Finance (Ireland) Designated Activity Company       |
| Aminex Public Limited Company  | Dalata Hotel Group Public Limited Company                   |
| Amtrust International Underwriters Designated Activity Company         | DCC Group Insurances Designated Activity Company            |
| Arkema Insurance Designated Activity Company                           | DCC Public Limited Company                                  |
| Bank of Ireland Group Public Limited Company                           | Dilosk RMBS No.1 Designated Activity Company                |
| Bank of Ireland Mortgage Bank  | Diversification Strategy Fund Public Limited Company        |
| Barclays Bank Ireland Public Limited Company                           | Epsilon   |
| BBVA RE Societas Europaea  | Euro Insurances Designated Activity Company                 |
| Beazley Insurance Designated Activity Company                          | Fidelis Insurance Ireland Designated Activity Company       |
| Belfast Gas Transmission Financing plc                                 | Fresenius Finance Ireland Public Limited Company            |
| BMO UCITS ETF ICAV   | GE Capital European Funding Unlimited Company               |
| Bristol & West Public Limited Company                                  | Glenceagh Properties Public Limited Company                 |
| Brunel Residential Mortgage Securitisation No.1 Public Limited Company | Global Insurance Settlements Funds Public Limited Company   |
| Bupa Global Designated Activity Company                                | Grattan Securities Designated Activity Company              |
| Cairn Homes Public Limited Company                                     | Green Effects Investment Public Limited Company             |
| Carador Income Fund Public Limited Company                             | Grenke Finance Public Limited Company                       |
| Catalina Insurance Ireland Designated Activity Company                 | GTLK Europe Designated Activity Company                     |
| Citibank Europe Public Limited Company                                 | Guggenheim Global Investments Public Limited Company        |
| Citizen Irish Auto Receivables Trust 2017 Designated Activity Company  | Guggenheim Partners Investment Funds Public Limited Company |
| Citizen Irish Auto Receivables Trust 2018 Designated Activity Company  | HSBC ETFs Public Limited Company                            |
|  | HSBC Global Liquidity Funds Public Limited Company          |
|  | Ignis Strategic Solutions Funds Public Limited Company      |



Independent News & Media Group Limited (previously Independent News & Media Public Limited Company)

ING Captive Re Designated Activity Company

Intesa Sanpaolo Bank Ireland Public Limited Company

Intesa Sanpaolo Life Designated Activity Company

Inveralmond Insurance Designated Activity Company

Irish Residential Properties REIT Public Limited Company

Kensington UCITS ICAV

Kingspan Group Public Limited Company

LBB Finance (Ireland) Public Limited Company

Legal & General UCITS ETF Public Limited Company

Magna Umbrella Fund Public Limited Company

Mainstay Medical International Public Limited Company

Marriott International Funds Public Limited Company

MBA Community Loans Public Limited Company

MBDA Insurance Designated Activity Company

MMC Finance Designated Activity Company

Moyle Interconnector (Financing) Public Limited Company

New Ireland Assurance Company Public Limited Company

North of England P&I Designated Activity Company

NWK Multi-Strategy Funds Public Limited Company

Oak Hill European Credit Partners V Designated Activity Company

Oaks Emerging Umbrella Fund Public Limited Company

Quilter International Ireland Designated Activity Company (previously named Old Mutual International Ireland Designated Activity Company)

Flutter Entertainment Public Limited Company (previously named Paddy Power Betfair Public Limited Company)

Pan Insurance Designated Activity Company

PB Domicile 2006-1 Public Limited Company

Phosagro Bond Funding Designated Activity Company

Premier Transmission Financing Public Limited Company

Provide Blue 2005-2 Public Limited Company

Prudential International Assurance Public Limited Company

Rayo Finance Ireland (No.1) Designated Activity Company

RSA Insurance Ireland Designated Activity Company

Ryanair Designated Activity Company

Ryanair Holdings Public Limited Company

Seamair Insurance Designated Activity Company

Smurfit Kappa Group Public Limited Company

Sofinsod Insurance Designated Activity Company

Squadron Reinsurance Designated Activity Company

Star Compass Public Limited Company

TCS Insurance Company of Ireland Designated Activity Company

The Governor and Company of the Bank of Ireland

TransAlp 1 Securities Public Limited Company

VanEck Vectors UCITS ETFs Public Limited Company

Wells Fargo Bank International Unlimited Company



# Appendix 3:

## List of KPMG audit entities located in EU/EEA

This is a list of KPMG audit firms as defined in Article 2 (3) of EU Directive 2006/43/EC which are located in EU/EEA countries. It has been prepared solely for the purpose of compliance by KPMG member firms with Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC. It is prepared by KPMG International Cooperative ('KPMGI'), a Swiss entity which provides no professional services to clients. To the best of our knowledge, the list is accurate as of 30 September 2019. However, we cannot and do not warrant its accuracy at any given time.

