



Audit Quality

2022

**Dedicated to trust.
Committed to quality.**

Letter to our stakeholders

Resilience and innovation. During these past two years, these two words have defined our focus to sustain and enhance audit quality to maintain trust in the capital markets.

Today, we continue to listen to our people, audit committees and management teams to thoughtfully envision the future of work to capture the benefits of flexibility and the value of meaningful, purpose-driven connection. This balance will drive innovation, sustain our culture and allow us to bring diverse and talented people to audits across the country. Likewise, investments in our global smart audit platform, KPMG Clara, laid the foundation to accelerate innovation to deliver a more data-driven, risk-based, transparent and automated audit.

This focus on resilience and innovation has been guided by our Values. We are focused on executing our Accelerate 2025 commitment to diversify our workforce more rapidly, enhancing audit quality by creating a more inclusive and equitable environment in which diverse perspectives bring new ideas to the table. We also remain committed to delivering quality audits in an ethical manner, grounded in objectivity and independence.

Importantly, the global pandemic not only created urgency to enhance support for our people and accelerate innovation to deliver audits in a more virtual environment, but it also hastened trends that will shape the profession for years to come. Businesses are more deeply engaging in digital transformation and environmental, social and governance (ESG) initiatives, and we are investing in our people, technology and processes to meet the needs of the capital markets.

This report is part of the [2022 KPMG U.S. Impact Plan](#) and provides an overview of our commitment to audit quality. For additional details, review our [2021 Transparency Report](#).



Paul Knopp
KPMG U.S. Chair and CEO



Scott Flynn
KPMG U.S. Vice Chair – Audit

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Defining audit quality

Audit quality is fundamental to maintaining public trust in the capital markets and protecting investors. It is the key measure on which our professional reputation stands.

We define “audit quality” as the outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality control.

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

The KPMG Audit:

Committed to leading the profession in audit quality

We are focused on our fundamental promise—to the investors, companies, audit committees and other stakeholders we serve—to conduct a high-quality audit, today and tomorrow.

This commitment goes far beyond compliance. Each Audit partner and professional in our practice brings a continuous improvement mindset to every process, analysis and decision, tailoring our audit to the unique technology environment, industry position, and nature of a company's business to enhance audit quality.

This mindset powers our efforts to transform the audit experience. Our Audit partners and professionals sustain audit quality by increasing standardization and automation enabled by fit-for-purpose technology and a reimagined service delivery model, all integrated with a system of quality control.

These efforts do not occur in a vacuum. The past two years are a reminder that the world demands agility to adapt to unprecedented realities. The increased speed of business digitization trends and the growing ESG conversations have guided how we invest in technology, learning and development.

“Our commitment to audit quality recognizes our collective changing reality,” said Scott Flynn, Audit Vice Chair. “We are not only investing more deeply in our people, culture, technology and service delivery model to deliver a more consistent and efficient audit experience, but we also are preparing our people for the future. These investments will enable us to lead the market in delivering sustained audit quality.”

For more information on our Audit practice, including our audit approach, development and use of technology, ESG and industry insights, and more, visit <https://audit.kpmg.us/>.



Next Gen Auditors:

Innovation through talent, diversity and collaboration

Throughout our [2022 KPMG U.S. Impact Plan](#), you will learn about our commitment to learning and development; diversity, equity and inclusion; ethical culture; corporate citizenship and firmwide efforts to support our people.

Our Audit professionals are empowered through our Culture, learning and development programs and technology investments to be Next Gen Auditors—a talented, diverse group of professionals who drive innovation in the audit to enhance quality and integrity.

Building a talented and diverse team to deliver quality audits

Our Audit Team

Personnel	FY21		FY20		FY19	
	Head count	URG*** %	Head count	URG %	Head count	URG %
Partner/ Managing Directors	1,048	37%	1,060	35%	1,020	34%
Managers	2,072	62%	2,208	59%	2,124	58%
Associates	5,456**	64%	6,058*	64%	5,758	63%
Total	8,576	60%	9,326	59%	8,645	59%

