



*cutting through complexity*

KPMG in Greece

# Transparency Report 2013

Audit Quality: Embedded in our culture

31 March 2014



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## Message from the Senior Partner

We are dedicated to delivering professional and insightful high-quality audits, and this dedication is embedded in our culture. Audit quality is not just about reaching the right opinion, but how we reach that opinion through our in depth insight, extensive and multi-faceted experience, elevated professional scepticism and above all with integrity. We are a strong advocate of a transparent audit process, which significantly contributes to maintaining confidence in the auditing profession.

In recent years, the global economic environment which has been unusually volatile, the more complex businesses, and the rapidly changing technology have created unique challenges for auditors and the business community. To succeed in this environment and ensure stakeholder confidence we need to constantly anticipate and respond effectively to these challenges. This can only be achieved through our dedication to continually enhancing audit quality.

Our Transparency Report is published in compliance with the requirements of local Law 3693/2008, which is aligned with the revised 8th EU Directive on statutory audits. This law requires Greek statutory auditors of public interest entities to publish annual transparency reports disclosing certain information. Our 2013 transparency report complies with these requirements and covers the calendar year ended 31 December 2013. The financial information is for the year ended 30 June 2013.

Although there is a legal requirement for audit firms to produce a Transparency Report, it is a requirement that is more than welcome as I believe transparency is the foundation of quality and investor confidence.

This report, which is structured around our unique seven drivers of audit quality, describes the policies and procedures that ensure, for the benefit of our clients and the capital markets we serve, that every KPMG audit is a high-quality audit. These unique drivers assist us to articulate clearly and consistently what audit quality means to us and to highlight how every partner and staff member at KPMG contributes to the delivery of audit quality.

I hope that this Transparency Report demonstrates our unwavering commitment to integrity, professionalism and quality. Our ambition for 2014 is to continue to be recognized as the leading provider of high quality services.

I trust that you find our report a useful insight into how we strive to consistently enhance quality not only in audit but in all aspects of our business.

Marios T. Kyriacou  
Senior Partner

31 March 2014

Throughout this document, "KPMG" ("we," "our," and "us") refers to KPMG International Cooperative ("KPMG International"), a Swiss entity and/or to any one or more of the member firms of the KPMG network of independent firms affiliated with KPMG International. KPMG International provides no client services.

# 1 Who we are

## 1.1 Our business

KPMG in Greece is a professional services firm that delivers Audit, Tax and Advisory services. We operate out of two offices in Greece and had an average of 352 personnel in the year to 31 December 2013 (2012: 368).

Our audit services are delivered through KPMG Certified Auditors A.E.. Full details of the services offered can be found on our website [www.kpmg.com/gr](http://www.kpmg.com/gr).

## 1.2 Our strategy

The strategy for our firm is set by the Board of KPMG in Greece and has remained consistent for some time. It has determined that our overall ambition remains to be the number one multi-disciplinary professional services firm in Greece and to be a quality service provider to all of our clients.

The Board of KPMG in Greece has determined that a commitment to quality is one of the most important priorities in our strategy. Therefore, we place significant focus on ensuring that we deliver the quality of service that our clients expect, continually reinforcing the importance of quality across our firm.

## 2 Our structure and governance

### 2.1 Legal structure

#### Legal structure and ownership

KPMG Certified Auditors A.E. is affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law. Further details about KPMG International and its business, including our relationship with it, are available in the 2013 KPMG International Transparency Report [<http://www.kpmg.com/Global/en/about/governance/Documents/kpmg-international-transparency-report-2013.pdf>].

KPMG Certified Auditors A.E. is an anonymous eteria incorporated under the Laws of Greece and is governed by Greek Law. The shareholders as at 31 December 2013 are as follows:

- Marios T. Kyriacou, Senior Partner
- Aspasia Ermioni Kyriacou, Partner, & Chief Operating Officer
- Michael A. Kokkinos, Partner

During the year to 31 December 2013, there was an average of 7 partners in KPMG Certified Auditors A.E. (2012: 8 partners).

The following certified auditors are signing partners/directors but not shareholders of the audit firm:

- Nick Vouniseas (Partner)
- Anastasios E. Panayides (Partner)
- Harry Sirounis (Partner)
- Chrissoula Douka (Partner)
- Ioannis Achilas (Partner)
- Constantina Alexandridou (Director)
- Gregory Fanos (Director)
- Philippos Kassos (Director)

In addition to the audit firm, there are two sub-license anonymous eteries, KPMG Accountants A.E. and KPMG Advisors A.E., incorporated under the laws of Greece. These entities are also governed by Greek law. Furthermore, there is a small legal firm which is also a sub-licensee of KPMG International, incorporated as a Greek partnership.

