



# Transparency Report 2023

KPMG Australia  
October 2023

[KPMG.com.au](https://www.kpmg.com.au)

# About this report

We are committed to being a leader in audit quality. This is KPMG Australia's Transparency Report for the financial year ended 30 June 2023. It focuses on how we drive audit quality, our systems of quality management, and the initiatives we are continuously pursuing to improve it. We see audit quality as fundamental to maintaining public trust in the capital markets and the financial reports issued by audited organisations.

Our commitment to audit quality is one of our firm's highest priorities and is reflected in KPMG's Global Audit Framework which underpins how we deliver quality and consistency in our audits. This report aligns with our Global KPMG Quality Framework.

We recognise that greater transparency is needed for the public to gain insight into audit services. This report outlines KPMG Australia's approach and commitment to audit quality, including actions taken to enhance this during the year.

Our report covers the activities of KPMG Australia<sup>1</sup> for the financial year to 30 June 2023, and all figures disclosed in this report are as at 30 June each financial year, unless otherwise stated.

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<sup>1</sup> KPMG Australia, KPMG Fiji and KPMG Papua New Guinea (PNG) formed a South Pacific Practice effective from 1 July 2021. The operations of KPMG Fiji and KPMG PNG are not captured as part of this report. Refer to Appendix 1 'Key legal entities and areas of operation'. Audit activities in this report represent our External Audit business units within the Audit, Assurance & Risk Consulting division and within the Enterprise division. The Enterprise division serves mainly private and mid-market clients.

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# Transparency at a glance

## Our people say



91%

The culture and tone set by leadership promotes the importance of audit quality

FY22: 92%



89%

Engagement teams I work with emphasise the importance of applying a sceptical mindset in providing independent assurance, and our role in supporting the capital markets and protecting the public interest

FY22: 90%



85%

In the engagement teams I work with, a commitment to audit quality is evident in our day-to-day behaviours

FY22: 87%

## Our people

### Number

1,491 ↑ 14%

Client service staff

111 ↑ 1%

Audit partners

### Diversity

34%

Female audit partners

Target

40% by 2025

11%

Culturally diverse audit partners (self-declared)

Target

20% by 2025

### Ratio

1:13

Partners to client service staff

FY22: 1:12

1:3

Directors, senior managers and managers to client service staff

FY22: 1:3

## Quality of our work

100%

% of partners retaining Audit Accreditation

FY22: 100%

8.3 out of 10

Client feedback – overall client satisfaction

FY22: 8.1

100%

No adverse monitoring findings when engagement supported by Second Line of Defence reviewers

FY22: 82%

0

Financial reports or audit opinions relating to KPMG Australia's clients examined by ASIC that were restated or reissued

FY22: 0

32%

Audit partners reviewed through our internal monitoring program

FY22: 28%

86%

Engagements passed our internal monitoring program

FY22: 82%



### Independent & ethical

-  **0** Qualification of an Auditor's Independence Declaration
-  **2** Whistleblower complaints related to audit quality – internal and external
- 100%** Annual confirmation of compliance completed (firm-wide)
- 100%** Annual independence training completed (firm-wide)
- 43** Instances of individuals identified by our compliance testing not achieving full adherence to firm policies and procedures (firm-wide)

### Our technical excellence

-  **24 years** Partner average years of experience at KPMG
- 58** # staff in DPP
-  **50 hours** Average hours of mandatory learning across all staff levels
-  **100%** Mandatory learning completed

# Foreword



**MARTIN SHEPPARD**  
National Chairman  
KPMG Australia

The past 12 months have seen our profession come under intense scrutiny with calls for elevated transparency about who we are, how we organise ourselves, the work we do and impact we have. We understand these calls for transparency given the critical role we play across the economy and society. When it comes to external audit, the work we perform is key to supporting capital markets and protecting the public interest. It's a privilege to serve in this way and a responsibility we take very seriously. Audit is core to our identity and our purpose, and we welcome the opportunity to contribute to the conversation around the role and value of audit and evolving expectations.

Over this last year we've also seen the exponential advancement of digital technology creating exciting opportunities for innovation in audit. Innovations that evolve the way an audit is conducted, the integrity and nature of insights delivered, and ultimately the value of audit to the stakeholders who rely on it. These innovations also call for new and different skill sets as part of audit delivery. This Transparency Report aims to shine a light on our efforts to maintain and elevate the high standards we set for ourselves on audit quality and how we are responding to calls for greater transparency and opportunities for advancement offered through disruptive technologies.

Our commitment to audit quality is reflected in the priority it holds in our governance structures, the defined accountabilities for our most senior leaders and the way it is embedded throughout our organisation.

As the National Chairman of the firm, together with our CEO, we have overall responsibility for our system of quality management and performance of the firm. Our leadership team drive actions to improve audit quality with those actions overseen by a range of governance committees detailed in this report. All senior leaders at KPMG are required to have an audit quality-focused goal which feeds into annual performance and remuneration outcomes.

In this report we provide an update on our Audit Quality Transformation (AQT) initiative launched in October 2022, designed to achieve a step-change in audit quality. One year into this multi-year initiative, we've made good progress and we are delivering a better experience for our clients and our people.

Many of the steps we have taken this year build on a legacy of commitment to audit quality, and enhancements to already solid foundations. Perhaps the greater evolution is the way we are embracing and leveraging digital technology, transforming the audit experience for our teams and the insights and value we deliver for our clients. Through large-scale investments, matching our human-audit expertise with sophisticated technology platforms, we've seen exciting progress and advances in audit process. In this report we share details of KPMG's web-enabled global audit platform, KPMG Clara and how it is achieving consistency and quality in audits across the globe. We also profile some of the cutting-edge data & analytics tools we are incorporating into our audits enhancing our ability to deliver rich insights and enhance predictive capability.

As audit evolves through tech and into new areas with the incorporation of ESG metrics, so too must the skills of the workforce. Skills shortages, particularly in highly specialised areas of data science, data analysts, emerging tech and auditors themselves have challenged the Australian workforce for many years, but chronically so since COVID pandemic border closures. KPMG is investing to upskill our existing workforce alongside efforts to recruit top external talent. Inclusion and diversity is core to our firm strategy and we know that when it comes to audit teams, a diverse team brings innovative problem solving techniques contributing to the quality and value of our delivery. Our search for talent includes forging strong connections with the university sector so we can open the eyes and minds of graduates to the diverse and varied career opportunities within Audit at KPMG. We share in this report interesting case studies of KPMG team members who are enjoying a rich and varied second career as auditors coming from backgrounds in Solar Terrestrial Physics and Genetics.

We know transparency is key to trust. This Transparency Report is an honest assessment about where we are hitting our targets and where we believe more attention is necessary to drive further audit quality. I'm proud to present the report on behalf of the firm – it paints a clear and confident picture of the way we operate, the value we provide to our clients and the wider community. It also paints a picture of potential and exciting advancements in the delivery of audit delivering better outcomes for our clients and exciting and new career pathways for our people.

On behalf of our firm, I want to extend a huge thanks to our highly skilled, committed, and resilient audit teams. We know KPMG's audit talent has long been prized by the marketplace, which drives us to continue to invest in the development of our people and provide them with great opportunities.

I hope you find this year's report useful and informative. I believe it presents more than data; and is an appropriate testament to our commitment to quality, transparency, and ethical conduct. I invite you to engage with it and help hold us to the standards we set for ourselves.



# Introduction

Audit quality is our number one priority and upholding it during a period of unprecedented disruption has been an absolute focus of the past year.



**JULIAN MCPHERSON**  
National Managing Partner  
Audit & Assurance

With the national spotlight on our profession, KPMG remains focused on trust, integrity, and quality.

For audit, quality starts with significant investment in our most valuable asset: our people. Over the past year we've seen a welcome post-pandemic resurgence in on-the-job client and workplace learning, which has highlighted the irreplaceable benefits of direct human interaction. Graduates engaging with partners, the act of active listening, fostering an environment where queries are encouraged, and exemplary behaviours are modelled – all these forms of learning we know are indispensable in our growth journey. The evolving landscape of audit demands a diversified skill set, and through initiatives like the KPMG Eclipse Learning Academy, we are continually augmenting our people's proficiencies, especially in the realms of digital, data, and cybersecurity.

We are also cognisant of the importance of recognising and rewarding the efforts of our team in ways that align with our purpose and values. Beyond monetary incentives, we recognise the essence of non-financial rewards, including our augmented parental leave of 26 weeks and the 'Work from Anywhere' initiative, our "Revive" time off in lieu programme coupled with fortified support for the holistic wellbeing of our workforce.

We are committed to protecting the health, safety and wellbeing of our people by providing a safe and mentally healthy work environment where everyone can thrive. This year, we have introduced a new proactive program, KPMG CARE. It encompasses health, safety and health, mental health and wellbeing, and domestic and family violence support.

Sustainable workload continues to be a priority in our profession, and a core part of our approach to providing a mentally healthy work environment. A new Sustainable Workload Framework and Policy is in development, aimed at helping us practise healthier ways of working. However, we recognise there is still much work to do to ensure the business supports realistic and sustainable work demands.

KPMG's alliances with some of the world's most advanced technology companies position us at the forefront of exciting developments with potential to uplift audit quality even further. In this report we highlight our strategic alliance with Mindbridge – a third party software developer – and an exciting, game-changing AI tool that can forensically analyse and risk profile every single transaction with future potential to detect fraudulent transactions. It's an exciting development placing KPMG ahead of our competition.

In accordance with the International Standard on Quality Management 1 (ISQM1), endorsed by the Auditing and Assurance Standards Board (AUASB), we have fortified our system of quality management. This adaptation isn't merely procedural but signifies a shift for our firm that delineates our duty to devise, execute, and maintain a quality management system tailored for the audit and review of financial statements. Anticipating ISQM 1's requirements, we introduced a Global Quality Framework, which demarcates our approach to ensuring quality.



**JULIE CLEARY**  
National Partner in Charge  
Enterprise Audit  
& Assurance

A core capability of effective audit is clear-sightedness. We use both external inspections and internal monitoring against accepted relevant benchmarks to evaluate our performance, understand the quality of our audit work and prioritise areas for improvement. ASIC has changed the way it reports on the outcomes of its auditor surveillance activities, and has recently released its first aggregated Annual Financial Reporting and Audit Surveillance Report 2022-23, seeking continual improvement across the entire financial reporting chain. A much smaller number of audit engagements were inspected across the firms in comparison to prior years, with 15 files examined this year for the audit profession, compared to 45 last year. ASIC has advised no percentages of findings will be reported for any individual firm this year.

We respect and recognise the importance of ASIC's role and the surveillance program, and refer to their reports later in this document. We have seen an improvement in our own internal quality review scores – with a pass rate for financial statement audit engagements reviewed in FY23 of 86% (FY22: 82%).

We understand we need to continue to improve our scores. While we are in the early stages of our comprehensive Audit Quality Transformation initiative, we are making good progress and are fully focused on delivery.

Our commitment to audit quality remains one of the firm's highest priorities.

**For audit, this emphasis on quality has propelled us to invest significantly in our most valuable asset: our people.**



01.

# Living our culture and values

Our Purpose – to inspire confidence and empower change – is underpinned by our Values – Integrity, Excellence, Courage, Together and For Better. These guide our culture, the decisions we make, the work that we do and the way we behave with each other, our clients and all our stakeholders. Through quality audits, we aim to inspire the confidence of our clients and their investors, strengthening the capital markets and the economies in which they operate.



### 1.1

## Fostering the right culture, starting with tone at the top

There are several critical components to an effective tone at the top including:

- Robust system of quality management: the quality of each audit rests on a foundational system of quality management.
- Culture and Code of Conduct: our commitment to audit quality is underpinned by our values which set the tone for governance and leadership.
- Focused and well-articulated strategy: incorporating audit quality at all levels.
- Governance structure: this sets the formal framework for establishing, managing and monitoring audit quality.
- Strong leadership and management are critical for audit quality.

### 1.2

## System of quality management

We have strengthened the consistency and robustness of our system of quality management to align with International Standard on Quality Management 1<sup>2</sup> (ISQM 1), a new international standard adopted by the Auditing and Assurance Standards Board (AUASB). We consider this a transformational and fundamental change for our firm. It sets out our responsibility to design, implement and operate a system of quality management for the audits and reviews of financial statements we perform.

In preparation for ISQM 1, we adopted a Global Quality Framework to better outline how we deliver quality, and how everyone at KPMG Australia is accountable for its delivery. The principle of ‘Perform quality engagements’ sits at the core of the Quality Framework along with our commitment to continually monitor and remediate our processes as necessary.

<sup>2</sup> International Standard on Quality Management 1 (ISQM 1) Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Other Related Services Engagements, issued by the International Auditing and Assurance Standards Board <http://www.iaasb.org>



**THE KPMG QUALITY FRAMEWORK**

**1.3**

**Clearly articulated strategy focused on quality, consistency, trust and growth**

The strategy of our audit practice is built on a foundation of uncompromising quality. This is articulated in regular communications with partners and staff.

We are committed to being a purpose-led organisation. Our Purpose and intent are embedded in our ‘LEAP<sup>3</sup>’ strategy. Since the implementation of the ‘LEAP’ strategy in FY22, we have made good progress in how we inspire our people, deliver exceptional outcomes with our clients, accelerate our investment and use of cutting-edge technology and lead the profession in audit quality.

Measuring audit quality is challenging, because it is governed by a complex set of direct and indirect factors that are often abstract. Our Quality Framework covers the critical quality focus areas explicitly, including living our culture and values, embracing digital technology, applying expertise and knowledge, and nurturing diverse skilled teams.

**Audit Quality Transformation (AQT)**

In October 2022, we commenced a multi-year holistic Audit Quality Transformation (AQT) designed to drive a step change in our audit quality and to improve the audit experience for our clients and people. The AQT addresses elements of our firm’s governance framework, audit quality monitoring, our audit delivery model, people development and includes a significant technology program designed to improve consistency.

3 The strategic pillars of LEAP are: Leader in Audit Quality, Exceptional Client Outcomes and Growth, Accelerate and Explore and Inspired People.

Some of the flagship initiatives of our AQT include:

- Moving to full implementation of our globally consistent technology platform, KPMG Clara, in 2024. Alongside implementation, we are delivering enhancements to the tool and its supporting data and analytic capabilities including deployment of AI into our audit software to further drive improvements to audit quality, efficiency and accuracy. Technology remains a key area of focus and investment.
- Deployment of standardised minimum procedures for specific audit areas, supported by automated document generation solutions that tailors to client situations and enhanced guidance for audit partners and teams.
- Investment in our second line of defence<sup>4</sup> is already underway with a significant increase of that function for the June 2023 reporting season.
- Renewed investment in our learning curriculum, with a wide range of relevant courses to develop our people and their capabilities.
- Full adoption of ISQM 1.