*Includes October 2020 hires
 **Includes October 2021 hires

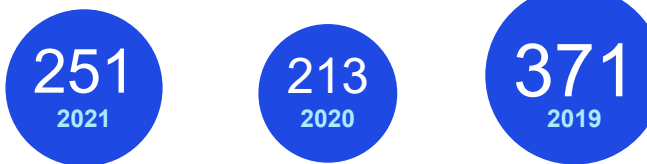
***Underrepresented group

Hires

Campus hires

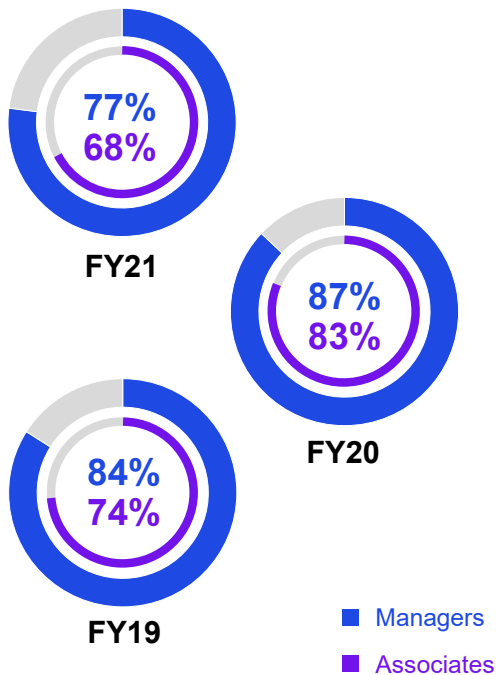


Experienced hires



Note: The numbers above do not include Technology Assurance professionals. As discussed below, more than 950 Technology Assurance partners and professionals transitioned into the Audit practice effective FY22. Additionally, we have updated our methodology for reporting this data aligned to our 2022 KPMG U.S. Impact Plan. See the plan above for further details.

Retention

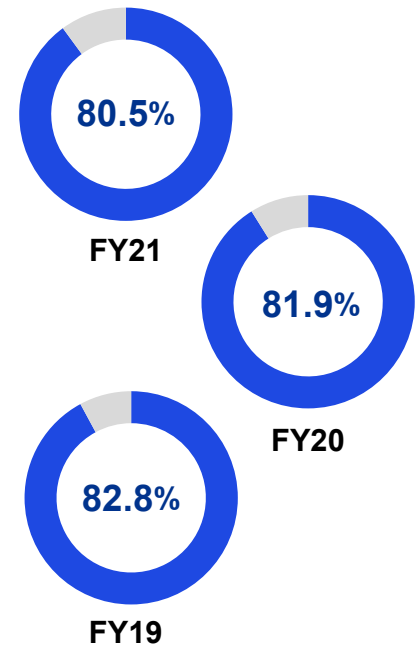


Average Partner/ MD Experience

FY21 21 years

FY20 21 years

Utilization



Hallmarks of working with KPMG include:

- **A continuous improvement mindset to enhance audit quality:** We never stand still, always enhancing the audit experience to sustain quality with objectivity and independence top of mind.
- **Diverse and Values-driven:** Integrity. Excellence. Courage. Together. For Better. Our Values drive our Culture and everything we do. Learn more about our ethics and compliance commitment [here](#).
- **A shoulder-to-shoulder approach to optimize coordination:** We work shoulder-to-shoulder with companies throughout the audit process to coordinate effectively within ever-changing technology environments while maintaining objectivity.
- **Deep industry and market know-how:** We deploy teams who know the relevant market and industry and who are empowered to act on significant and emerging risks.
- **Upskilled in the latest technology:** We provide teams proficiency in the latest technology and eager to innovate to deliver an efficient, risk-based, data-driven audit focused on areas of greatest risk.
- **Streamlined communication:** Engaging with national leaders to local partners and from technology to methodology specialists, we develop a tailored approach that fits our clients' businesses.

During this time, we have taken measures to support our people while creating more ways for everyone to celebrate, connect and collaborate with one another. Across our firm in FY21 and in the face of nationwide employee resignations, we experienced turnover below the [national average](#), and we are using this moment to catalyze our strategy around talent retention and the future of work.



These past two years have provided us a unique window into each other's lives.

The experience has underscored the imperative to bring a people-first mindset every day so we can all grow as professionals, build an inclusive culture, and deliver quality audits."