## 2.2 Name and ownership

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

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

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

## 2.3 Governance structure

### National governance

The governance structure comprises two governing bodies, the Board of Directors and the Operations Committee for which the Chairman is Mr. Marios T. Kyriacou. Mr. Marios T. Kyriacou is also the Managing Director (commonly referred to as the Senior Partner).

The Chairman of the Operations Committee appoints the other members of the Operations Committee, all of whom are partners of the firm in charge of various functions such as:

- Ethics, Independence and Risk Management – Marios T. Kyriacou and Dimitra Caravelis
- International Financial Reporting Standards – Nick Vouniseas
- Audit Methodology and Training – Harry Sirounis
- Quality Reviews – Dimitra Caravelis
- Professional Practice, Regulatory matters and compliance – Michael A. Kokkinos
- Money Laundering Officer – Michael A. Kokkinos
- Operations – Aspasia Ermioni Kyriacou

The Operations Committee meets periodically as the need arises. A schedule of matters to be monitored regularly by the Operations Committee includes matters of fundamental importance to the group such as operating and financial performance, annual business plans and budgets, new business proposals (considered individually), marketing, technology development, recruitment and retention, remuneration and risk management policies.

A new Board of Directors was elected on 28 June 2013, the composition of which remains the same as at 31 December 2013 and is as follows:

- Marios T. Kyriacou, Chairman and Managing Director
- Aspasia Ermioni Kyriacou, Member
- Michael A. Kokkinos, Member
- Nick Vouniseas, Member
- Ioannis Achilas, Member
- Dimitra Caravelis, Member
- Anastasios E. Panayides, Member
- Harry Sirounis, Member

## **2.4 Partner**

KPMG International as well as the accounting profession use the term “Partner” to apply to the people in the accounting firms that have the authority to undertake responsibility for the execution and completion of an audit. This arises from the past when all such firms operated as partnerships. Today such “Partners” can be employees, shareholders or members of the board.

### 3 System of quality control

KPMG International has policies of quality control that apply to all member firms. These policies are based on the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB) and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), relevant to firms that perform statutory audits and other assurance and related services engagements.

These policies and associated procedures are designed to guide member firms in complying with relevant professional standards, regulatory and legal requirements and in issuing reports that are appropriate in the circumstances.

Our firm implements KPMG International policies and procedures and adopts additional policies and procedures that are designed to address rules and standards issued by the Accounting and Auditing Standards Oversight Board (ELTE) and other relevant regulators such as the US Public Company Accounting Oversight Board (US PCAOB) as well as applicable legal and other requirements.

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

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

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

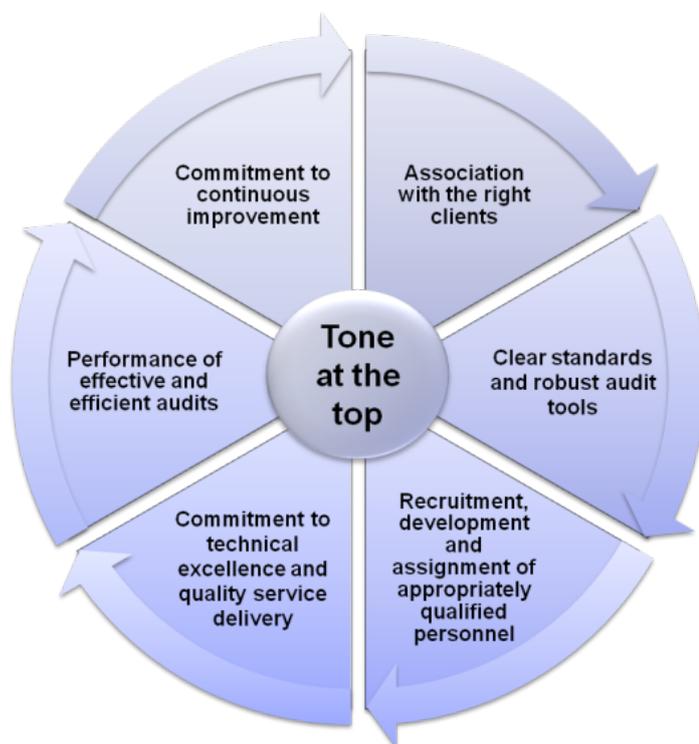
At KPMG audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the audit report. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing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

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

Our Audit Quality Framework identifies seven drivers of audit quality:

1. Tone at the top.
2. Association with the right clients.
3. Clear standards and robust audit tools.
4. Recruitment, development and assignment of appropriately qualified personnel.
5. Commitment to technical excellence and quality service delivery.
6. Performance of effective and efficient audits.
7. Commitment to continuous improvement.