The AQT has already established strong momentum, with several key achievements since our launch late last year. While we acknowledge the challenging environment for auditing professionals in Australia and around the world, we set high standards for ourselves. We are acting and doing everything we can to continuously improve our audits. We believe that the comprehensive AQT Plan will continue to improve the quality of our audits and the audit experience for our clients and our people. While we are in the early stages of our comprehensive AQT, we are making progress and are committed to our plan.

## 1.4

### Defined accountabilities, roles and responsibilities, including for leadership

Our National Chairman and our Chief Executive Officer (CEO), have overall responsibility for our system of quality management and the performance of the firm. Our actions to improve audit quality are supported by leadership from the firm's National Executive Committee (NEC).

#### National Chairman and Board

The National Board<sup>5</sup> is KPMG Australia's key governing body, responsible for overseeing management and conduct of the firm. The Board is comprised of the National Chairman,<sup>6</sup> the CEO, and nine other members – currently including two independent Board members who play a key role ensuring we hold ourselves to account to the expectations of the community.

The role of National Chairman at KPMG is responsible first and foremost for holding the firm to the highest professional standards of governance, quality and integrity to engender trust from our people, clients and community. The separation of Board and management is critical for the appropriate oversight and holding to account of our CEO and Executive team on all aspects of performance.

#### CEO and National Executive Committee

KPMG Australia is led by CEO, Andrew Yates. The CEO is responsible for the effective management of the firm in accordance with the strategic direction, plans and policies approved by the National Board and the implementation of appropriate regulatory and risk management procedures in each of the businesses of the firm. The CEO heads the firm's principal management body,

<sup>4</sup> Refer to Chapter 7.3 'Direct, coach, supervise and review'

<sup>5</sup> Refer to Appendix 2: Details of those charged with governance

<sup>6</sup> Alison Kitchen was the National Chairman for the year ended 30 June 2023. Martin Sheppard officially commenced as the National Chairman on 1 September 2023.

the NEC, which drives the execution of the business strategy and establishes processes to monitor and enforce policy compliance.

Our National Board and NEC are deeply involved in the delivery of our firm's ethical culture program, commitments, and associated metrics. Areas of key focus this year have been upskilling our people in how to make better ethical decisions and strengthening our speak up culture.

We continue to proactively measure the impact of our ethical culture initiatives to understand what's working well, what we need to do more of, and where in the business experiences may not be in line with expectations. Proactively managing our culture to reinforce ethical conduct and alignment of behaviours with our Purpose and Values is a priority for our firm.

## 1.5

### Overseen using robust governance structures

The governance structure includes committees that have risk and quality responsibilities to oversee and influence the firm's audit quality agenda. We view risk management and quality as the responsibility of every one of our people.

These include the below.<sup>7</sup>

#### The Board Audit Quality Committee

In FY23, a new subcommittee of the National Board was established with a dedicated focus on Audit Quality. The committee was one of the key initiatives of the AQT. The Board Audit Quality Committee has direct oversight over financial statement audit quality, including the firm's strategy, culture, investment plan and compliance with and excellence in our system of quality management.

The Board Audit Quality Committee is comprised of at least three members of the National Board other than the National Chairman and contains one independent non-executive director.

#### External Audit Leadership Group (ALG) and Enterprise Audit & Assurance Leadership Group (A&ALG)

Our audit practice includes External Audit and Enterprise Audit & Assurance, led by Julian McPherson (National Partner in Charge, External Audit) and Julie Cleary (National Partner in Charge, Enterprise Audit & Assurance).

External Audit is a division of Audit, Assurance & Risk Consulting (AARC)<sup>8</sup> and Enterprise Audit & Assurance a division of Enterprise.

Julian and Julie report directly to Partner representatives on the NEC and are directly responsible for the development and implementation of our external audit strategy and operations, including delivery of the firm's audit quality strategy.

The ALG is led by Julian. Members of the ALG include Partners in Charge of each of the audit groups, structured by location, and the National Head of Audit Quality. Audit quality is discussed by the National Head of Audit Quality during dedicated time at each meeting.

The A&ALG is led by Julie. Members of the A&ALG include the Enterprise Audit & Assurance Chief Operating Officer and the Head of Audit from each of the seven states/territories. Audit quality is discussed at each meeting.

<sup>7</sup> Further details about the firm's governance bodies are contained in Chapter 13.3 'Governance Structure'

<sup>8</sup> Our service areas during FY23 were organised as AARC; Deals, Tax & Legal; Enterprise; Infrastructure, Assets & Places; and Management Consulting. From 1 July 2023, these changed to Audit & Assurance, Consulting, Deal Advisory & Infrastructure, Enterprise, and Tax & Legal following the introduction of a new operating model aimed at greater global alignment, improved efficiency, and optimal delivery of our firm strategy. Julian McPherson became the National Managing Partner, Audit & Assurance under the new operational model.





### Management Audit Quality Committee

The Management Audit Quality Committee, chaired by the National Head of Audit Quality, which includes the National Partner in Charge, External Audit and the National Partner in Charge, Enterprise Audit & Assurance as members, ensures the quality of financial statement audits and associated risks are a priority for audit leadership.

Specifically, its responsibilities include:

- evaluating proposed audit initiatives to ensure the objectives and outcomes align with maintaining or enhancing audit quality. Initiatives are developed to address matters arising from internal monitoring and external inspections, root cause analysis and other relevant quality indicators and data sources
- assessing the strategic prioritisation, resourcing and timetabling of actions to be delivered through the AQT
- implementing global initiatives to deliver audit quality outcomes in a globally consistent manner
- overseeing the activities of the firm's Audit Quality networks and forums.

The National Head of Audit Quality provides at least biannual updates to the National Board.

## 1.6

### Audit quality and risk management leadership

The following individuals have leadership responsibilities for quality and risk management:

#### Chief Risk Officer (CRO)

Tanya Gilerman, our CRO, retains overall operational responsibility for our system of quality management and risk management. The CRO is a member of the NEC, underlining the importance that the firm places on risk and quality matters. The CRO is supported by a team of partners

and professionals in each of the service areas. Audit has a dedicated Divisional Risk Management Partner, Marcus McArdle, who is supported by an embedded network of Audit risk management partners across our offices.

#### Ethics and Independence Partner (EIP)

Kevin Leighton, our designated EIP, has primary responsibility for the direction and execution of ethics and independence policies and procedures. The EIP is responsible for communicating and implementing our policies and procedures, which are collated in our Australian Quality and Risk Management Manual (AQ&RMM). Our independence policies are set at or above the requirements of professional standards and the Corporations Act 2001.

Our partners and staff are always encouraged and mandated in certain circumstances to consult with the EIP.

#### National Head of Audit Quality

Shaun Kendrigan, the National Head of Audit Quality is responsible for monitoring internal and external audit quality indicators and driving actions for continuous improvement. Shaun is also the Partner in Charge, Department of Professional Practice (DPP), the centre of technical excellence for audit and financial reporting.

These leadership roles contain globally consistent audit quality role profiles to navigate their activities. In addition, every member of the firm's NEC has an audit quality-focused goal and an Audit Quality Role Profile which feeds directly into annual performance and remuneration outcomes. This is to ensure all our senior leaders, not just auditors, understand and are held accountable for audit quality.

02.

# Applying expertise and knowledge

We are committed to and continue to build on our technical expertise and knowledge recognising its fundamental role in delivering quality audits.

## 2.1

### Methodology aligned with professional standards, laws and regulations

KPMG's Global Audit Methodology Group leads the development and maintenance of the audit methodology adopted by all KPMG member firms, based on the International Standards on Auditing (ISAs) and compliant with the International Standards on Quality Management (ISQM). In Australia, auditing standards and standards of quality management<sup>9</sup> are legally enforceable and we customise the global methodology for differences in these standards, relevant laws and regulations, and for additional requirements we believe enhance the quality of our audits.

This is set out in the KPMG Audit Execution Guide (KAEG), our new global audit methodology which has been substantially deployed in FY23. The KAEG enables our audit teams to execute consistently against our quality standards.

## 2.2

### Deep technical expertise and knowledge

#### Department of Professional Practice (DPP)

An initiative of the AQT is the increased technical support for our teams, including the Second Line of Defence.<sup>10</sup> In FY23, the number of professionals in the DPP increased over 32% to 58.

The DPP is the national centre of technical excellence responsible for: conducting technical research, interacting with local and global professional standards-setters and regulators, and providing technical accounting and auditing guidance and support to our people in the field.

The DPP comprises partners and senior staff who are our technical experts, with deep understanding of Australian and international standards. They dedicate significant time to supporting audit engagement teams. This ranges from one-on-one audit team support to developing and instructing learning on complex issues. They challenge audit teams on positions taken, bringing a further lens to decision-making, and are the firm's authority on audit and accounting matters. To support the technical excellence of our people, the DPP produces publications and reference materials describing our positions on accounting standards.

<sup>9</sup> AUASB standards are legally enforceable for audits or reviews of financial reports required under the Corporations Act 2001.

<sup>10</sup> Refer to Chapter 7.3 'Direct, coach, supervise and review'

## DEPARTMENT OF PROFESSIONAL PRACTICE

	FY23	FY22	FY21
<b>No. of professionals</b>	<b>58</b>	<b>44<sup>11</sup></b>	<b>45<sup>11</sup></b>

The KPMG Clara workflows Deployment Group and other embedded networks supplement and work closely with the DPP in developing initiatives to maintain and improve audit quality.

### KPMG Clara workflows Deployment Group

The KPMG Clara workflows Deployment Group, led by a Deployment Partner<sup>12</sup> is responsible for the implementation of the KPMG Clara workflows. Auditors are seconded to the group from lines of business, including the DPP, to specifically focus our support on this significant local

and global investment to improve audit quality.

In addition, to assist teams transitioning to the KPMG Clara workflows we established a network of KPMG Clara workflow champions across Australia. These individuals worked with the KPMG Clara workflow Deployment Group to respond to queries from engagement teams regarding use of the new workflows. They also share tips and other guidance in their local office and facilitate learning when needed.

## THE KPMG CLARA WORKFLOWS SUPPORT TEAM

	FY23	FY22	FY21
<b>No. of professionals in the KPMG Clara workflows Deployment Group, including KPMG Clara workflow champions</b>	<b>94</b>	<b>81</b>	<b>60</b>

### Our embedded networks

KPMG Australia uses embedded networks within each of the audit groups and offices to maintain our focus on audit quality.

Audit Quality Partners are responsible for supporting the local office, disseminating guidance and information to audit teams relating to our interpretations of auditing standards and national initiatives to enhance quality, identifying improvement opportunities and leading our Audit Quality Managers.

Audit Quality Managers facilitate local workshops on topical matters, communicate new methodology guidance and key audit quality messages and provide

input into the development of national audit quality initiatives.

Audit Risk Management Partners are responsible for providing leadership on quality and risk management and directing adherence to firm policy and professional standards. These highly experienced audit partners assist in the identification and management of risks to audit service delivery and are consulted on all modified audit reports. These partners dedicate significant amounts of time to one-on-one audit team support for complex issues – in particular, going concern evaluations as entities consider the impacts of current economic pressures. In FY23 we have 19 (FY22: 19) Audit Risk Management Partners across different offices.

<sup>11</sup> Restated to include professionals of National Audit Quality Group, which merged with DPP during FY23 as part of the AQT to support our teams.

<sup>12</sup> Andrew Hounsell is the partner leading the deployment of the KPMG Clara workflow.

We also maintain a sampling specialist network of auditors that are specifically trained to support audit teams with their complex sampling queries and facilitate training of engagement teams in the use of sampling techniques.

### 2.3

## Quality and risk management manual

Our AQ&RMM collates our policies, procedures and guidance. It reflects the key elements of the IESBA<sup>13</sup> Code of Ethics combined with Australian specific provisions and, where applicable, US Securities and Exchange Commission<sup>14</sup> (SEC), US PCAOB<sup>15</sup> and other regulatory requirements. Our people annually confirm their compliance with these policies and procedures which include personal independence.

### 2.4

## Standardised procedures, workpapers and guidance

Risk management and audit quality are the responsibilities of every KPMG Australia partner and staff member. We expect our people to adhere to the clear standards we set and provide a range of tools to support them in meeting these expectations.

These standards incorporate the relevant requirements of the Corporations Act 2001 and of accounting,<sup>16</sup> auditing,<sup>17</sup> quality management,<sup>17</sup> ethical and professional<sup>17</sup> standards, and other relevant laws and regulations. We dedicate significant resources to keeping our standards and tools complete and up to date.

Additions and amendments to these are communicated by regular alerts and learning programs.

To achieve more consistency in how our audits are performed and deliver audit quality outcomes, our Global Audit Methodology Group developed a list of minimum expected substantive procedures. This significant global initiative connects risks related to certain areas, such as revenue and estimates, identified in an audit with the minimum expected KPMG response. Besides the minimum expected substantive procedures which are applicable to general industries, there are dedicated procedures to address areas that are unique to the banking industry. In addition, templates were released to standardise the documentation of these minimum expected and other substantive procedures as part of our AQT.

To maximise audit effectiveness and efficiency, we continually develop and distribute audit quality updates. Key tools developed and released in FY23 include:

- an Accounting and Auditing in Uncertain Times portal, providing guidance to audit teams on financial reporting and audit implications of external events such as natural disasters, geopolitical events and inflation
- a roadmap guiding teams through the consideration of climate-related risks in financial statement audits
- simpler and clearer guidance for our auditors, which is a key initiative of the AQT.

13 International Ethics Standards Board for Accountants [www.ethicsboard.org](http://www.ethicsboard.org)

14 US Securities and Exchange Commission [www.sec.gov](http://www.sec.gov)

15 US Public Company Accounting Oversight Board [www.pcaobus.org](http://www.pcaobus.org)

16 Australian Accounting Standards Board [www.aasb.gov.au](http://www.aasb.gov.au)

17 Auditing and Assurance Standards Board [www.auasb.gov.au](http://www.auasb.gov.au)

03.

# Embracing digital technology

At KPMG Australia, we are committed to serving the public interest and bringing value through continuous innovation. By leveraging leading technologies, we are transforming the audit experience for our professionals and our clients – enabling us to increase our ability to focus on the issues that matter through the data and insights provided.

### 3.1

## Intelligent, standards-driven audit workflows

KPMG Australia is a technology-enabled organisation, with technical accounting and auditing resources, guidance and audit platforms and tools available electronically, which enable our engagement teams to effectively operate in office and remote working environments.

We invest in digital technology and expertise to improve audit quality by driving better audit insights, creating greater consistency, and strengthening monitoring of engagements. We believe audit quality is best achieved when the power of smart technology is matched with inquiring minds and professional scepticism.

KPMG Clara is our smart and intuitive technology platform that is driving globally consistent audit execution. We have substantially transitioned all of our audit engagements to KPMG Clara which replaces our previous platform, eAudit.

### 3.2

## The KPMG Clara workflows

Our updated audit methodology (KAEG) is embedded in our new workflows (KPMG Clara workflows) and enabled by our global smart audit platform, KPMG Clara.