— Becky Sproul, Audit Talent and Culture Leader

Culture:

Supporting our people to drive innovation and quality

As discussed in the *People* section of our [2022 KPMG U.S. Impact Plan](#), we refreshed our Total Rewards program in early FY22 to promote mental, physical, social and financial well-being. We reduced employee healthcare premium contributions by 10% in 2022, with no change in the benefit levels. We replaced our KPMG 401(k) match and pension programs with a single, automatic firm-funded contribution within the 401(k) plan equal to 6 to 8% of eligible W-2 pay. We now provide up to three weeks of additional paid caregiver leave, separate from PTO, and offer two new caregiver concierge programs that can help our professionals navigate a wide range of needs. All parents receive 12 weeks of paid parental leave to bond with a newborn, newly adopted child, or new foster child.

In our Audit practice, we champion ways for our people to own their audit experience and their careers. We've built modules to support how our teams work together to more effectively onboard new team members and deliver during different times of the engagement cycle. We've also evolved our learning and development strategy to secure more input in our curriculum from partners and professionals. Opt-in learning strategies provide an opportunity for professionals to go deep on the topics they are most passionate about.



Underlying all our efforts to build a collaborative culture is an open innovation mindset.

We are coordinating innovation strategy globally while instilling this mindset at every level of the firm for 360-degree top-down, bottom-up innovation."

— John Farrell, Audit Chief Strategy and Transformation Officer

We hold firmwide innovation contests to spur new ideas and ways of working, while scaling best practices and automation routines pioneered at the engagement level to industries and the practice at large. Ignition Centers—where we bring clients, engagement teams and specialists together—jump-start conversations on technology, data analytics and trust services and help us align to maximize the investments all businesses are making to improve operational excellence.

Learning and development

The Next Gen Auditor has deep audit knowledge and capabilities, along with data acumen, technology experience, ESG know-how and project management and communication skills. In our profession, that translates to learning and development. Each Audit manager, managing director and partner completed, on average, at least 45 hours of training and each associate/senior associate completed, on average, nearly 60 hours in FY21.

Recognizing technology is critical to audit execution, we prioritized the delivery of technology enablement to our professionals in 2021. In FY21, Audit professionals completed in aggregate over 60,000 hours of learning on using data and enabling technologies in the audit.

The training included 12 hours dedicated to ethics, compliance, and integrity throughout the year. This training is part of an enhanced learning and development strategy founded on a research-based ethical decision-making model.

Diversity, equity and inclusion (DEI)

Central to our DEI efforts is Accelerate 2025, our five-year strategy and commitment to DEI, to tackle one essential dimension of our overall DEI agenda: ensuring that more individuals from underrepresented groups choose KPMG as their

employer of choice, build careers at KPMG and advance to leadership positions within our firm and the profession.

Please find a complete review of our firm's diversity and supplier commitment in the *People* section of our [2022 KPMG U.S. Impact Plan](#).

Our Audit practice, along with our colleagues across the firm, is proud to drive this commitment. Guided by our Audit DEI Leadership Council, we are applying a DEI lens into every aspect of our work.

"Audit quality is enhanced when we invest in attracting and developing diverse teams," Sproul said.

A few firmwide highlights:

- KPMG professionals have volunteered to speak with high school students, beginning the search for talent at an earlier stage. In addition, they have mentored over 2,500 students and interns in expanded programs such as Rise Leadership and Embark Scholars. Our Embark Scholars is a multi-year internship program

that develops high-performing students of color into the KPMG leaders of tomorrow. Through a multi-day leadership conference, our Rise Leadership Institute works with high-performing college freshmen and sophomores who identify as people of color, veterans, people with disabilities, LGBTQ+ individuals or first-generation college students.

- KPMG continues to expand its Master of Accounting with Data and Analytics (MADA) program, recently adding two historically Black colleges and universities (HBCUs). We have launched partnerships with Alabama State University's Percy J. Vaughn College of Business Administration and North Carolina Agricultural and Technical State University, with several more partnerships expected in the near future. The firm is also exploring relationships with Hispanic-serving institutions and tribal colleges and universities to invest in a diverse, sustainable pipeline of talent.



Watch this video to learn more about how we deliver a better audit experience

Technology:

Fit-for-purpose capabilities in the hands of talented professionals

We deliver a risk-based and data-driven end-to-end audit through one global smart audit platform, KPMG Clara. Critically, we do not deploy technology for technology's sake. Rather, we bring technology and methodology together seamlessly to enhance audit quality, aligned with Public Company Accounting Oversight Board (PCOAB) and American Institute of Certified Public Accountants (AICPA) standards. Additionally, we continue to invest in technologies that enable a hybrid workforce, bringing together the benefits of flexibility with on-site collaboration, mentorship and learning.