| Location | Firm Name   |
|----------|---|
| Austria  | KPMG Austria GmbH Wirtschaftsprüfungs - und Steuerberatungsgesellschaft (Wien)        |
| Austria  | KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs - und Steuerberatungsgesellschaft (Wien) |
| Austria  | KPMG Austria GmbH Wirtschaftsprüfungs - und Steuerberatungsgesellschaft (Linz)        |
| Austria  | KPMG Niederösterreich GmbH, Wirtschaftsprüfungs - und Steuerberatungsgesellschaft     |
| Austria  | Plan Treuhand GmbH Wirtschaftsprüfungs - und Steuerberatungsgesellschaft (Wien)       |
| Austria  | Securitas Revisions - und Treuhandgesellschaft m.b.H.                                 |
| Austria  | T&A Wirtschaftsprüfungs - und Steuerberatungsgesellschaft m.b.H.                      |
| Belgium  | KPMG Bedrijfsrevisoren / KPMG Réviseurs d'Entreprises                                 |
| Bulgaria | KPMG Audit OOD  |
| Croatia  | KPMG Croatia d.o.o. za reviziju   |
| Cyprus   | KPMG  |
| Cyprus   | KPMG CEE Holdings Limited   |
| Cyprus   | KPMG Limited  |
| Czech    | Republic KPMG Česká republika Audit, s.r.o.   |
| Denmark  | KPMG P/S  |
| Estonia  | KPMG Baltics OÜ   |
| Finland  | KPMG Oy Ab  |
| Finland  | KPMG Julkistarkastus Oy   |
| France   | BRAUN EXPERTISE COMPTABLE ET COMMISSARIAT AUX COMPTES — BEC                           |
| France   | KPMG Associés S.A.  |
| France   | FUTIN Associés  |
| France   | KPMG Audit DFA S.A.S.   |
| France   | KPMG Audit Est S.A.S.   |
| France   | KPMG Audit FS I S.A.S.  |

| <b>Location</b> | <b>Firm Name</b>   |
|-----------------|--|
| France          | KPMG Audit ID S.A.S.   |
| France          | KPMG Audit IS S.A.S.   |
| France          | KPMG Audit Nord S.A.S.   |
| France          | KPMG Audit Normandie S.A.S.  |
| France          | KPMG Audit Ouest S.A.S.  |
| France          | KPMG Audit Paris et Centre S.A.S.  |
| France          | KPMG Audit Rhône Alpes Auvergne S.A.S.   |
| France          | KPMG Audit Sud-Est S.A.S.  |
| France          | KPMG Audit Sud-Ouest S.A.S.  |
| France          | KPMG Fiduciaire de France  |
| France          | KPMG SA  |
| France          | SALUSTRO REYDEL S.A.   |
| Germany         | KPMG AG Wirtschaftsprüfungsgesellschaft  |
| Germany         | ATH Allgemeine Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft  |
| Germany         | EUREVISIO GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft   |
| Germany         | KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft    |
| Germany         | KPMG Prüfungs-und Beratungsgesellschaft für den Öffentlichen Sektor Aktiengesellschaft Wirtschaftsprüfungsgesellschaft |
| Gibraltar       | KPMG Limited   |
| Greece          | KPMG Certified Auditors AE   |
| Greece          | KPMG Auditing A.E.   |
| Hungary         | KPMG Hungária Kft./KPMG Hungary Ltd.   |
| Iceland         | KPMG ehf.  |
| Ireland         | KPMG   |
| Italy           | KPMG S.p.A.  |
| Italy           | KPMG Audit S.p.A.  |
| Latvia          | KPMG Baltics AS  |
| Liechtenstein   | KPMG (Liechtenstein) AG  |
| Lithuania       | 'KPMG Baltics' UAB   |
| Luxembourg      | KPMG Luxembourg  |
| Malta           | KPMG   |
| Netherlands     | KPMG Accountants N.V.  |
| Norway          | KPMG Holding AS  |
| Norway          | KPMG AS  |

**Location****Firm Name**

|          |   |
|----------|---|
| Poland   | KPMG Audyt Sp. z.o.o.   |
| Poland   | KPMG Audyt Sp. z ograniczona odpowiedzialnoscia                     |
| Poland   | KPMG Audyt Sp. z ograniczona odpowiedzialnoscia Spółka Komandytowa  |
| Portugal | KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. |
| Romania  | KPMG Audit SRL  |
| Slovakia | KPMG Slovensko spol. s r.o.   |
| Slovenia | KPMG Slovenija, podjetje za revidiranje, d.o.o.                     |
| Spain    | KPMG Auditores, S.L.  |
| Sweden   | KPMG AB   |
| UK       | KPMG LLP  |
| UK       | KPMG Audit Holdings Limited   |
| UK       | KPMG Audit Plc  |
| UK       | KPMG Holdings Limited   |
| UK       | KPMG Overseas Services Limited                                      |



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Produced by: KPMG's Creative Services. Publication Date: March 2020.