The web-enabled KPMG Clara workflows are delivered through our KPMG Clara platform, which also provides: project management capabilities; collaboration

capabilities between the audit team and our client; and advanced capabilities that leverage data science, automation and data visualisation to enhance quality and efficiency.

A cornerstone of our workflows and audit methodologies is scalability and standardisation. Scalability enables our workflows and requirements to adjust to the size and complexity of the audit engagement. Standardisation delivers globally consistent content and suggests appropriate audit procedures in response to identified risks.

The KPMG Clara workflows guide audit teams through a series of steps in a logical sequence aligned to the applicable auditing standards with a clear display of information, visuals and guidance available. These capabilities enhance quality and global audit consistency.

Our deployment of the KPMG Clara workflows commenced in 2020 and as of FY23, we have substantially transitioned all financial statement audits to the workflows. The KPMG Global Solutions Group (the group responsible for the development and deployment of global audit solutions, including the workflows), continues to focus on and plan for future enhancements to the workflows and the KPMG Clara platform.





**We invest in digital  
technology and  
expertise to improve  
audit quality**

## 3.3

## Digital data and emerging technologies

### Data and analytics (D&A) in the audit

We use D&A to better understand the entities we audit, contribute to risk assessment, and provide rich objective audit evidence. This adds confidence and valuable insights. D&A allows us to identify and focus our judgments on higher risk areas and provide deeper business reporting to our clients.

In FY23, we extended our D&A capabilities in our audits with:

- **AI Transaction Scoring:** cutting-edge AI technology incorporating advanced statistical, machine learning and rules-based analytics to automatically analyse accounting transactions and classify them into risk-based populations. The machine learning capabilities can help identify outlier transactions in a complete dataset during audits.
- **Automated data extraction tool:** cloud-based platform that automates the extraction and standardisation of financial data from our clients' accounting software, enabling secure and efficient sharing of data required for our digital audit capabilities.

We continued to expand the use of our existing capabilities, bringing D&A to more of our audits with:

- **Automated audit procedures:** leveraging data and automation techniques to automate an end-to-end workflow for audits of funds, using over 20 audit routines for evidence gathering and consistency.
- **Automated vouching solutions:** an intelligent data extractor tool scanning complex underlying documents, such as property valuation reports, scraping the key data from unstructured formats

(such as PDF) into structured data for use in evaluation.

- **Industry specific routines:** performing risk assessment and detailed audit procedures on our major clients.

Our Audit Technology Team includes data scientists, data analysts and other science, technology, engineering and mathematics-educated people, to support audit capabilities.

### Reliable technology to enable evidence gathering

KPMG's alliances with some of the world's most advanced technology companies allow us to stay on the forefront of technology developments as well as D&A capabilities, with FY23 seeing the launch of KymChat, our virtual assistant powered by a proprietary version of ChatGPT developed in conjunction with our alliance partner Microsoft. Our newly announced strategic alliance with MindBridge in FY23 has enabled us to bring advanced AI into our digital audits around the world, enhancing audit quality and risk identification. We use a range of technologies in performing audit procedures, from off-the-shelf packages to customised in-house developed systems, and follow a robust global software audit tool policy, supported by relevant technology specialists.

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

The importance of maintaining client confidentiality is emphasised through a variety of mechanisms, including the Code of Conduct and annual compliance attestations.

Our commitment is to uphold the highest level of data and information protection, privacy and security.<sup>18</sup> Our people, clients and other stakeholders entrust us with sensitive data and information. We continue to strengthen the policies, processes, controls, training and capabilities needed to protect our data from unauthorised access and disclosure or any use beyond the original intent.

<sup>18</sup> Refer to page 21 of KPMG Australia's 'Our Impact Plan 2023' for information on how the firm manages data and cyber risks and our data privacy and security uplift.

## CASE STUDY 1

# AI to be applied to audit 150 clients in the next year

As part of our global strategic alliance with MindBridge – a third-party software developer – it is now possible to forensically analyse and risk profile every single transaction.



**SHANE O'CONNOR**  
Partner in Charge,  
Audit Technology  
& Innovation

There are certain things that are not visible to the naked eye – infrared light, oxygen, soundwaves, and certain transactions to name a few.

Thanks to the introduction of new AI technology, our accountants are now able to 'find that needle in a haystack' for audit clients.

As part of our global strategic alliance with MindBridge – a third-party software developer – it is now possible to forensically analyse and risk profile every single transaction.

Our Head of Audit Technology Shane O'Connor – who has been with KPMG Australia for almost 30 years – described it as a 'game changer'.

'We have already run the tool through six or seven engagement teams. Over the next 12 months, we are planning on using it on up to 150 clients,' Shane said.

The solution will be applied to a range of businesses, including large publicly listed companies and small-to-medium enterprises.

KPMG Australia is not the first to embrace the change. Our firms in the UK, Canada and the United States are a step ahead.

'The feedback we have received from our colleagues overseas is that the technology is identifying high-risk transactions that would not have been found in the manual world,' Shane said.

'The capability leverages both traditional data and analytics, statistical techniques and AI, allowing us to put a fine-tooth comb over complete data populations.'

'Audit innovation and quality is what is expected from our clients. When we talk about MindBridge, it gets our clients excited, and it gets us excited, improving the way we work and the quality of what we deliver,' Shane said.

'We believe this platform will continue to grow and go beyond journal entry transactions into subledger transactions and even extend to ESG reporting.'

AI is transforming industries and businesses around the globe, meaning audit is likely to also change as the technology continually evolves.

'The technology will no doubt create efficiencies over time, reducing manual effort over routine transaction flows, so that our auditors' time is predominantly spent on the more judgemental, high-risk areas,' Shane said.

As Shane prepares to mark a career milestone of three decades at the firm in January 2024, he said he wouldn't change it for the world.

'It's the people who keep you here, the clients and the opportunity to always do something different, and to continuously learn,' Shane said.

04.

# Nurturing diverse skilled teams

Our people make the real difference and are instrumental in shaping the future of audit. We put quality and integrity at the core of our audit practice. Our auditors have diverse skills and capabilities to address our clients' complex problems.

## 4.1

### Our new people promise

Employee engagement and experience are central to all KPMG people-related initiatives and a critical driver of our business success. This year, we have enhanced our listening strategy to ensure we better understand our people's experiences and act on opportunities to support and inspire them throughout their career at KPMG.

We established our new People Promise – our Employee Value Proposition – to identify and articulate what people value about working at KPMG. Our commitment across the five pillars of our People Promise helps ensure that all our people and all new starters understand the whole value proposition of working with us, what they can expect and what the fundamental benefits of a KPMG career are.

This year, we also introduced the Partner Performance Feedback tool to ensure our partners receive feedback on their leadership behavioural proof points linked to our Values, such as ethics and inclusion.

### OUR PEOPLE PROMISE PILLARS



#### **Do work that matters**

Every day, in ways big and small, you make a meaningful and positive difference for clients, people and the communities we serve. Help create opportunities in a world of increasing complexity.



#### **Come as you are**

Your unique experiences and perspectives belong here. Both individually and as a team, you will understand and value the differences that lead to stronger insights and innovation.



#### **Thrive with us**

Build relationships with colleagues who take care of each other. You will have the KPMG community at your side, providing the support you need to be at your best and create opportunities for yourself and others.



#### **Learn for a lifetime**

Grow your own way in an environment where learning is continuous. Feed your curiosity, work with the best on emerging practices and technologies, and gain an advantage for life.



#### **Make your mark**

Your aspirations and initiative make KPMG better. Wherever you work, be recognised for the impact you make, the leadership you show, and the success you create with others.





#### 4.2

### Recruiting appropriately qualified and skilled people, including specialists, with diversity of perspective and experience

We recognise the importance of attracting appropriately qualified and skilled people. In FY23 we continued to enhance the targeted nature of our search and recruitment approach, by further embedding incentives to attract new talent with the right skills, experience, and passion.

Positively influencing the perception of the audit profession is always front of mind when attracting external talent. With an 'always on' recruitment model, we focus on identifying and securing top experienced talent from diverse backgrounds and locations.

Our graduate recruitment approach continues to be reviewed and refined to ensure we remain a key choice for graduates. In FY23 we enhanced the flexibility of our program and saw an increase in program dates throughout the year.

In FY23 we implemented the use of Smart Recruiters, which reimaged how we recruit across the firm, at all levels – as it increased productivity and efficiency, fostered collaboration, and importantly, enhanced candidates' experience end to end.

We also continued the use of virtual secondment arrangements with other KPMG member firms to support capacity during audit reporting season, by working with member firms such as KPMG Malaysia, Philippines, Sri Lanka, India, and Ukraine.

All secondees are required to complete relevant audit and independence trainings. Using technology, virtual secondees receive the same direction and coaching as employees based in Australia and their work is subject to the same review and oversight. Our system of quality management applies to all our personnel, whether based in Australia, or elsewhere.

## CASE STUDY 2

# Meet the scientist turned auditor

**'I think my hunger to learn is what made the person who interviewed me decide to take the risk and offer me a position. It's also what makes me a successful auditor.'**

**KPMG Australia supports staff who have been hired as 'non-accounting graduates' in our audit practice to undertake the Chartered Accountants Foundations Program. The firm supports them through paying for their enrolment fee and textbooks and leave to undertake examinations.'**



**ROBYN RICHARDSON**  
Assistant Manager,  
Audit & Assurance

When opting for a career change, one of the biggest challenges can be working out what, if any skills, are transferable.

Four years ago, Robyn Richardson had an epiphany while standing in the middle of a pink lake, off the south coast of Western Australia.

The former scientist was on a placement with a researcher, who was eager to examine bacteria living in soil at the bottom of Lake Magic.

'It was interesting, but the work was very repetitive – taking soil samples from the acid waters, filling up test tubes, analysing the results, and comparing them over time.'

'I found the process itself a bit mundane,' Robyn said.

In a leap of faith, Robyn decided to ditch her white lab coat to pursue the art of number crunching as an auditor.

While scouring the internet for ideas, she eventually decided to apply for a graduate position at KPMG Australia.

'I had studied commerce (majoring in marketing) in the past, and I had a bit of work experience under my belt, but I certainly wasn't an ideal candidate for a position as a graduate auditor,' Robyn said.

'I think my hunger to learn is what made the person who interviewed me decide to take the risk and offer me a position. It's also what makes me a successful auditor.'

Robyn admits it was a 'gamble' for both her and the firm, but one that paid off.

KPMG Australia supports staff who have been hired as 'non-accounting graduates' in our audit practice to undertake the Chartered Accountants Foundations Program. The firm supports them through paying for their enrolment fee, textbooks and leave to undertake examinations.

She has now completed her Chartered Accountancy and is an Assistant Manager, responsible for coordinating some of our external audit engagements.

'When you're a scientist, you have to thoroughly document your work so another person can pick up where you left off because consistency is so critical,' Robyn said.

'In audit, when a partner or regulator is reviewing your work, you also need to have documented what you did in sufficient detail, so another auditor can pick it up without a problem.'

Whether it is a scientific process or an audit, Robyn said there is method in the madness.

'Like a scientific process, it is about explaining why certain decisions were made, what problems you found, the conversations you had with key stakeholders to achieve a certain goal – it is a hard skill to master,' Robyn said.

Accuracy and attention to detail are crucial to audit quality; skills Robyn picked up as a scientist.

'If you memorise the rules and apply them on a very surface level, you can get by in audit, but when things start to go wrong, it's about being able to find out why, and to come up with a timely solution,' Robyn said.





‘Not everyone can work backwards to work out how we have ended up in a certain position, and that skill is something I picked up when I was working backwards from physical symptoms to work out how our genes might be responsible.’ ‘This has proved useful in audit, particularly when trying to work backwards to understand a complex client estimate or valuation.’

Most jobs become repetitive over time, but not this one, Robyn said.

‘I feel like in audit I am constantly learning how to apply an underlying skillset to new clients or different scenarios,’ Robyn said.

‘Some people say maths is the universal language, but I think it is accounting because you can use it anywhere in the world – I went on secondment to KPMG Canada, and I was able to tackle everything thrown at me.’

Artificial intelligence is expected to be applied to 150 of our audit clients in the next 12 months, where it is possible to forensically analyse large quantities of transactions.

‘I did a bit of coding and AI when I studied genetics – and so I feel like that will put me in good stead as audit continually evolves,’ Robyn said.

Testing soil isn’t completely lost on Robyn, although these days, it is done from the comfort of her garden, rather than an acid lake.

## 4.3

## Assigning an appropriately qualified team

The assignment of audit partners and staff members with deep understanding of the client's risks and industry is one of the key drivers of audit quality.

### Accreditation and licensing

All our partners who sign statutory audit reports are Registered Company Auditors. Registration is granted by ASIC<sup>19</sup> after an assessment of qualifications and competency.

Our partners and directors are subject to additional internal accreditation and knowledge requirements in relation to International Financial Reporting Standards,<sup>20</sup> US accounting and auditing standards, Assurance Accreditation framework, and an Engagement Quality Control Reviewer (EQCR) accreditation framework, acknowledging the need for specific skills in auditing. These frameworks specify the professional qualifications, training and experience and results from the firm's Quality Performance Review Program to achieve and maintain accreditation.

For the year ended 30 June 2023, 100% (FY22: 100%) of our eligible audit partners and directors maintained their relevant internal accreditations.

### Composition of the audit team

Audit teams generally comprise an audit partner and/or director, a senior manager and/or manager, senior team members and junior team members, and specialists.

Larger audits often have more than one audit partner assigned to support the signing partner. With multinational audits, appropriately capable audit partners and staff are assigned from the relevant KPMG member firms.

We take care to assign the right people to the right clients. Audit partners consider the competence and capabilities of their team, including specialists. This includes considering whether the team has the appropriate resources, with the experience, skills and time to conduct a quality audit. For engagements we deem to be 'high risk' we have a policy which restricts the assignment of partners and staff who in the last 12 months have not met certain criteria. For example, those who have received a performance rating below 'Effective Performance', failed three or more modules in the CA program, or have received a non-compliant rating in internal or external audit monitoring.

### Industry expertise

Our people generally align their profile of work to an industry specialised portfolio. This helps maximise their understanding of the business, operational and systems-based risks their clients face.