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



### 3.1 Tone at the top

Our leadership clearly demonstrates and communicates their commitment to quality, ethics and integrity.

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

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

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG core value – above all, we act with integrity. We are committed to achieving a high standard of ethical behaviour in everything we do.

This commitment underlies our values-based compliance culture where individuals are encouraged to raise their concerns when they see behaviors or actions that are inconsistent with our values or professional responsibilities.

We have a Code of Conduct which incorporates our core values and addresses the commitments that we make as well as the responsibilities of our personnel at all levels across our firm. The Code of Conduct was updated in 2012 to reflect changes in law, regulations and professional ethics. Our values are communicated to all of our people and also embedded into our performance appraisal process. Our core values are further described in Appendix A.2.

The Code of Conduct sets out KPMG's ethical principles and helps partners and employees to understand and uphold those principles. The Code of Conduct emphasizes that each partner and employee is personally responsible for following the legal, professional and ethical standards that apply to his or her job function and level of responsibility. The Code of Conduct requires that all of our people have to:

- Comply with all applicable laws, regulations and KPMG policies.
- Report any illegal acts whether committed by KPMG personnel, clients or other third parties.
- Report breaches of risk management policies by KPMG firms or people.
- Uphold the highest levels of client confidentiality.
- Not offer, promise, make, solicit or accept bribes (whether directly or through an intermediary).

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

### 3.1.1 Leadership responsibilities for quality and risk management

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

#### **Senior partner**

In accordance with the principles in ISQC 1, our senior partner Mr. Marios T. Kyriacou has assumed ultimate responsibility for KPMG Certified Auditors A.E. system of quality control. A key aspect of the firm's culture is a commitment to quality. The Board and our senior partner help to create a culture of quality within the firm through a number of mechanisms. We communicate our strategy widely and it is available to all of our people on our intranet. The quality message is also reinforced in communications from leadership including the senior partner and by explicitly rewarding high-quality work.

## **National Risk Management Partner**

Operational responsibility for the system of quality control, risk management and compliance in KPMG Certified Auditors A.E. has been delegated to the National Risk Management Partner, Dimitra Caravelis, who is responsible for setting overall professional risk management and quality control policies and monitoring compliance for the firm. She has a seat on the Operations Committee and has a direct reporting line to the senior partner. The fact that the role is a national governance body position and seniority of the reporting lines, underlines the importance that the firm places on risk and quality issues. The National Risk Management Partner is supported by a team of partners and professionals in each of the functions.

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

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

## **3.2 Association with the right clients**

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

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

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

### **3.2.2 Prospective client and engagement evaluation process**

Before accepting a client, we undertake an evaluation of the prospective client. This involves an assessment of its principals, its business and other service-related matters. This also involves background checks on the prospective client, its key management and beneficial owners. A key focus is on the integrity of management at a prospective client. A second partner, as well as the evaluating partner, approves the prospective client evaluation. Where the client is considered to be 'high risk', the Risk Management Partner or their delegate is involved in approving the evaluation.

The prospective engagement partner evaluates each prospective engagement. The evaluation identifies potential risks in relation to the engagement. A range of factors is considered as part of this evaluation including potential independence and conflict of interest issues (using Sentinel™, our global conflicts and independence checking system) as well as factors specific to the type of engagement, including for audit services, the competence of the client's financial management team. The evaluation is made in consultation with other senior member firm personnel and includes review by quality and risk management leadership as required.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional independence evaluation procedures including a review of any non-audit services provided to the client and of other relevant relationships.

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

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

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

### 3.2.3 Continuance process

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

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

### 3.2.4 Client portfolio management

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

Each partner's client portfolio is regularly reviewed by the Audit Function Head to ensure that the partner has sufficient time to manage the portfolio and to ensure that the risks are being appropriately managed.