KPMG Clara: The audit in one place for all our engagements

Powered by KPMG Clara, we bring clarity to the audit through a modernized approach that supports transparent communication throughout the audit cycle. KPMG Clara brings together client collaboration, data analytics, an intelligent workflow and automation.



Advanced technology must facilitate audit execution aligned with our methodology...

...and our technology advancements must propel methodology updates. This interplay accelerates the adoption of enabling technology and forges a deep connection between technology and audit quality.”

— Lou Trebino, Audit Chief Technology Officer

Client collaboration drives a more coordinated and transparent audit. KPMG Clara enables more transparent coordination of an audit, providing timely insights into the audit. It improves communication and project management for a more efficient audit. By the end of 2021, more than 3,700 client sites featured various capabilities to improve the audit experience. These included PBC management, insights and audit status.

Data extraction and analytics refine risk assessments and streamline responses. An audit that enhances effectiveness and quality should be risk-based and data-driven. We apply a systematic risk assessment to financial statements and underlying data, allowing us to identify and focus on the risks that matter most throughout the audit cycle, aligned with the specific nature of a business.

Our approach centers on understanding our client's business by leveraging data extraction and transformation capabilities to power data analytics that refine our risk assessment and deliver audit insights. Throughout this process, we evaluate an expansive set of transactions across the risk continuum to optimize the nature, timing and extent of substantive work.

By the end of 2021, more than 3,500 Audit professionals had been trained on a suite of advanced data extraction and analytic capabilities, allowing us to visualize trends in revenue, inventory, fixed assets and more. Our investment in technologies supports more seamless extraction and transformation of data across a variety of technology environments, including different cloud and on-premises ERPs. In fact, across our engagements and their variable technology environments, we have developed nearly 2,000 extraction and transformation routines to streamline this process tailored to the particular technology environment.

Converging technology with methodology for a tech-enabled audit fit for purpose

KPMG Clara	Highlight	Benefit
KPMG Clara for Clients	3,700+ client collaboration sites	Coordinating nearly all aspects of the audit, going beyond PBC management
KPMG Clara Workflow	All public and private accounts	Our global smart audit platform connected to the standards and on-demand learning
KPMG Clara Advanced Capabilities	~500 client engagements	Embedding data analysis into our global smart audit platform

“It’s important to extract data more easily from multiple, often differing ERP systems to power a more robust risk assessment process and deliver a better audit experience,” said Christian Peo, National Managing Partner, Audit Quality and Professional Practice.

We conduct our risk assessments leveraging a suite of data analysis capabilities for planning, risk assessment and journal entry analysis. Within our KPMG Clara platform, nearly 500 client engagements are leveraging a new capability, KPMG Clara Analytics.

“Our data strategy is central to long-term innovation,” said Farrell. “Ingesting data efficiently into one secure and centralized cloud-based data locker will give our engagements the power to unearth new audit insights, empowering our professionals to audit with confidence.”

Intelligent workflow linked to regulatory standards delivers consistency across our entire portfolio. In 2021, all our engagements—for both public and private companies—have benefited from KPMG Clara workflow. KPMG Clara workflow incorporates our enhanced methodology to enable every audit, regardless of size, to be delivered consistently

according to our high standards. Further, the use of KPMG Clara workflow has been accelerated across the 17 countries in Latin America. In fact, nearly 50% of the 2021 audit work in Latin America was conducted in the KPMG Clara workflow.

Everyday automation expedites standardized and efficient control and substantive testing. The benefits of automation go beyond data extraction and risk assessment. We are also building automation throughout the audit process to deliver a more efficient and consistent audit experience. We continue to focus on deploying and expanding several new capabilities, supporting both our substantive testing and control work.

For example, we are automating control testing with more than 250 power users leveraging nearly 30 bots to automate control testing procedures across multiple IT environments, standardizing our approach while enhancing efficiency by reducing manual tasks. These IT automation bots are part of a larger pool of 1,400 bots used by our professionals to increase standardization across our audits. On substantive testing, nearly 3,000 teams leverage our proprietary confirmations platform, sending more than 100,000 confirmations to date.

Technology: Enabling a hybrid workforce

These past two years have challenged everyone. Our Audit professionals remain resilient and agile, supporting each other and our clients during an unprecedented time to sustain audit quality.