### Access to specialists

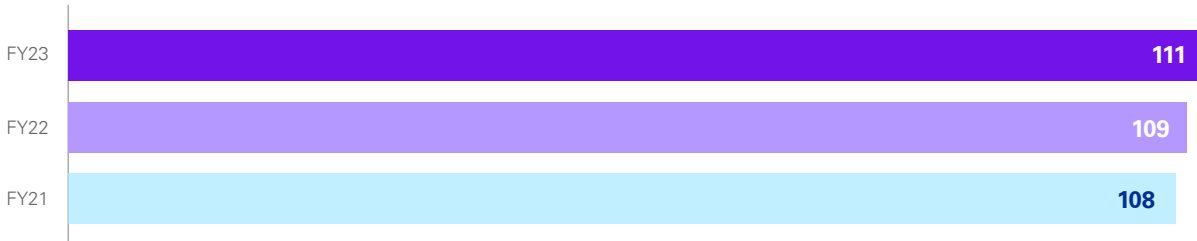
In certain situations, specialist involvement is mandated. In other cases, the audit partner and manager determine whether to use a specialist by considering the risks for the engagement, alongside the nature and complexity of the information, data, or calculations to be audited. We provide additional learning on audit concepts to our specialists who are members of an audit team. Our most frequently used in-house specialist capabilities are in the areas of tax, information technology, actuarial, financial risk management, forensic, climate change and sustainability, and valuations.

<sup>19</sup> Australian Securities & Investment Commission

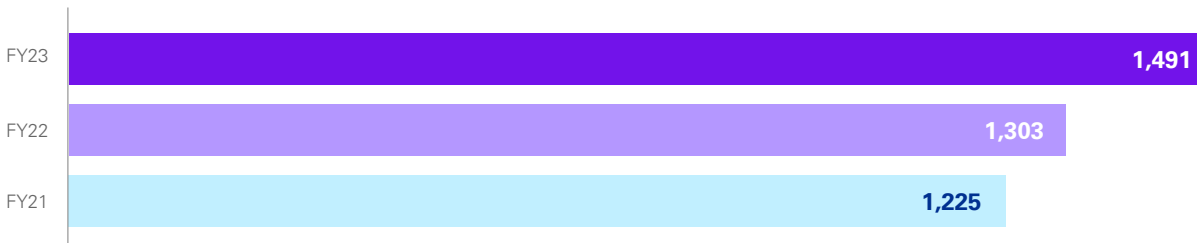
<sup>20</sup> [www.ifrs.org](http://www.ifrs.org)

**PROFILE OF KPMG AUSTRALIA'S AUDIT PERSONNEL**

**No. of partners**



**No. of client service staff (excluding partners)**



**RATIO OF PARTNERS TO CLIENT SERVICE STAFF**



**RATIO OF DIRECTORS, SENIOR MANAGERS AND MANAGERS TO CLIENT SERVICE STAFF BELOW MANAGER**



**Specialised administrative hubs**

Our onshore Audit Engagement Support hub team members contribute to common engagement processes from audit areas such as engagement set-up, bank confirmations, WIP management and billing. Using centralised resources for administrative activities frees up our on-location staff to be face-to-face with our clients, focusing on critical judgements and interpreting results.

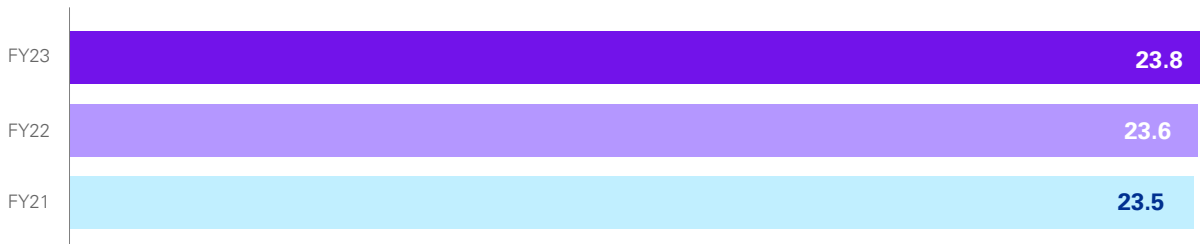
**The Audit Delivery Centre**

We engage our Audit Delivery Centre, based in India, to carry out non-judgemental standardised procedures in audit areas, such as financial statement checks, cash and fixed assets. This frees up time for local staff to perform more challenging work and speeds up turnaround times. The members of the Audit Delivery Centre undertake relevant independence and audit training prior to performing any work on an Australian audit.

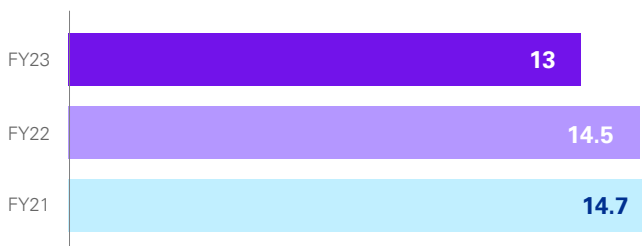
**AVERAGE YEARS OF EXPERIENCE WITH KPMG**

With the exception of partners, this table does not include time spent with other KPMG member firms or an individual's prior relevant experience.

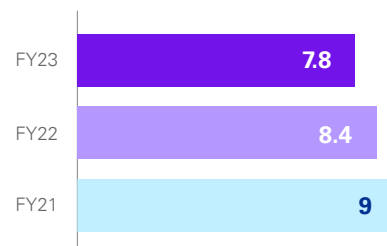
**Partner**



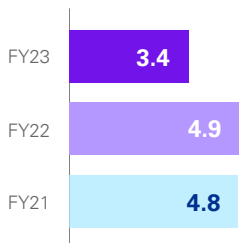
**Director**



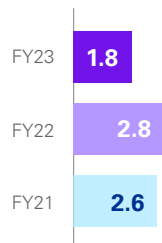
**Senior manager**



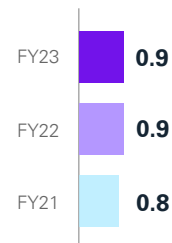
**Manager**



**Senior team member**

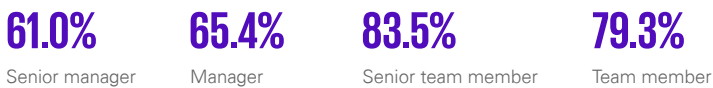


**Team member**



**AVERAGE STAFF UTILISATION RATE IN THE AUDIT PRACTICE**

**FY23**



**4.4****Investing in data-centric skills – including data mining, analysis and visualisation****Embracing digital technology is essential to advancing audit quality.**

Our Audit Technology team support audits with complex data and analytics procedures and associated analysis, and developing automation tools, amongst others. Using centralised resources and digital technology to develop solutions that improve audit quality, provide valuable insights to our clients and free up client-facing audit staff. In FY23, we have 58 dedicated staff (FY22: 42) working in the Audit Technology Team.

Our graduate program includes staff from outside the accounting field with degrees in the Science, Technology, Engineering and Maths (STEM) field. As at 30 June 2023, 37 of our Audit Technology Team are STEM graduates.

## CASE STUDY 3

# The space weather physicist turned auditor

**'Now I test the technology and systems in place to ensure the data and reports from our clients are accurate, making the job of our accountants easier.'**



**NICOLA STONE**  
Director,  
Audit & Assurance

Director Nikki Stone in our Audit Technology team, who has a PhD in Solar Terrestrial Physics, may or may not be the first meteorologist to become an auditor at KPMG.

When chaos theory became too chaotic, the former meteorologist knew it was time for a change.

Unsure what chaos theory is? You are not alone.

It explains a system, such as weather, that is not totally random, but still cannot be easily predicted.

Hidden within the chaos are surprising patterns that can unearth deep revelations.

Perhaps a fascination with the granular put Nikki in good stead to build a career in audit quality.

Her journey first began with a transition into IT as a graduate with KPMG in London 12 years ago.

One of her early jobs involved testing the security of medical and patient data.

'It was before cyber security was a hot topic, but I soon realised my IT and science background could be used to improve audit quality,' Nikki said.

'Now I test the technology and systems in place to ensure the data and reports from our clients are accurate, making the job of our accountants easier.'

Think of a detective, who must make sure enough evidence is gathered so a prosecutor can go to court and win. It is similar to that.

'It is about setting up our accountants and clients for success,' Nikki said.

It didn't take long for Nikki to be snapped up by KPMG in Washington DC – the home of KPMG Global Solutions Group.

'They build our major audit tools, technologies and methodologies – I was fortunate to be involved in helping construct what would become the data workbench of KPMG Clara,' Nikki said.

In fact, Nikki was the first woman to be appointed to the Data & Analytics Team behind KPMG Clara.

'It is pretty exciting to know KPMG Clara is now used by member firms globally.'

At the time, she worked with Audit Partner Shane O'Connor, who asked her if she would consider moving to Australia to help introduce KPMG Clara.

'It was an opportunity too good to refuse, being able to bring this global technology to a country that I feel promotes a supportive working culture, how could I say no?' Nikki said.



Nikki was part of a wider team tasked with training our auditors in how to use the smart audit platform, where previously, the audit was done manually.

‘Instead of our auditors having to collect information manually, our data and analytics expertise enables us to extract relevant information from the client on their behalf,’ Nikki said.

‘We then tell our auditors what they need to follow up on, what are the high-risk areas – so we are bringing quality because we are setting a standard to be applied to every client.’

The introduction of AI has added another element to consider.

‘KPMG Clara is forever evolving and with audit AI, my role is from a technology perspective, so how do we gain assurance over these systems and what rules need to apply,’ Nikki said.

‘It is likely we will have to start auditing clients that are introducing AI into their accounting systems too and so we need to have an approach to enable us to look inside the black box and understand what is going on.’

## 4.5

## Focused learning and development on technical expertise, professional acumen and leadership skills

### Development of skills and personal qualities

Our commitment is to foster a continuous and future-fit learning and development culture.

We want people to thrive and to grow in their own way, in an environment where learning is continuous. Through our integrated learning ecosystem and access to learning solutions from our global network, we focus on helping our people maintain ongoing career relevance while developing leading-edge technical expertise specific to their aspirations, their role and context.

We continually review and assess our people's capabilities and competence to perform audits in accordance with professional standards, legal and regulatory requirements.

We invest significantly in upskilling our people and cultivate a continuous learning environment and coaching culture. On-the-job development and training includes participating in interstate and overseas assignments, secondments, and community involvement through pro bono and volunteering opportunities.

We offer a Graduate Rotation Program providing an enhanced career experience for our new joiners. The rotations give our graduates the opportunity to work across different service lines, exposing them to a wider variety of professional services, accelerating the growth of their skills and capabilities.

### Enhanced partner knowledge

To further develop the audit quality skills of our audit partner candidates, we require candidates to have specific audit quality oversight experience as part of their progression to partner. They fulfil this via a role either as a Second Line of Defence<sup>21</sup> reviewer, a Quality Performance (QP) reviewer, or through spending at least six months within a specialised audit quality group within DPP or the broader Audit Division.

### Learning programs

Our learning curriculum offers education programs to hone technical expertise, industry and sector knowledge, innovation and emerging technologies. Our Learning & Development groups develop global, regional and local learning to ensure both global consistency and local applicability.

### KPMG Eclipse Academy

The Eclipse Academy is a multi-year investment in our people to deliver on our business strategy. The Academy builds critical, future-focused skills in business areas important to our firm's and people's growth, including digital and data, Environmental, Social & Governance (ESG) and leadership. Investing in these skills helps our people mobilise their career and maintain their competitive edge.

### Building leadership capability

In alignment with our consistent best-in-class talent and succession approach, we have continued to invest in leadership development to grow a purpose-led, future-fit and diverse community of leaders.

Leadership and behavioural skills are also honed via our 'Everyone a Leader' framework. In addition, we offer transition pathways to support employees as they progress through career milestones.

<sup>21</sup> Refer to Chapter 7.3 'Direct, coach, supervise and review' for more information on the function of the Second Line of Defence.



# We want people to thrive and to grow in their own way



**The Chartered Accountants Program**

The Chartered Accountant (CA) qualification, awarded by Chartered Accountants Australia and New Zealand<sup>22</sup> (CA ANZ), is highly regarded by business, regulators and members of the public. It forms the foundation of our partners’ and staff members’ audit technical, business and ethical knowledge.

KPMG Australia engage CA ANZ to run tailored CA Study Masterclass sessions specifically for KPMG Australia candidates.

KPMG Australia continues providing high quality support for our CA candidates and results show our people consistently achieve better results than the average national pass rate. 87 staff (FY22: 259) completed the CA Program in FY23.<sup>23</sup>

**Technical learning – auditing, financial reporting and independence**

The Mandatory Audit Training Curriculum (MATC) is globally developed and consistent training for all member firms that can only be modified for locally specific needs or requirements.

Technical courses covering independence, financial reporting and auditing topics are mandatory at all audit staff levels. Our Audit Learning Steering Committee identifies and prioritises additional local topics to be included in audit learning based on information from sources including:

- a needs analysis, conducted in Australia, and at a regional and global level
- findings from continuous improvement activities, including our Quality Performance Reviews and ASIC audit inspections/surveillance
- new, revised or emerging standards and regulations
- input nationally from our embedded networks in each office or group.

To provide quality service delivery and valued insights to our clients, we frame our technical expertise within broader business knowledge. Our learning curriculum includes courses to develop business acumen, relationship skills and industry knowledge.

**Attendance and assessment of learning**

Partners and staff must complete mandatory technical learning and successfully complete a post-course assessment. Penalties for non-completion by the deadline may include an impact on their performance rating, bonus and salary increase, and accreditation.

**LEARNING HOURS FOR NON CA QUALIFIED (OR EQUIVALENT) STAFF**

Represents average learning undertaken by team members within their first 2.5 years with KPMG



22 Chartered Accountants Australia and New Zealand is a trading name for The Institute of Chartered Accountants in Australia and the New Zealand Institute of Chartered Accountants [www.charteredaccountantsanz.com](http://www.charteredaccountantsanz.com)

23 In FY23, a new CA Program commenced. Under the new program, candidates are required to complete more subjects (nine compared to five) which can take longer to complete.

**LEARNING HOURS FOR OUR PARTNERS AND STAFF<sup>24</sup> WITH A PROFESSIONAL DESIGNATION (E.G. CA OR EQUIVALENT)**



Audit learning hours do not include the one-off learning for the implementation of the KPMG Clara workflows.

Specialised industry knowledge is available through online resources and learning courses for industries and sectors including corporates, energy and natural resources, financial services and infrastructure, government and healthcare. Learning is targeted, depending on the individual’s audit client profile and specialised roles.

**Other technical learning**

A variety of just-in-time learning and webinars are available on topics including auditing, accounting and commercial behaviour concepts in addition to structured courses.

**Continuing professional development**

We require all our audit client service partners and staff to invest in continuing professional development (CPD). They must obtain a minimum of 30 CPD hours annually and at least 120 CPD hours over a three-year period.

**4.6**

**People and inclusion**

**Diversity and inclusion**

Inclusion, Diversity and Equity (IDE) is embedded within our Values and aligns to our Purpose. Our commitment is to champion gender equality and create an inclusive and equitable culture for all. We want to attract and retain talent that is representative of the world in which we live, and to provide clients with diverse teams that utilise their unique experiences and views. We strongly believe that this diversity of thinking leads to improved decision-making and produces better business outcomes.

In FY23, we achieved 34% of female partners in audit. We strive for a 40:40:20 gender balance in partnership – 40% men, 40% women and 20% all genders (which can include men, women and non-binary people). We have also set ourselves a firm-wide target of 20% culturally diverse partners by 2025, to better reflect the demographics within which we operate, and we will continue to direct further attention and increase our action to accelerate our progress. In FY23, 11% of audit partners identified as ‘non-Anglo/Celtic/European’, up from 9% in FY22.

<sup>24</sup> Senior team members, managers, senior managers and directors

The talent and leadership development program, Illuminate, is designed to address under-representation of culturally diverse talent in mid-senior leadership roles and to explore the impacts of culture both personally and professionally. Participants from culturally diverse backgrounds develop their leadership capability while exploring identity and opportunities to build their personal impact and purpose. This program complements our Women in Leadership program – a sponsorship program for purposeful women, which encourages participants to explore and understand their strengths, and to lead with a new confidence discovered through self-leadership and strategic thinking.

### Health and wellbeing

We are committed to protecting the health, safety, and wellbeing of our people by providing a safe and mentally healthy work environment where everyone can thrive.

Our holistic wellbeing approach provides the programs, resources and tools for each person to achieve optimal health and sustainable performance in their personal and professional lives. This year, as part of our ‘whole human’ approach, we have introduced a new, proactive program that seeks to move away from the traditional Employee Assistance Program.

In FY23, some of the key wellbeing initiatives include:

- **KPMG CARE services** – access to free and confidential sessions with qualified psychologists and social workers who help our people resolve issues or challenges relating to work or personal lives. It encompasses health, safety, wellbeing, and domestic and family violence support.
- **ClubWell** – clubs and communities across the firm are administered through ClubWell, which is a structured wellbeing connection program.
- **Team of choice** – a framework piloted across several audit engagements to proactively drive the right conversations within teams, to positively influence the working experience felt by members.
- **Monitoring hours** – a framework that actively looks at hours charged by staff members to ensure the wellbeing of employees are front of mind and actions to improve staff wellbeing are continuously discussed and prioritised.
- **26-weeks flexible parental leave policy** – applying to all parents regardless of gender and is inclusive of adoption, surrogacies, and foster care children.
- **‘Work Anywhere’ policy** – allows our people to work in a way that makes sense for their role and what they have on. There are many options, including: working from home; onsite with clients; in our offices; or even in other countries when visiting family.
- **Lead with Wellbeing** – a best-in-class 12-month Resilience and Wellbeing program purposely designed for senior leaders at KPMG Australia. Participants learn robust, evidence-based strategies to be more efficient, take control and set themselves up for success under pressure, including diagnostic self-assessments, learning labs, one-on-one coaching and digital toolkits.
- **Wellbeing planning meetings** – requiring everyone to agree to a set of protocols on how to achieve wellbeing outcomes for each team member.
- **Communications from the National Partner in Charge, External Audit** – reinforcing the importance of looking after everyone’s wellbeing.
- **Real Peers Real Talk network** – connecting our people with peers who have completed Mental Health First Aid or Heart on My Sleeve peer support accreditations.



4.7

## Recognising quality

We have established a number of initiatives to recognise and reward our partners and staff for their contribution to our audit quality.

### Goal setting

An individual’s accountability in achieving audit quality is a core benchmark used to assess performance and progression.

The audit quality rating system with globally consistent metrics is applied when determining an audit quality rating for an audit partner or director, providing greater transparency for accountability in achieving audit quality. Individuals are assessed on whether their quality indicators demonstrate that their audits are executed consistently in line with KPMG’s definition of audit quality. Indicators used in determining the quality rating include performance in our internal monitoring programs, results of ASIC audit inspections/surveillance and completion of mandatory training.

For NEC members, cumulative results of these indicators for their functions’ contribution to audit quality, along with an individual’s influence and effectiveness contributing to that performance is considered.

## Recognition and reward

Our reward and recognition structure reflects career progression and acknowledges the efforts required in achieving a high-quality audit. We continued to offer the following initiatives in FY23:

- **KPMG Clara workflow implementation bonuses:** bonuses are paid to staff to recognise and reward the contribution of our audit staff who have implemented KPMG Clara workflow.
- **Revive:** a national time in lieu program which enables audit staff to take a break to refresh after busier periods.

To emphasise the importance of audit quality we reward individuals who have contributed to high quality audits demonstrated through positive outcomes in either ASIC audit inspections/surveillance or Quality Performance Reviews. The framework provides monetary reward to all team members, irrespective of their level, who contributed to an audit receiving compliant results.

## Retention and promotion

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

The agile promotion model incorporates out of cycle promotions, allowing for merit-based progression for high-performing auditors.

## AVERAGE STAFF RETENTION RATES

FY23 (%)



05.

# Associating with the right clients and engagements



Rigorous global client and engagement acceptance and continuance policies are vital to being able to provide high-quality professional services.

## 5.1

### Following the client and engagement acceptance and continuance policies

We have established rigorous policies and procedures for determining whether to accept or continue a client relationship or perform a specific engagement.

#### Prospective client and engagement evaluation process

With every prospective client, the partner responsible conducts an evaluation of the client's principles, business and other service-related matters. This evaluation includes completion of a customised questionnaire to assess the client's risk profile. Background information is obtained on the client, its key management, directors, and owners.

When the engagement is to provide audit services, at least two additional risk assessment steps are incorporated. These include:

1. assessing whether we can deliver a quality audit (do we have sufficient resources, industry expertise, and do we consider persuasive evidence is obtainable)
2. for a first-time audit of a public interest entity, performing a review of any non-audit services provided to the client and any other relationships that may compromise audit independence (with approval by the EIP and their delegate) and identifying action to be taken to ensure we are independent.

#### Continuance process

Regardless of the length of time we have been associated with an audit client, we regularly re-evaluate our association to ensure we remain capable of independence and audit quality. We evaluate audit client relationships at least annually and, additionally, re-evaluate if there are significant changes in their business, financial position, ownership structure, or issues reflecting on their integrity.

An Audit Risk Management Partner, independent of the audit team, assesses the circumstances of our continuance and their acceptability.

## 5.2

### Accepting appropriate clients and engagements

Understanding the nature of our clients and the issues they face is key to audit quality, allowing us to build a robust audit response to the identified risks.

We decline to act for a client where we are unable to deliver to our expected level of quality or would not be willing to be associated with them. Some circumstances where we consider declining include:

- potential impairment of independence
- conflict of interest issues
- overly aggressive or conservative accounting policies
- disputes with previous auditors or advisers
- management being subject to investigation by authorities
- concerns about the competence of the client's financial management team.





It would also include cases where there are concerns about: management integrity, client business model, or governance structure.

Sentinel, KPMG's proprietary global web-based application, facilitates compliance with auditor independence requirements and identifies potential conflicts of interest for prospective engagements.

### 5.3

## Managed portfolio of clients

### High-risk clients

Clients are designated high risk when non-standard or additional risks are identified during acceptance or re-evaluation, and we are still capable of ensuring independence and audit quality. In these cases, we mandate additional risk management or quality control safeguards to the conduct of the audit.

### Managing conflicts of interest

The Commercial Conflicts Resolution Committee (CCRC) is chaired by our Chief Risk Officer, and comprised of senior partners, including members of the NEC and our Chief Purpose Officer. It is responsible for reviewing, maintaining oversight of, and making decisions

relating, but not limited to, commercial conflicts, including proposed engagements, communications, or expressions of thought leadership likely to detrimentally impact our relationship with one or more of our clients. Our policies and procedures include assessing existing or potential conflicts of interest and risk – including reputational, human rights and environmental considerations – through our client and engagement processes and systems. Prospective clients or engagements with conflicts that cannot be eliminated or safeguarded to an acceptable level (e.g. through the implementation of system information barriers and ethical divider memorandums) are rejected.

### Client portfolio management

We review each audit partner's portfolio at least annually. The reviews consider the industry, complexity and size of the client portfolio as a whole along with the capabilities and capacity of the partner to deliver a quality audit for every client.



# 06. Being independent and ethical

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

## 6.1

### Acting with integrity and living our values

Our Values and Code of Conduct spell out very clearly our expectations about our performance and our behaviour. They define for everyone at KPMG who we are and how we act.

## 6.2

### Maintaining an objective, independent and ethical mindset, in line with the code

#### Ethical culture

Our firm's aspiration is to be purpose-led and values driven. Psychological safety, value-aligned behaviours and ethical conduct are key priorities in achieving this aspiration. Our commitment is to act lawfully, ethically and in the public interest.

Since January 2022, our ethical culture program has been delivering initiatives to strengthen our firm's ethical culture. These initiatives include:

- Measuring ethical culture – embedding ethical risk culture metrics into annual surveys.
- Retaliation monitoring system – dashboard reporting of people who report misconduct.
- Embedding ethical decision-making – improved awareness, comprehension and capability of ethical decision-making through strategic communications, executive leadership development and BAU learning and development opportunities.
- National Board and NEC governance of ethical culture.

#### Independence

To help ensure independence – as prescribed by our policies, the law and accountancy regulations – our partners and staff must be free from prohibited financial interests in, and prohibited relationships with, our audit clients. This also applies to relationships with management, directors, and significant owners of audit clients. Independence also extends to our contractors and subcontractors, using a process tailored to their circumstances. Our independence policies are set at or above the requirements of professional standards and the Corporations Act 2001. Our people are responsible for making appropriate enquiries to ensure they do not have any prohibited personal financial interests.

We use an online independence tracking system, KPMG Independence Compliance System, with other member firms in the KPMG global network, to assist our partners and staff in complying with independence policies.

All partners and staff are required to complete annual training furthering their knowledge of compliance with laws, regulations and professional standards including those relating to independence, anti-bribery and corruption and confidentiality. In addition, all partners and employees are required to sign an annual declaration stating, amongst other things, that they have remained in compliance with applicable ethics and independence policies.

#### Non-audit services provided to audit clients

The regulatory rules and systems relating to the provision of non-audit services to an audited entity are extensive, which is appropriate given the risk of creating a real or perceived independence issue.

For publicly traded audit clients and certain other audit clients, Lead Audit Engagement Partners are required to keep Sentinel updated with each of the entities in the group. This also applies to related entities of these audit clients. Compliance is annually confirmed through a declaration process.

Certain information on all prospective engagements, including service descriptions and fees, must be entered into Sentinel as part of the engagement acceptance process. Sentinel enables Lead Audit Engagement Partners to review and approve – or deny – any proposed service for those entities worldwide.

Lead Audit Engagement Partners are responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service. Any proposed non-audit services to be provided to public interest entity audit clients of the firm require review and approval by the EIP or their delegate.

#### **Audit partner rotation**

Rotation requirements limit the number of years partners can provide audit services to a client.

All audit partners (including EQCRs) are subject to the rotation provisions of the Corporations Act 2001 and Australian professional and ethical requirements. Where relevant, the rotation requirements of foreign regulators such as the US SEC and other local regulatory requirements are also considered. Our rotation requirements also address audit partners on engagements which are not ordinarily subject to any regulated rotation provisions.

KPMG's Global Partner Rotation System is an automated system allowing us to track and comply with increasingly complex regulations governing partner rotation for audits of public interest entities, which also facilitates the identification of suitable qualified and experienced partners during succession planning.

### **6.3**

## **Zero tolerance of bribery and corruption**

We have zero tolerance for bribery and corruption. KPMG policy prohibits involvement in any type of bribery – even if such conduct is legal or permitted under applicable law or local practice.

During the year, there were no reports of bribery or corruption for the Australian firm.

# 07. Performing quality engagements

A woman with long dark hair, wearing a light-colored long-sleeved top and a dark skirt, is sitting at a white table. She is smiling and looking towards the right. In front of her is an open laptop. The background is a bright, modern interior with large windows and a blue vertical light fixture.

On all KPMG Australia audits, the nature and extent of the audit evidence we gather is responsive to the assessed risks. We consider all audit evidence obtained during the course of the audit, including contradictory or inconsistent audit evidence.

Each team member is required to exercise professional judgement and maintain professional scepticism throughout the audit.

Professional scepticism involves a questioning mind and alertness to contradictory findings or inconsistencies in the audit evidence. Professional judgement encompasses the need to be aware of biases that may pose threats to good judgements.

How an audit is conducted is as important as the final result. Effective and efficient audits are dependent on the demonstration of certain behaviours. We focus on these behaviours during the performance of the audit, through education sessions and coaching, and via our review and quality monitoring processes.

## 7.1

### Consulting where necessary

Internal consultation, both formal and informal, is always encouraged and mandated in certain circumstances. The DPP, the Office of General Counsel (OGC), the KPMG Clara workflows Deployment Group and our embedded networks play a key role in supporting engagement teams throughout their decision-making processes.

We ensure that the specialist resources of the firm across all areas of our business are available to assist our audit teams. This encourages them to 'when in doubt, consult'.

## 7.2

### Critically assessing audit evidence using professional judgement and scepticism

Professional scepticism features prominently throughout auditing standards and attracts significant focus from regulators. We recognise the exercise of professional scepticism is critically important to our role as auditor.

Our global professional judgement process<sup>25</sup> guides an individual in exercising their professional scepticism. Steps include consideration of possible alternatives, conflicting as well as confirming evidence, and documentation of our final judgements, and ways to mitigate the effects of traps and biases. We reinforce the use of professional judgement and the exercise of professional scepticism through coaching and education, acknowledging that judgement is a skill developed over time and informed by different experiences.

<sup>25</sup> The International Auditing and Assurance Standards Board, the International Ethics Standards Board for Accountants and the International Accounting Education Standards Board jointly published *Toward Enhanced Professional Scepticism*, August 2017, outlining their observations of the current environment. They set out actions global standard-setting boards will take, and the role other stakeholders can play in enhancing professional scepticism. The Association of Chartered Certified Accountants published *Banishing Bias? Audit, objectivity and the value of professional scepticism*, May 2017, exploring the importance of cognitive biases to the audit process. It explains how cognitive biases are central to improving the exercise of professional scepticism and to understanding the fundamental ethical principle of objectivity. These elements are consistent with our professional judgement process.

**7.3**

**Direct, coach, supervise and review**

Coaching and on the job experience play key roles in developing the personal qualities important for a successful career in auditing, including professional judgement, technical excellence and scepticism.

We support a culture where every team member is responsible for developing the capability of the team, coaching and sharing experiences.

**Timely partner and manager involvement**

To maximise the benefit of the partner's experience and skill, participation from the partner early in the audit is essential. The partner implements the tone from the top, directs the scope and tone and helps the team identify and respond to the right audit risks. During FY23, 95% (FY22: 90%) of our audits of listed entities complied with the audit planning milestones that mandate the timely completion of planning activities to enhance audit quality.

The manager supports the partner in these responsibilities and the day-to-day liaison with the client and team, building deep business understanding to enable the team to deliver a quality audit and valued insights.