Throughout this process, we have engaged our people to thoughtfully design our future of work. With the employee experience top of mind, we are combining the benefits of flexibility with the power of meaningful connections to build relationships, gain skills and sustain our Culture. Our hybrid model, Flex with Purpose, is designed with a DEI lens and is responsive to the way that the pandemic has reshaped employee expectations and preferences as well as organizational opportunities and risks.

Under this model, our audit approach, too, will be hybrid. We know that no one size fits all, but technology helps connect the full team. In 2020,

we unveiled our virtual audit rooms, which digitally connect each team and their work in one place to facilitate coaching and collaboration. This technology has benefited nearly 2,000 engagements. In the same year, we also launched the use of document signing software, which has helped facilitate more than 11,000 signatures, with nearly 90% signed in less than a day. In addition, we also deployed Smart Glasses to support virtual inventory observations. This technology not only allows us to efficiently and safely conduct inventory observations but also to quickly bring in senior resources to assess issues that may arise.

The above descriptions are just a few examples of how we are using advanced technology in the audit to deliver a better experience to our clients. For additional examples, please visit our [Audit emerging technology site](#).

Automation: Defining the audit of tomorrow

KPMG Clara's automation capabilities free up our people to deliver greater value

Work that once took hours now takes minutes—or seconds. Just a few key components of KPMG Clara automation include:

- Data extraction and transformation
- Document investigation platform
- Bots (robotic process automation)
- Automated confirmations
- AI technologies (e.g., natural language processing, machine learning)
- Smart glasses
- Virtual audit room
- DocuSign



Service delivery model:

Promoting standardization and quality

Embedding quality into all that we do

KPMG's Quality Management System incorporates business issues, an ongoing stream of data and continuous monitoring to continuously and seamlessly improve quality.

This approach to standardization, consistency and measurement delivers a more efficient, quality audit. It is the foundation by which we fulfill our purpose: Inspire confidence. Empower change.



Requirements

Regulators, clients, people, the firm (KPMG)



Current state and risk identification



Responses

Policies, procedures, configurable processes



Outcomes

When we are successful, we will see the following...



Monitoring and CI



What it means to the audit

A tech-enabled, tailorable experience

More informed communication

Data-driven rapid issue resolution

Technology is only one enabler of our engagement teams. KPMG's Center for Audit Solutions (CAS) is rapidly growing, expanding our centers of excellence and global delivery centers to handle more manual tasks and support our teams with specialists.

"By centralizing certain audit procedures, we further standardize our processes and scale expertise to enhance audit quality," said Tim Walsh, National Managing Partner, Audit Operations. "This effort goes beyond audit quality. It creates opportunities for our people to gain new skills and own their audit experience."

In 2021, KPMG's CAS increased personnel in its centers of excellence by 500% to deploy 18 service offerings, including SOC1 reviews, administrative independence reviews and support, risk assessment

procedures and tests of valuation assertion for investment securities. Further, specialists from the CAS served more than 600 engagements.

We are anticipating market changes to sustain audit quality. In particular, our National Pricing Desk (NPD) is reducing variability on valuing investments, aligning with the expanding world of investments. Last year, the NPD served more than 2,500 engagements. Additionally, we are scaling centers of excellence focused on providing guidance on these issues to emerging growth companies in their early stages. Like the NPD, this effort will reduce variability in our judgments, injecting expertise more consistently across all relevant audits.

In addition to audit hours performed by core Audit professionals, our CAS executed more than 13% of audit hours in fiscal year 2021, while professionals with specialized skills across our Tax, Advisory and Audit practices accounted for nearly 13% for all engagements.

Quality management system: Moving from compliance to process

Our audit processes are part of a system of quality control, supported by KPMG's Department of Professional Practice (DPP). The DPP is a national team dedicated to providing real-time support for Audit teams, covering both audit and accounting technical requirements.

More than 11% of Audit partners and managing directors provide professional practice support. Further, our Audit Quality Support Partner program, overseen by the KPMG chief auditor, includes 60 accredited partners and 30 managing directors.

Enhancing audit planning and execution

We continue to modernize a standardized and integrated approach to the engagement strategy, planning, project management and monitoring process. Importantly, we are investing in technologies and learning and development efforts to improve our people's ability to manage the audit process. Enhanced project management



We are continuing to move beyond compliance-only auditing...