**Second Line of Defence (2LoD)**

2LoD reviewers work with specific audit teams to help enhance audit quality by conducting independent reviews for in-progress audits and providing real-time support and coaching to audit teams in key audit areas (revenue and a significant risk area bespoke to the specific audit) before the audit opinions are signed.

Expanding the 2LoD review program is a key initiative in our AQT journey. We significantly increased the number of 2LoD reviews beginning with our 30 June 2023 audits of listed entities. We expanded our 2LoD reviewer team with dedicated reviewers to focus most of their time in performing such reviews.

All 2LoD reviewers are specifically trained high-performing senior staff. They coach teams to develop and robustly evidence risk assessment, audit approach, and execution of procedures in the key audit areas.

5 out of 5 engagements supported by 2LoD reviewers had no adverse findings when subsequently subjected to either an internal or external monitoring program in FY23 (FY22: 9 out of 11).

**PROFILE OF SECOND LINE OF DEFENCE**

	FY23	FY22	FY21
<b>No. of Second Line of Defence reviewers<sup>26</sup></b>	<b>30</b>	<b>21</b>	<b>21</b>

<sup>26</sup> Includes professionals of DPP who performed 2LoD reviews as part of their role. Numbers in FY21 and FY22 have been restated to include professionals of National Audit Quality Group and DPP who performed 2LoD reviews as part of their role.



### Engagement Quality Control Reviewer (EQCR)

An Engagement Quality Control Reviewer, is an independent audit partner assigned as an objective additional reviewer on significant and judgemental elements of the audit, is assigned to all listed and high public profile entity audits and designated high-risk audits. The Engagement Quality Control review is an important part of KPMG Australia's framework for audit quality. A review by the Engagement Quality Control Reviewer must be complete and all significant questions resolved satisfactorily before the issuance of the audit report.

EQCRs are experienced audit partners independent of the team, appointed by the local Audit Risk Management Partner.

They must be accredited audit partners, comply with all relevant training requirements and have enough time to carry out their review, along with the appropriate experience and knowledge to perform an objective review.

### 7.4

## Appropriately support and document conclusions

The audit documentation records the audit procedures performed, evidence obtained and conclusions reached on each audit. It includes materials prepared by us, received from the client or from relevant third parties. Our policies require review of all working papers by a more experienced team member and audit documentation relating to critical areas of judgement and certain other significant matters must be reviewed by the partner.



# 08.

# Assessing risks to quality



At a global level, through the Global Audit Quality Council and the Global Quality and Risk Management (GQ&RM) Steering Group, KPMG International reviews the results of the quality monitoring programs, reviews firm root causes and planned remedial actions and develops additional global remediation actions as required.



### 8.1

## Identify and understand risks to delivering quality audits and implement effective mitigating controls

Our operating model facilitates early identification of risks to audit quality. Identified risks and ways to mitigate them are promptly discussed in appropriate leadership forums such as local office partner meetings. Our Audit Quality Indicators dashboard, which tracks relevant internal quality measures and data points, helps us analyse and understand issues that may trigger the risk.

The dashboard is presented to the Management Audit Quality Committee and Audit Leadership Group, and key indicators are included in reporting to the NEC and the Board Audit Quality Committee.

09.

# Communicating effectively

We recognise that another important contributor to upholding audit quality is to obtain and act upon feedback from key stakeholders.

## 9.1

### Provide insights, and maintain open and honest two-way communication

Communicating with and reporting to our clients, with no surprises, underpins the quality of our audit service.

#### Clear reporting of significant findings

A financial statement audit has two main deliverables, the formal audit report and s307C independence declaration,<sup>27</sup> accompanying the signed financial report. These are the observable elements to shareholders. We believe the quality of our reporting is largely dependent on our ability to optimise the inputs, as depicted in our Quality Framework.

#### Communications with those charged with governance

Two-way communication with our clients is a key aspect of our reporting and service delivery. We stress the importance of keeping the client informed of issues arising throughout the audit through guidance and supporting resources. We achieve this through reports and presentations, attendance at Audit Committee or Board meetings, and when appropriate, ongoing discussions with management and members of the Audit Committee.

The role of the Audit Committee is key in supporting quality auditing by overseeing the relationship between company and auditor and challenging what auditors do and how they do it.

#### Formal audit reports

Auditing standards and the Corporations Act 2001 largely dictate the format and content of the independence declaration and audit report, including statements on auditor independence and the truth and fairness of the historical financial statements of the client.

Experienced partners form the audit opinion after involvement in and review of work performed by the team. The importance of ensuring the clarification of any uncertainties before signing audit reports is emphasised and well understood. Advice is sought from our Risk Management Partners in cases where potential opinion modifications are identified.

## 9.2

### Conduct and follow-up on the global people survey (GPS)

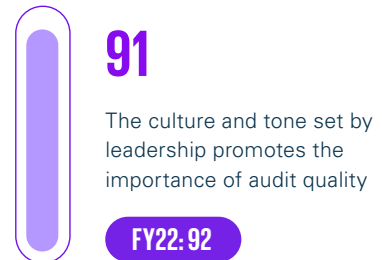
KPMG globally invites all partners and staff to participate in our independent Global People Survey. The results, by country and function, provide leadership with information about drivers of business performance, employee engagement and motivation, and enable us to see how we are progressing. The survey includes questions directed at understanding our people's view of whether we were giving them all the support they need to deliver on the firm's focus on audit quality.

As part of our listening strategy this year we implemented the use of a new culture technology platform to communicate GPS results, which enabled greater transparency of survey outcomes to all of our people.

<sup>27</sup> An s307C independence declaration is required for audits of financial reports prepared to meet the Corporations Act 2001 obligations and not other types of audit and assurance reports.



GPS KEY RESULTS (%)



# 10.

# Monitoring and remediation

Integrated quality monitoring and compliance programs enable KPMG member firms to identify quality deficiencies, to perform root cause analysis and develop, implement and report remedial action plans, both for individual audit engagements and the overall system of quality management.

## 10.1

### Rigorously monitor and measure quality

To ensure our work continues to meet the needs of the capital markets we use a broad range of mechanisms to monitor our performance, respond to feedback and seek opportunities for improvement.

We use both internal monitoring and external inspections against accepted relevant benchmarks to evaluate our performance, understand the quality of our audit work and prioritise areas for improvement.

To maintain the confidence of our clients, the capital markets, regulators and shareholders we are serious about learning from findings and opportunities, no matter how small.

#### Internal monitoring

KPMG Australia uses two formal annual internal inspection programs – the Quality Performance Review (QPR) Program and the KPMG Quality & Compliance Evaluation (KQCE) Program (which includes the former Risk Compliance Program (RCP)) to annually assess audit quality, compliance with ISQM 1 and independence requirements.

These programs incorporate detailed testing on the operating effectiveness of controls and also assess quality and independence by benchmarking against our global and local standards. The results enable us to provide assurance that our system of quality management is operating effectively. The programs also identify areas requiring continuing focus and improvement.

#### Quality Performance Review (QPR) Program

The global QPR Program is implemented in Australia under the authority of the Quality and Performance Liaison Partner<sup>28</sup> assigned to oversee the independent and objective assessment of the firm. The program assesses performance at an engagement level and identifies opportunities to improve audit quality.

The pass rate for financial statement audit engagements reviewed in FY23 was 86% (FY22: 82%). Two financial statement audits of public interest entities were rated as non-compliant (FY22: two). The areas of improvement identified in the audits did not require the audit report to be reissued or restated. The issues identified are being remediated.

<sup>28</sup> Marcus McArdle is the Quality and Performance Liaison Partner.

**QPR PROGRAM (AUDIT)**

	FY23	FY22	FY21
No. of QPR financial statement audit reviews performed	36	33	37
Partners reviewed as a percentage of total partners <sup>29</sup>	32%	28%	39%
Engagements that passed	86%	82%	92%

**Key components of the QPR Program**

- Led by an experienced partner from another KPMG member firm. This non-local lead reviewer collaborates with the global core review team and team leaders, promoting consistency across all reviews.
- Our highest profile, largest listed financial statement audit reviews are performed by a dedicated global core review team comprising experienced partners, directors and senior managers from member firms across the network.
- Additional financial statement audit reviews are performed by a core team of Australian and Asia-Pacific region partners and directors, from locations other than the office under review. They are active practitioners and up to date with auditing standard requirements.
- Review of partners' and directors' work is undertaken on a minimum four-year rotating schedule, more often where certain risk criteria are present, such as non-compliant ratings or a significant number of high-risk engagements in their portfolio.
- Benchmarking our work to the Australian Auditing Standards and KPMG Australia's own standards: achieving a 'Compliant' rating represents our very high audit quality bar.
- Performed soon after the conduct of the work subject to review: using two phases during the year which optimises timeliness.
- Findings are provided to audit teams for remediation where needed or for implementation on future audits.
- Results are provided to leadership at office, division and firm levels.
- A causal analysis is performed for most non-compliant engagements, specific accountabilities for remediation are identified, and detailed action plans drawn up.
- Partners and directors who receive non-compliant ratings are subject to additional reviews and remedial actions, amongst other outcomes including performance evaluations and/or remuneration adjustments.

**KPMG Quality & Compliance Evaluation (KQCE) program**

The KQCE program reviews compliance of our firm with the risk management and independence policies, and practices supporting our quality management policies and processes. These policies and processes, and their related procedures, include the requirements of our AQ&RMM, ISQC 1<sup>30</sup> and the implementation requirements of ISQM 1<sup>31</sup> for this transition period.

<sup>29</sup> Note that partners reviewed as a percentage of total partners, only includes partners performing financial statement audits from a broader population of partners and engagements selected for internal monitoring. The overall percentage of partners reviewed will vary year on year depending on the rotation schedule of our smaller offices and their relative size and repeat selection criteria.

<sup>30</sup> International Standard on Quality Control (ISQC1) Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and the Australian equivalent ASQC1 of the same name.

<sup>31</sup> ISQM 1 requires compliance by 15 December 2022. ISQM 1 supersedes ISQC 1.



The objectives of the KOCE program are to:

- evaluate that we and our personnel comply with relevant professional standards and applicable legal and regulatory requirements
- document, assess and evidence the firm's implementation of ISQM 1, extent of compliance of our system of quality management with our policies and key legal and regulatory requirements
- develop appropriate action plans and monitor status where exceptions are identified.

As of 30 September 2022, the firm performed an assessment of its implementation of the System of Quality Management (SoQM) in accordance with ISQM 1, compliance with AQ&RMM policies and compliance with ISQC 1.

Our first formal evaluation and conclusion on the operating effectiveness of the SoQM and compliance with AQ&RMM policies will be performed as of 30 September 2023 (reflecting testing performed over the year). This evaluation and conclusion will be completed by 30 November 2023. The SoQM Statement of Effectiveness as of 30 September 2023 will be published from 1 December 2023 on the KPMG Australia Transparency Report website.

#### **Global Quality and Compliance Review (GQ&CR) program**

In addition to the annual programs, we participate in the GQ&CR program conducted by KPMG International, independent of the firm and performed at various intervals based on identified risk criteria. The program assesses significant governance, risk management, independence and finance processes. Our firm was last subject to a GQ&CR during March 2022 on the 2021 RCP.

#### **Other assessments of audit quality**

Other audit quality enablement activities we use include:

- **Accounting technical reviews of client financial statements:** Performed on a sample basis by the DPP, prior to signing the audit opinion. Over a four-year period, the sample includes all listed and high-risk clients.
- **Key audit matter and audit report reviews:** Performed on a sample basis by the DPP, supporting teams apply the audit reporting requirements of auditing standards. Over a four-year period, the sample includes all listed clients.
- **Impairment Challenge Panels:** Listed engagements meeting certain criteria have a panel who assist teams design their approach to challenge management's impairment assumptions.
- **Post course assessments:** These are used to test understanding of specific content and provide evidence about the quality of learning.
- **Goal setting and performance evaluation processes:** These include explicit evaluation of audit quality inputs and outcomes.

We also review audits in the rare circumstances where the financial statements or audit opinions are reissued. We reflect on the performance of the audit accordingly.



### Assessments of compliance with ethics and independence requirements

We monitor our compliance with independence requirements of the Corporations Act 2001, professional ethical standards, and our mandated internal policies, systems and processes. This monitoring includes clearance by the firm's Ethics and Independence team prior to any individual being recruited laterally as a partner, or internally promoted to partner. The monitoring also includes an annual confirmation of compliance from partners and staff, the performance of personal independence compliance audits on a sample basis, and partner rotation compliance audits on a sample of engagements. Our annual KQCE also tests a sample for compliance with these requirements, including partner terms on relevant audits and the appropriateness of non-audit services provided.

Our independence policies are set at or above the requirements of professional standards and the Corporations Act 2001. In the event of non-compliance, the actions of partners and staff are considered by our Ethics and Independence Disciplinary Committee in accordance with our disciplinary policy.

The severity of disciplinary actions has regard to the seniority of the individual and/or when breaches are not self-reported, such as when identified by a compliance audit. Depending on the circumstances, disciplinary action could include: a caution letter, a disciplinary letter on the individual's personnel file, remuneration adjustment, withheld promotion or separation from the firm.

Our compliance testing identified 43 (FY22: 35) instances of individuals not achieving full adherence to our policies and processes. The primary source of non-compliance was failure by individuals to enter or update all their, their spouse's, their spousal equivalent's or their dependant's other investments, including superannuation funds other than our firm's default superannuation fund, into our investments tracking system on a timely basis.

All of our eligible staff completed the mandatory annual independence training and confirmation of compliance in FY23. Several instances related to delays in completing the training (FY23: 2%, FY22: 8%) or annual confirmation (FY23: 1%, FY22: 6%), and Code of Conduct matters arising from responses to an assertion in the annual confirmation of compliance.

**KEY PERFORMANCE INDICATORS - ETHICS AND INDEPENDENCE**

	FY23	FY22	FY21
No. of partners and staff subject to an independence compliance audit	339	235	230
Total no. of qualifications of an Auditors' Independence Declaration <sup>32</sup> – listed companies and listed registered scheme audit clients	0	0	1 <sup>33</sup>
Total no. of qualifications of an Auditors' Independence Declaration <sup>32</sup> – other audit clients	0	1 <sup>34</sup>	7 <sup>35</sup>

**10.2****Obtain, evaluate and act on stakeholder feedback**

We recognise objective feedback and a genuine commitment to continuous improvement is important to driving audit quality.

**Whistleblower Hotline**

KPMG Australia maintains a confidential Whistleblower Hotline, supported by a third party, available to KPMG Australia partners and staff globally. We encourage speaking up so we can take action when inappropriate behaviour is identified and seek to learn and improve from feedback. The Whistleblower Hotline is also available to external parties to confidentially report complaints relating to the quality of our work or our people. Our Whistleblower Policy is accessible from our website and reports can be lodged via the web-based reporting system, a toll-free 24-hour telephone number or surface mail. This year, we updated the firm's Whistleblower Policy to improve its alignment with the

UN Guiding Principles on Business and Human Rights.

The Whistleblower Hotline is one of a number of channels for reporting concerns about potentially illegal, unethical or improper conduct. Callers' reports are handled confidentially, and they can be anonymous if they prefer. KPMG Australia does not tolerate any form of retaliation or adverse action resulting from a whistleblowing disclosure. To ensure this, we have implemented a retaliation monitoring system that is used to detect possible instances of retaliation or adverse action to ensure employees are protected when they speak up.

In FY23 there were no internal complaints regarding audit quality (FY22: one). There were two external complaints received (FY22: none) via direct correspondence regarding audit quality at KPMG in Australia. These matters have been reviewed and KPMG Australia is satisfied that appropriate procedures had been performed which addressed the matter raised.

32 Required by the Corporations Act 2001 section 307C. Restated the numbers in FY21 and FY22 to include only qualifications signed during the financial years.

33 The qualification was due to an immediate family member of a tax partner holding a financial interest in an audit client with the lead audit engagement partner being located in the same office. The financial interest was disposed of as soon as practical. The partner did not provide any services to the audit client on behalf of the firm nor was the partner a member of the audit team.

34 The qualification was due to a partner holding a financial interest in an audit client with the lead audit engagement partner being located in the same office. The financial interest was disposed of as soon as practical and the partners did not provide any services to the audit clients on behalf of the firm nor were they a member of the audit teams.

35 Four qualifications were due to a partner holding a financial interest in an audit client with the lead audit engagement partner being located in the same office. Three qualifications were due to an immediate family member of a tax partner holding a financial interest in an audit client with the lead audit engagement partner being located in the same office. In all instances the financial interest was disposed of as soon as practical and the partners did not provide any services to the audit clients on behalf of the firm nor were they a member of the audit teams.

### External inspections

We invest in continuous improvement and rectify any identified deficiencies in audit quality capable of eroding public trust. We also believe that the regulator has an important role to play in enhancing public confidence in the audit process.

### Australian Securities and Investments Commission (ASIC)

ASIC conducts an annual risk-based audit surveillance which focuses on promoting the improvement and maintenance of audit quality and compliance with the requirements of the Corporations Act 2001, Auditing Standards and Professional and Ethical Standards.

For FY23, ASIC changed its approach to the financial reporting and audit surveillance work, combining them into a single program. In terms of identifying which audit files to review, ASIC uses a risk-based approach to select files based on outcomes of their financial reviews of Company's financial statements and other intelligence. As such, it considers the most complex, challenging, and high-risk audits.

On 18 October, ASIC published the Annual Financial Reporting and Audit Surveillance Report for 2022-23, its first annual aggregated report covering outcomes from financial reporting and audit surveillances of all audit firms that were inspected. ASIC's annual reports on their surveillance programs are available on their website.<sup>36</sup>

In FY23, ASIC selected two higher-risk, complex audit files from the 5,000-plus opinions we issue each year for our 1,500 plus audit clients – down from eight files last year. As part of the inspection process, ASIC reviewed select areas of these files, typically those requiring higher judgement or estimation.

From 1 July 2022, ASIC also report findings from audit file reviews to directors of the relevant entity as each audit surveillance was completed, in line with the revised RG 260.<sup>37</sup>

As well as the audit surveillances, ASIC may conduct focused reviews of aspects of our quality control systems. There were no such reviews conducted for FY23.

We take the findings from ASIC's work seriously and believe that the process provides valuable insights to improve the quality of our audits. We conduct an evaluation of all matters identified by ASIC. We also undertake analysis of ASIC's thematic findings, perform deep-dive analysis to identify possible root causes of issues raised and design solutions as appropriate.

We integrate feedback from monitoring activities, including ASIC audit surveillances, into our Audit Quality Transformation Plan which is shared and discussed with ASIC.

<sup>36</sup> [www.asic.gov.au](http://www.asic.gov.au)

<sup>37</sup> RG 260 Communicating findings from audit files to directors, audit committees or senior managers. Refer to [www.asic.gov.au](http://www.asic.gov.au)



**Foreign regulators**

Our audit practice is registered with the US PCAOB, Japanese,<sup>38</sup> Canadian,<sup>39</sup> Luxembourg,<sup>40</sup> UK<sup>41</sup> and German<sup>42</sup> authorities. This is necessary to either participate in audits of global clients or conduct audits of Australian clients who, owing to overseas stock exchange listing requirements, file financial statements in those jurisdictions. The PCAOB inspected our firm during FY21. The PCAOB identified deficiencies in one of the three engagements selected for inspection. None of the engagements were determined to have an incorrect opinion on the financial statements and/or internal controls over financial reporting.

**Chartered Accountants Australia and New Zealand (CA ANZ)**

CA ANZ promotes the Chartered Accountant (CA) designation and the associated high ethical standards. CA ANZ has advised that it considers the work of ASIC in determining the scope and timing of any review of the large firms to reduce duplication. In March 2021, CA ANZ completed a Quality Review of our practice which focused on our system of quality control, risk management, monitoring activities and the outcomes of those activities, including action plans and remediation programs.

**Client feedback**

The KPMG Australia’s Client Insights Program actively solicits feedback from clients on the quality of our services. This feedback is considered at an individual audit team level and a firm level to inform our client service and quality processes.

	FY23	FY22	FY21
<b>Overall Satisfaction<sup>43</sup></b>	<b>8.3</b>	<b>8.1</b>	<b>8.2</b>

38 Japanese Financial Services Authority

39 Canadian Public Accountability Board

40 Luxembourg Commission de Surveillance du Secteur Financier

41 UK Financial Reporting Council

42 German Audit Oversight Commission

43 This is the score out of 10.

10.3

## Perform root cause analysis

The effectiveness of any response to an issue is dependent on the understanding of the root cause, the pervasiveness or severity of the issue, the ability to tailor a solution in differing circumstances and leadership support for the solution.

We use our knowledge from past experiences and our specifically designed root cause analysis framework<sup>44</sup> to fully understand the root cause of issues and design innovative and appropriate solutions.

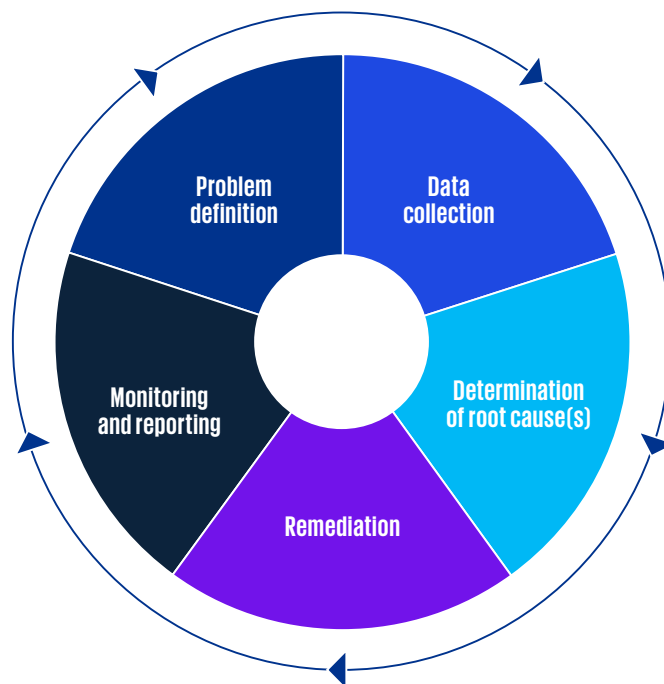
We use the following solutions tailored for specific situations to address the identified root cause:

- **Face-to-face briefings:** with individuals, using coaching techniques, in facilitated workshops, group or office-wide meetings, and local or national instructor-led learning sessions.

- **Topic specific guides and learning:** online instruction, guidance papers, example tools and templates, podcasts, access to centrally logged frequently asked questions and answers, and other database resources.
- **Reminders and alerts:** emails and technical and organisational announcements.
- **Practice management changes:** reassignment of partners and/or staff, reassignment of internal operational roles, and additional support.
- **Behavioural motivators:** including recognition and reward.
- **Automated tools:** pre-programmed applications for a discrete audit activity.

In presenting the solutions to teams, we tell them why we are focusing on the topic and provide context to enable them to understand how these are driven from our monitoring findings.

### Global Five Step Root Cause Analysis Principles<sup>45</sup>



<sup>44</sup> Global Five Step Root Cause Analysis Principles, issued globally and adopted with local considerations.

<sup>45</sup> ©2023 KPMG

# 11.

# Financial information

This section sets out financial information on the firm that shows the importance of statutory audit work to our overall business and results.

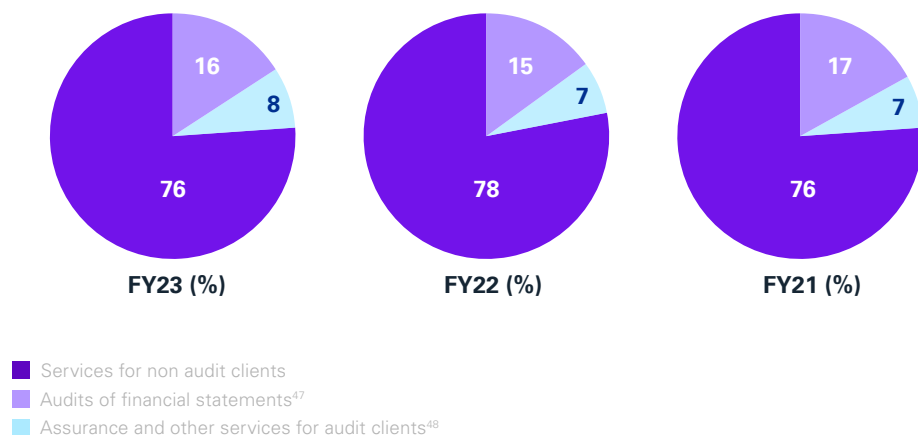
KPMG Australia recorded revenue of \$2.553 billion (\$2.378 billion excluding recoverable expenses of \$0.175 billion, year-on-year growth of 9%) delivering strong growth and profitability despite the volatile market conditions.

In breaking down the performance, total revenue generated in Australia was \$2.351 billion (excluding recoverable expenses), and total revenue generated in Papua New Guinea and Fiji was \$27 million.<sup>46</sup>

**Total revenue for KPMG in Australia for the financial years ended 30 June, including recoverable expenses**



**TOTAL REVENUE BREAKDOWN**



46 Aggregated revenues generated by KPMG firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was €2.2 billion during the year ending 30 September 2022. The aggregated EU/EEA 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 2022.

47 Includes audits and reviews conducted of financial statements, prepared pursuant to sections 292, 295, 302 and 303 of the Corporations Act 2001. Includes A\$9 million revenues from the statutory audit of annual and consolidated financial statements to Australian clients considered EU public interest entities (definition contained in Appendix 3).

48 Includes A\$6 million revenues from other services to Australian clients considered EU public interest entities (definition contained in Appendix 3).



# 12.

# Partner remuneration

KPMG Australia sets out clear performance and conduct expectations for partners. The remuneration model is designed to drive and reward performance and behaviours consistent with our strategy and Values.

Our NEC and the Partner Remuneration and Nominations Committee (PRNC) review the process to ensure that the system for allocating the profit pool to partners is administered fairly and equitably and is subject to a formal Board approval process. Partner remuneration is variable every year and subject to the performance of the business.

Any matters of conduct that may have arisen during the performance year are also considered, and appropriate remuneration consequences applied. The model promotes clarity and transparency among the partnership regarding their own remuneration and that of other partners.

Guidance has been established for the application of consequences to partners when incidents occur which relate to ethics and independence, quality, or other behavioural matters. The potential consequences include cautions, warnings, financial penalties, and separation from the partnership. Each year incidents and recommended consequences are reported to the PRNC by the firm's Ethics & Independence Disciplinary Committee, Chief Risk Officer, Divisional Risk Management Partners, Head of Audit Quality, and National Managing Partner, People & Inclusion. The Chief Risk Officer oversees a robust process to ensure the recommended consequences in relation to all reported incidents are fairly considered and appropriate. The PRNC ensures the quality issues are appropriately considered and the recommended consequence is consistent with the firm's guidance.

Additionally, the PRNC observed that the assessment of the performance of audit partners considered the conduct and execution of their audits with no attribution for success in selling non-audit and assurance services in respect of their audit accounts. This practice was consistently and rigorously applied.

There are two components to partner remuneration: a base distribution of profits reflective of role and seniority, and a variable distribution of profits, expressed as a percentage of base remuneration, reflective of performance against previously agreed goals, including audit quality.

Compensation is based on factors including results of internal and external audit inspections and other relevant quality metrics.

In FY23, 14 (FY22:17) audit partners had their remuneration impacted through an adjustment to their performance bonus or performance rating due to such matters.

The PRNC makes recommendations on the policies for partners' remuneration and hears appeals from partners regarding their remuneration. The Board is responsible for determining the remuneration of the CEO.

# 13. Network arrangements

A person standing in a meeting room, holding a tablet and gesturing, with other people's hands visible in the foreground. The scene is overlaid with a blue gradient.

## 13.1

## Legal structure

KPMG Australia is part of a global organisation of independent professional services firms<sup>49</sup> affiliated with KPMG International Limited. KPMG member firms operate in 143 countries and territories, and in FY22, collectively employed more than 265,000 partners and people, serving the needs of business, governments, public sector agencies, not-for-profits and through KPMG firms' audit and assurance practices, the capital markets.

Further details about KPMG International and its relationship with KPMG member firms are available in the 2022 KPMG International Transparency Report.<sup>50</sup> The structure is designed to support consistency of service quality and adherence to agreed values wherever in the world KPMG member firms operate.

KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG global organisation. It facilitates audit quality across the organisation by establishing common policies, processes and standards to be applied across member firms. The Global Board is the principal governance and oversight body for KPMG International. It currently consists of 24 members from across KPMG's global network. KPMG Australia is a member of KPMG International and is represented on the KPMG Global Board by our National Chairman.

Representation on the Global Board gives the Australian firm an opportunity to contribute KPMG's global agenda and champion initiatives with positive global economic, environmental and social impact. The Australian firm is also well positioned to leverage the skills and experience of others on the Global Board to strengthen the impact of initiatives in our own market.

KPMG member firms commit to conduct their operations in compliance with a common set of values, standards and service quality expectations.

Partners and employees within those firms commit to act with integrity at all times.

Under agreements with KPMG International, member firms including KPMG in Australia are required to comply with KPMG International's policies including quality standards governing how they operate and how they provide services to clients. This includes being professionally and financially stable, having an ownership, governance and management structure that ensures continuity, stability and long-term success, and being able to comply with policies issued by KPMG International, adopt global strategies, share resources (incoming and outgoing), service multinational clients, manage risk, and deploy global methodologies and tools.

Each KPMG member firm takes responsibility for its management and the quality of its work and commits to a common set of KPMG Values.