...investing in an iterative, data-driven and collaborative process to constantly measure, improve and lock in quality-sustaining actions. This mindset emboldens us to build quality into everything we do in a way that delivers a better experience not only to our clients, but to our own people as well."

— Christian Peo

tools better enable teams to deliver a quality audit, focusing actions at the right time. Simplifying this process—automating manual tasks, for example—allows teams to focus on areas of increased risk, which has a meaningful and positive impact on overall audit quality.

A more data-driven monitoring approach at all levels of the firm

Our continued enhancements to project management are generating more precise data on audit resources, progress, partner reviews and more. This data helps monitor all our audits at the engagement team, business unit and regional level with greater frequency and standardization, enabling real-time preemptive actions earlier in the audit process. For our quality management system, these enhancements create a more iterative, transparent and collaborative experience for our people to improve outcomes.

Pre-issuance inspections and our SEC reviewing partner evolution

As highlighted in our 2021 Transparency Report, our Inspections Group reports outside our Audit practice to our Vice Chair – Risk Management, who reports directly to the Chair and CEO and has no audit operational responsibilities. This ensures that the scope and process used in the group's internal inspections as well as its conclusions are free from potential conflicts of interest. In addition to inspecting completed engagement, this group also inspects a selection of audits prior to completion. This innovative approach to internal inspections was initiated in recent years and has been continuously expanded and enhanced with increased experience. Importantly, this independent group has expanded and now inspects audits prior to issuance. The output of our own monitoring and the results of external inspections are synthesized through our root-cause analysis to ensure that we develop remedial actions that are responsive to our control deficiencies.

Our SEC Reviewing Partner Program is also evolving, shifting to a team model that enhances capacity to leverage and scale expertise to better engage core audit teams. In total, more than 270 SEC reviewing partners, with assistance from 150 additional partners, managing directors, and managers perform engagement quality reviews and other monitoring efforts to enhance quality prior to issuance of our opinion.

These dual efforts—in concert with our engagement management and data-driven monitoring—strengthens the ability of our engagement teams to deliver high-quality audits.

PCAOB inspections and responsive actions

In 2021, the PCAOB released the 2020 Inspections Report related to 2019 issuer audits. We are encouraged by the 2020 report findings and our trend in both Part I and Part II inspection results. In particular, the public results continue to show improvement year-over-year. Since 2018, our Part I deficiency rate has declined from 37% to 29% in 2019 and 26% in 2020. The 2020 report included reviews of 53 issuer audit engagements in total; 14 of those audits were included in Part I.

External inspections may identify areas requiring the restatement of financial statements or the revision of previously issued ICFR opinions. Of the 163 KPMG audits inspected from 2018 to 2020, there was one audit requiring a financial restatement and three audits with a restated ICFR opinion identified in connection with a PCAOB inspection.

Peer review

To comply with licensing requirements of state boards of accountancy, the U.S. Government Accountability Office and the AICPA, we undergo external peer review every three years. Firms can receive a rating of pass, pass with deficiency(ies), or fail. The firm's most recent peer review report on our system of quality control applicable to engagements not subject to permanent PCAOB inspection (nonpublic entity accounting and auditing practice) for the year ended March 31, 2020, was issued with a pass rating by PricewaterhouseCoopers LLP in December 2020. Our most recent peer review report and AICPA acceptance letter are public documents that are accessible through our website.

Transparency reports

This report highlights the steps we have taken in 2021 to evolve and enhance our Audit practice and our firm. These efforts are within the framework of our system of quality control — a system that provides reasonable assurance that our performance meets the highest professional standards. Read more about our system of quality control in the [KPMG Transparency Report and accompanying supplements](#).

Leading the profession into the future

“The audit profession is engaging in issues at the top of the board and audit committee agenda,” said Flynn. “New developments demand auditors think critically about how we apply our skills, experience and independence to the broader array of challenges facing businesses and investors today.”

At KPMG, as we innovate the audit, we continue to look toward the future.

“Technology, transformation, industry disruption and ESG stand out as increasingly defining the future of the profession,” said Farrell. “We’ve worked across the globe to collaborate on what that future looks like and define the steps we need to take today to prepare the Next Gen Auditor, stay ahead of the curve on technology and best leverage data to deliver audit insights for the capital markets.”