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.

KPMG International and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No KPMG member firm has any authority to obligate or bind KPMG International, any of its related entities or any other KPMG member firm in respect of third parties, nor does KPMG International or any of its related entities have any such authority to obligate or bind any KPMG member firm.

49 The name of each audit firm that is a member of the organisation and the EU/EEA countries in which each firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available here: <https://home.kpmg.com/xx/en/home/about/governance/list-of-kpmg-eu-eea-audit-firms.html>

50 <https://kpmg.com/xx/en/home/about/kpmg-international-transparency-report.html>

**13.2****Professional indemnity insurance**

Insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis.

**13.3****Governance structure**

The National Board is the principal governance and oversight body of KPMG Australia.

The National Board is responsible and accountable to partners for:

- the stewardship of the Partnership for the benefit of current and future partners
- the successful conduct of the firm
- enhancing the image and profile of the firm
- the implementation of issues voted on by the partners.

The current standing subcommittees of the National Board are the:

- Audit Committee
- Board Investment Committee
- Nomination Committee
- Audit Quality Committee.

The CEO is appointed by the National Board on the recommendation of the National Chairman. The CEO leads a National Executive Committee, with individual appointments recommended by the CEO to the National Board for approval.

The National Executive Committee is the principal management body of KPMG Australia. It is responsible for driving the financial performance of the business, the development and execution of strategy, and establishing the processes to monitor and enforce policy compliance. As at 30 June 2023,<sup>51</sup> its members included the National Managing Partners of each of the Audit, Assurance & Risk Consulting, Deals Tax & Legal, Management Consulting, Enterprise and Futures divisions, along with the Chief Risk Officer (CRO) and leaders of each of the Business Service areas.

Through the CRO's membership of the NEC, the CRO provides regular updates and escalates key messages from the Service Delivery Risk Committee,<sup>52</sup> the Ethics and Independence Disciplinary Committee, the Commercial Conflicts Resolution Committee and the Risk Management and the OGC function.

**Primary role as it relates to quality and independence****Service Delivery Risk Committee**

- Oversight of risk management arrangements relating to service delivery to clients.
- Discuss business risks, including emerging risks, and their potential impact, as they affect service delivery.
- Recommend improvements to firm systems and processes as needed.
- Support the efficient application of risk management practices across the firm.

<sup>51</sup> Our service areas during FY23 were organised as AARC; Deals, Tax & Legal; Enterprise; Infrastructure, Assets & Places; and Management Consulting. From 1 July 2023, these will change to Audit & Assurance, Consulting, Deal Advisory & Infrastructure, Enterprise, and Tax & Legal following the introduction of a new operating model aimed at greater global alignment, improved efficiency, and optimal delivery of our firm strategy.

<sup>52</sup> The CRO chairs the Services Delivery Risk Committee.



### *Ethics and Independence Disciplinary Committee*

- Deal with referrals of non-compliance with the firm's ethics and independence policies.
- Determine disciplinary sanctions with the approval of the National Executive Committee and/or the National Board.
- Recommend improvements to firm policies, systems and processes as needed.

### *Risk Management and OGC Function*

- Promote processes and structures to support risk management and quality.
- Develop risk and quality policies, systems and procedures.
- Support the implementation of risk and quality systems and procedures to comply with local and global requirements.
- Monitor and test risk and quality policies, systems and procedures.
- Create tools and templates to support the management of compliance obligations.
- Provide support and guidance to all professionals on application of appropriate policies and systems.

# 14.

# Statement by the board of KPMG Australia on the effectiveness of quality controls and independence

# Statement by the board on the effectiveness of quality control and independence

We are confident that our framework for audit quality supports our people and enables them to provide a high level of audit quality in an independent, objective and ethical manner, maintaining public and stakeholder confidence.

This report describes our quality control system to conduct our audits in accordance with applicable standards and laws and highlights certain measures we consider in operating our external audit practice. The results of our internal monitoring programs, consideration of our reported measures, together with feedback from independent regulatory inspections, provides KPMG Australia's Board with a basis to conclude that our system of quality control described in this Transparency Report are functioning effectively.



A handwritten signature in black ink, appearing to read 'M Sheppard'.

**MARTIN SHEPPARD**  
National Chairman, KPMG Australia



A handwritten signature in black ink, appearing to read 'A Yates'.

**ANDREW YATES**  
CEO, KPMG Australia



**APPENDIX 1:**

# Key legal entities and areas of operation

KPMG Australia, KPMG Fiji and KPMG Papua New Guinea (PNG) formed a South Pacific Practice (SPP) effective from 1 July 2021. This SPP enables collaboration between the separate firms across the South Pacific region. KPMG Fiji and KPMG PNG remain separate firms to KPMG Australia and are not required to publish a transparency report under section 332 of the Corporations Act 2001 (Cth). As such, their operations are not captured as part of this report unless expressly stated otherwise.

KPMG Australia's primary focus is to serve clients based in Australia. KPMG Australia operates in Australia through the KPMG Partnership (ABN 51 194 660 183) (Australian Partnership) and other associated entities. Our headquarters are split between Sydney and Melbourne, with offices in every state and territory capital within Australia, as well as offices in Geelong, Gold Coast, Newcastle, Parramatta, Townsville and Wollongong.

## APPENDIX 2:

# Details of those charged with governance

The Board comprises the National Chairman, the CEO, seven other members from our Brisbane, Melbourne and Sydney offices, and two independent members. The Board met 21 times in the year to 30 June 2023.

## BOARD MEMBERS AS AT THE DATE OF THIS REPORT ARE:

National Chairman Martin Sheppard, Melbourne	Carmel Mortell, Melbourne
Deputy Chairman Michael Hiller, Brisbane	Minh Dao, Sydney
Chief Executive Officer Andrew Yates, Sydney	Andrew O'Connor, Brisbane
Corrina Bertram, Melbourne	Martin Dalgleish, Independent Board member
Kim Lawry, Sydney	Patty Akopiantz, Independent Board member
Brett Mitchell, Sydney	

## NEC MEMBERS AS AT THE DATE OF THIS REPORT ARE:

Andrew Yates, Chief Executive Officer	Ben Travers, National Managing Partner, Tax & Legal
Julian McPherson, National Managing Partner, Audit & Assurance	Eileen Hoggett, Chief Operating Officer and Head of Corporate Affairs
Paul Howes, National Managing Partner, Consulting	Tanya Gilerman, Chief Risk Officer
Naomi Mitchell, National Managing Partner, Enterprise	Dorothy Hisgrove, National Managing Partner, People & Inclusion
Stan Stavros, National Managing Partner, Deal Advisory & Infrastructure	John Munnely, Chief Digital Officer
Cassandra Hogan, National Managing Partner, Clients & Markets	Andrew Wiles, Chief Financial Officer
Sarah Vega, National Managing Partner, KPMG Futures	

## APPENDIX 3:

# Public Interest Audit Clients of the Firm

The Australian listed companies, listed registered schemes, Authorised Deposit-Taking Institutions,<sup>1</sup> General Insurers,<sup>2</sup> Life Companies<sup>3</sup> and EU public interest entities<sup>4</sup> for which KPMG Australia<sup>5</sup> is statutory auditor for the financial years ended in the 12 months to 30 June 2023 are:

A2B Australia Limited	Base Resources Limited
AAI Limited	Battery Minerals Limited
Ainsworth Game Technology Limited	Bell Financial Group Limited
Alpha HPA Limited	Berkley Insurance Company
Altium Limited	Beyond Bank Australia Limited
AMA Group Limited	Biotron Limited
Ampol Limited	Black Mountain Energy Ltd
Ansarada Group Limited	BNK Banking Corporation Limited
Ansell Limited	Boom Logistics Limited
Anteris Technologies Ltd	Boss Energy Ltd
ANZ Group Holdings Limited	Bubs Australia Limited
ANZ Lenders Mortgage Insurance Pty Limited	Buru Energy Limited
Apollo Series 2018-1 Trust	BWP Trust
Appen Limited	Capricorn Metals Ltd
Artrya Limited	Carlton Investments Limited
Aussie Broadband Limited	Centaurus Metals Limited
Austral Gold Limited	Centuria Capital Fund
Australia & New Zealand Banking Group Limited	Centuria Capital Group
Australian Agricultural Company Limited.	Centuria Capital Limited
Australian Ethical High Conviction Fund	Centuria Capital No 2 Fund
Australian Ethical Investment Limited	Centuria Industrial REIT
Australian Military Bank Ltd	Centuria Life Limited
Australian Mutual Bank Ltd	Centuria Office REIT
Australian Potash Limited	Chrysos Corporation Limited
Australian United Investment Company Limited	Cochlear Limited
Auto & General Insurance Company Limited	Codan Limited
Barristers' Sickness and Accident Fund Pty Limited	Community First Credit Union Limited

<sup>1</sup> Within the meaning of the Banking Act 1959 and associated Non-Operating Holding Companies (NOHC)

<sup>2</sup> Within the meaning of the Insurance Act 1973 and NOHC as per section 18

<sup>3</sup> As registered under section 21 of the Life Insurance Act 1995 and NOHC as per section 28A

<sup>4</sup> Within the meaning of Directive 2006/43/EC issued by the European Parliament and of the Council, where a public interest entity is an issuer whose transferable securities are admitted to trading on a regulated market, specific to the EU jurisdiction.

<sup>5</sup> Excludes KPMG PNG and KPMG Fiji  
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Corrvas Insurance Pty Ltd	Helia Insurance Pty Limited
Costa Group Holdings Limited	Heritage and People's Choice Limited
Coventry Group Limited	Hexima Limited.
Credit Union Australia Limited	HMC Capital Limited
Credit Union SA Ltd	HomeCo Daily Needs REIT
CTI Logistics Limited	Hotel Property Investments
Cue Energy Resources Limited	Hotel Property Investments Limited
Delta Lithium Limited	Hotel Property Investments Trust
Diversified United Investment Limited	IMB Limited
Dome Gold Mines Limited	IncentiaPay Limited
Downer EDI Limited	Indue Limited
Duxton Water Limited	ING Bank (Australia) Limited
eInvest Core Income Fund	Inghams Group Limited
Energy Resources of Australia Limited	Insignia Financial Ltd
Enero Group Limited	Insurance Australia Group Limited
Engenco Limited	Insurance Australia Limited
Equus Mining Limited	Insurance Manufacturers of Australia Pty Limited
Euroz Hartleys Group Limited	IOOF Ltd
EVT Limited	IVE Group Limited
Far East Gold Ltd	Kingfisher Trust 2016-1
Fiducian Group Limited	Kingfisher Trust 2019-1
Finbar Group Limited	Kogan.com Ltd
Finder Energy Holdings Limited	Korvest Ltd
FIRSTMAC MORTGAGE FUNDING TRUST NO 4 SERIES 2-2019	La Trobe Financial Capital Markets Trust 2018-1
FIRSTMAC MORTGAGE FUNDING TRUST NO 4 SERIES 3PP-2019	La Trobe Financial Capital Markets Trust 2019-1
FIRSTMAC MORTGAGE FUNDING TRUST NO 4 SERIES 4-2019	La Trobe Financial Capital Markets Trust 2019-2
FIRSTMAC MORTGAGE FUNDING TRUST NO. 4 SERIES 1-2020	La Trobe Financial Capital Markets Trust 2020-s1
Fleetpartners Group Limited	Latitude Australia Credit Card Loan Note Trust
G.U.D. Holdings Limited	Latitude Group Holdings Limited
Gateway Bank Ltd	Latitude Insurance Holdings Pty Ltd
Generation Development Group Limited	Lendlease Corporation Limited
Generation Life Limited	Lendlease Group
Global X 21Shares Bitcoin ETF	Lendlease Trust
Global X 21Shares Ethereum ETF	Liberty Financial Group
Global X Fintech and Blockchain ETF	Liberty Financial Group Trust
Gold Road Resources Limited	Liberty Series 2017-3
Goodman Group	Liberty Series 2017-4
Goodman Industrial Trust	Liberty Series 2018-1
Goodman Limited	Liberty Series 2018-3
Group 6 Metals Limited	Liberty Series 2019-2
GWA Group Limited.	Linus Technologies Limited
HealthCo HealthCare and Wellness REIT	Link Administration Holdings Limited
Helia Group Limited	Lovisa Holdings Limited

Lutheran Laypeople's League of Australia Limited	Oudos Mutual Ltd
MA Financial Group Limited	Quickstep Holdings Limited
Macmahon Holdings Limited	RAA Insurance Holdings Limited
Matrix Composites & Engineering Limited	RAA Insurance Limited
Mayfield Group Holdings Limited	RACT Insurance Pty Ltd
McGrath Limited	Red 5 Limited
Mercedes-Benz Australia/Pacific Pty Ltd	Red Hawk Mining Limited
Metrics Income Opportunities Trust	Reece Limited
Metrics Master Income Trust	Regional Australia Bank Ltd
Midway Limited	Regis Resources Limited
Mitchell Services Limited	Reliance Worldwide Corporation Limited
Mitsui Sumitomo Insurance Company Limited Australia Branch	Retail Food Group Limited
Monash IVF Group Limited	Rex Minerals Limited
Motorcycle Holdings Limited	Ridley Corporation Limited
Naomoi Cotton Limited	Rio Tinto Limited
Next Science Limited	Santana Minerals Limited
Nickel Industries Limited	Schroder Absolute Return Income Fund
Nico Resources Limited	Series 2013-1 Harvey Trust
Noumi Limited	Servcorp Limited
Nuenergy Gas Limited	Seven West Media Limited
Nufarm Limited	Silver Lake Resources Limited
NUIX Limited	SKY METALS LIMITED
OFX Group Limited	South West Slopes Credit Union Limited
oOh!media Limited	South32 Limited
Ora Banda Mining Ltd	Southern Cross Electrical Engineering Limited
Orica Limited	St Andrew's Insurance (Australia) Pty Ltd
Orora Limited	St Andrew's Life Insurance Pty Ltd
Over Fifty Guardian Friendly Society Limited	Statecover Mutual Limited
OZ Minerals Limited	Steadfast Group Limited
Pacific Smiles Group Limited	Suncorp Group Limited
Pearl Gull Iron Limited	Suncorp Insurance Holdings Limited
Perpetual Credit Income Trust	Suncorp-Metway Limited
Perpetual Equity Investment Company Limited	Sunrise Energy Metals Limited
Perpetual Limited	TAL Dai-ichi Life Australia Pty Ltd
Pilbara Minerals Limited	Tanami Gold NL
Police Credit Union Ltd	Tivan Limited
Police Financial Services Limited	Touch Ventures Limited
Poseidon Nickel Limited	Treasury Wine Estates Limited
Prospect Limited.	Tuas Limited
PWR Holdings Limited	Veris Limited
Qantas Airways Limited	WiseTech Global Limited
Qualitas Limited	Wiseway Group Limited
Qualitas Real Estate Income Fund	

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