Business digitization

The use of technology—including cloud, automation, artificial and cognitive intelligence and blockchain—is accelerating across business processes. In fact, according to a [2021 KPMG Finance and Audit Technology Survey](#) of 250 senior U.S. finance executives, we found:

- Most executives agree that smart analytics (62%), artificial intelligence (56%) and cloud computing and storage (74%) are current must-have technologies for their internal finance function.
- Executives also agree that business process automation (BPA) (43%), robotic process automation (RPA) (48%), and process mining technology (42%) are expected to become must-haves within two years.
- Looking ahead, half of the executives surveyed (51%) believe blockchain will play a vital role in their finance function in the next three to five years, and more than a third (36%) expect edge computing to gain importance in this same time frame.

Organizations have an immense opportunity to gain efficiency and unlock value, but they are also exposed to operational, cyber and other risks. According to the same report, 80% of finance executives report that cybersecurity and privacy concerns are top-of-mind challenges. And while most of these executives are using cloud computing, the ongoing costs to maintain cloud functions have not gone unnoticed.

“The pace of change will continue to pose challenges for management teams and audit committees, but that should not dampen enthusiasm for the immense opportunity that comes with successful digital transformations,” said Heather Paquette, National Technology Assurance Leader, Audit.

The Technology Assurance practice encompasses more than 900 partners and professionals focused on IT audit, SOC attestations and real-time system assessments. The practice also continues to invest in cyber, ESG strategies, blockchain, cloud and ERP control capabilities.

“We are reimagining how we think about technology assurance innovation within the context of audit transformation,” said Paquette. “Integrating tech assurance capabilities across our practice and investing in the future will sustain audit quality amid rapid digitization.”

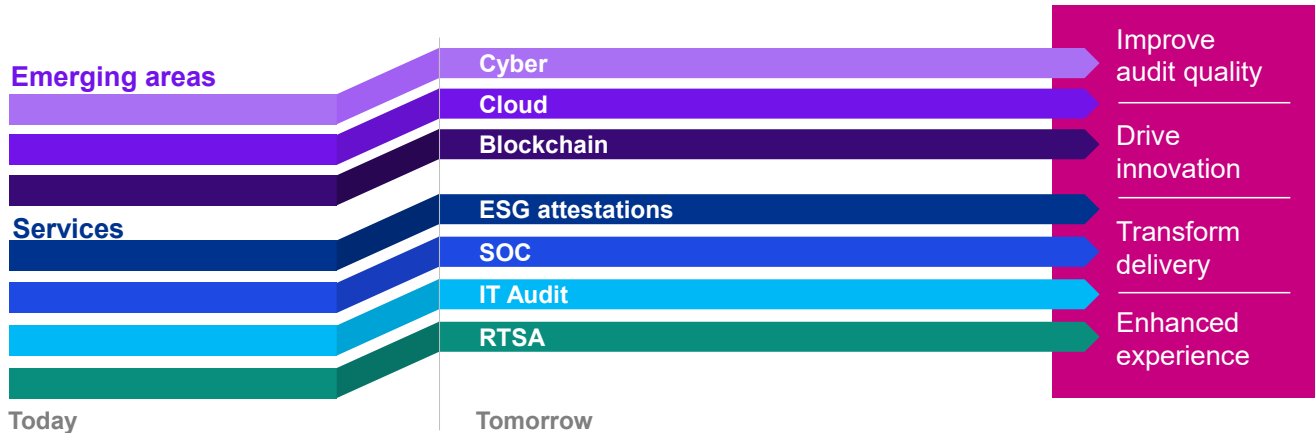
Over the past two years, in addition to upskilling more than 3,500 auditors on new data extraction, transformation and analytic capabilities, more than 1,500 Audit professionals have benefited from cross-training on IT audit skills as part of KPMG’s Next Gen Auditor program, which integrates technology into core competencies. These efforts to unlock new capabilities within the Audit practice are complemented by the rapid growth of KPMG’s Center for Audit Solutions. In fact, during the last fiscal year, the System and Organization Controls (SOC)1 Review Team supported more than 700 engagement teams.

Our NextGen Auditors are ready to deliver quality in an increasingly digital world

900+ Technology Assurance partners and professionals now integrated into our audit practice

1500+ audit professionals trained on auditing IT

3,500+ auditors trained on an advanced suite of data analytic capabilities



“We are creating the capacity to go deep on technology assurance while enhancing collaboration to drive innovation,” said Flynn.

Navigating industry disruption: Combining technology with methodology



We cannot take a one-size-fits-all approach to audit innovation.

Business model variation across and within industries demands a focused effort through an industry lens.”

— Stacy Nahas, Audit Chief Client Care Officer

In 2021, Audit professionals across every industry visited KPMG Lakehouse, our \$450 million learning and development center in Lake Nona, Florida. Over several months, industry professionals reconnected and participated in hands-on workshops to learn a new Operational Expense routine, along with new industry-specific automation and analytic routines.

In total, we have released 60 new industry-specific routines and a new operational expense testing routine, to enhance quality, drive insights and improve the audit experience.

“It was a special experience to safely reconnect amid the ongoing pandemic and to work together to teach, learn and collaborate so we can bring these types of advancements to our audits,” said Sproul. “Technology, methodology and Next Gen Auditors — that’s our vision to continue modernizing the audit to sustain audit quality.”

This experience advances our focus on growing a library of industry-specific analytics and automations. For example, Automated Fund Routines are enabling a shift from sampling to testing complete sets in the asset management industry.

“We have more than 100 professionals working with this technology to automatically extract client data to shift from sampling to 100% testing, improving both audit quality and efficiency,” said Troy Butts, National Asset Management Leader, Audit.

Furthermore, there has been a marked increase in demand for digital assets (cryptocurrencies) such as Bitcoin and non-fungible tokens (NFTs). In just the first six months of 2021, 548 investment activities were

conducted in the blockchain and crypto sector with a total value of \$8.7 billion, double the value of investment deals in the year 2020.

“A solid foundation in governance, accounting and internal controls will translate into a smoother process and help companies account for and control the risks and rewards that come with digital assets,” said Robert Sledge, Audit Partner.

This year, we leveraged KPMG’s patented Chain Fusion®, our proprietary tool for accessing transactions and related balances recorded on various blockchains, to obtain audit evidence in connection with audits of financial services, fintech and crypto-native companies.

KPMG Audit leaders continue to stay on top of [industry trends](#), delivering insights concerning regulatory changes, technology trends and other industry dynamics that affect audits and financial reporting.

Environmental, social and governance

Today, investors, customers, regulators and employees are demanding that companies act on ESG and provide more sophisticated disclosures with third-party assurance. In March 2022, the U.S. SEC released a proposal that, if enacted, would require public companies to disclose climate risks, their impact on the financial statements and greenhouse gas emissions, including requirements for accelerated and large accelerated filers to obtain assurance for Scope 1 and Scope 2 emissions over time. Additionally, for many filers, there would be additional requirements to disclose Scope 3 emissions.

While there is much focus on this proposal, many companies are already seeking to go beyond reporting compliance to gain an ESG advantage, reduce their carbon footprint and create value for their shareholders.

[KPMG IMPACT](#) is our holistic and practical solution to help clients not only report climate risks and impacts, but also unlock value with key stakeholders through strategic ESG engagement.

Last year, we announced a commitment to invest \$1.5 billion globally to accelerate our ESG capabilities to meet market demand, including training all KPMG professionals. In the nine months since June 2021, KPMG U.S. professionals have conducted more than 12,000 hours of ESG



In the near term, both auditors and companies must understand the data gaps...

...they will need to close to meet the financial and nonfinancial reporting requirements proposed by the SEC. This will require a thorough analysis of companies’ reporting readiness before reporting is mandatory.”

— Maura Hodge, KPMG IMPACT
U.S. Audit Leader

training. These training efforts have included collaboration with University of Cambridge Judge Business School and New York University Stern School of Business Executive Education.

“It’s critical this work is not siloed,” added Hodge. “Not only will the financial impact of climate risk become part of the audit, but financial auditors are also well-positioned to conduct ESG audits.”

“In fact, we will be adding our ESG assurance methodology to our global smart audit platform, KPMG Clara, bringing everything together for our professionals,” emphasized Hodge.

KPMG U.S. was the first of the Big Four firms to release a handbook exploring the impact of climate risk on financial statements and continues to develop insights to help clients understand evolving standards, global reporting requirements and the path to assurance. Read more [here](#).

Find out more

This section of our KPMG U.S. IMPACT report has highlighted the steps we have taken in 2021 to transform the audit, our practice and our firm to maintain trust in the capital markets.

For more information on our commitment to our clients, our people and our communities, find the full KPMG U.S. IMPACT report [here](#).

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

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