## 3.3 Clear standards and robust audit tools

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

### 3.3.1 Audit methodology and tools

Significant resources are dedicated to keeping our standards and tools complete and up to date. Our global audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of the International Standards on Auditing (ISAs). The methodology is set out in KPMG International's KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, and which KPMG believes enhance the quality of our audits. KPMG member firms may add local requirements and/or guidance in KAM to comply with additional professional, legal or regulatory requirements.

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

eAudIT's activity-based workflow provides engagement teams with ready access to relevant information at the right time throughout the audit, thereby enhancing effectiveness and efficiency and delivering value to stakeholders.

The key activities within the eAudit workflow are:

### **Engagement setup**

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

### **Risk assessment**

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

### **Testing**

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

### **Completion**

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

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

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

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

## 3.3.2 Independence, integrity, ethics and objectivity

### 3.3.2.1 Overview

Member firms and KPMG professionals are required to comply with independence standards that meet or exceed those set out in the IESBA Code of Ethics together with those of other applicable regulatory bodies (which may include those of a foreign jurisdiction where those requirements apply extraterritorially). These policies are supplemented by other processes to ensure compliance with the standards issued by the Institute of Certified Auditors and Accountants of Greece, the Accounting and Auditing Standards Oversight Board (ELTE) and the Council of Accounting Standardization (SLOT) and Presidential Decree 226/1992.

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

Our firm has a designated Ethics and Independence Partner (EIP) supported by a core team of specialists to help ensure that we implement robust and consistent independence policies and procedures. Ethics and independence policies are set out in our intranet hosted Quality and Risk Management Manual, which contains all our independence policies and reinforced through an annual training program. If applicable, amendments to the ethics and independence policies in the course of the year are communicated by e-mail alerts and included in regular quality and risk communications.

To help ensure ethical conduct, including integrity and independence, our firm and its personnel, must be free from prohibited financial interests in, and prohibited relationships with, the network's audit clients, their management, directors and significant owners.

In the event of failure to comply with relevant independence policies, whether identified in the rolling compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. Matters arising are factored into promotion and compensation decisions.

### 3.3.2.2 Personal independence

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

Our professionals are responsible for making appropriate inquiries to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes. In common with other member firms of KPMG International, we use a Web-based independence tracking system to assist our professionals in their compliance with personal independence investment policies. This system contains an inventory of publicly available investment products. Partners and client-facing managers are required to use this system prior to entering into an investment to identify whether they are able to do so. They are also required to maintain a record of all of their investments in the system, which automatically notifies them if their investments subsequently become restricted. Our firm monitors compliance with this requirement as part of a program of independence compliance and audits a sample of professionals. In 2013, 31 of our people were subject to these audits (this included approximately 30% of our partners).

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

### 3.3.2.3 Firm financial independence

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

#### 3.3.2.4 Business relationships/suppliers

Our firm has policies and procedures in place that are designed to ensure that business relationships are maintained in accordance with the IESBA Code of Ethics and local laws relevant to the auditing/accounting profession requirements. Compliance with these policies and procedures is reviewed periodically.

#### 3.3.2.5 Independence training and confirmations

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

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

#### 3.3.2.6 Audit partner rotation

Partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations and independence rules. These limit the number of years that partners in certain roles may provide audit services to an audit client. KPMG International rotation policies are consistent with the IESBA Code of Ethics and require our firm to comply with any stricter applicable rotation requirements which in Greece means we also comply with the Institute of Certified Auditors and Accountants of Greece, the Accounting and Auditing Standards Oversight Board (ELTE) and Law 3693/2008 regarding statutory audits. Our firm monitors the rotation of partners and develops transition plans to enable the firm to allocate partners with the necessary competence and capability to deliver a consistent quality of service to clients. Rotation monitoring is subject to compliance testing.

#### 3.3.2.7 Non-audit services

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

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

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

#### 3.3.2.8 Fee dependency

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

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

#### 3.3.2.9 Conflicts of interest

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

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

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

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

### 3.4 Recruitment, development and assignment of appropriately qualified personnel

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

#### 3.4.1 Recruitment

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

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

#### 3.4.2 Personal development

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

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

### 3.4.3 Performance evaluation and compensation

All professionals, including partners, undergo annual goal-setting and performance reviews. Each professional is evaluated on his or her attainment of agreed-upon goals, demonstration of the KPMG global behaviours, technical capabilities and market knowledge. These evaluations are conducted by performance managers and partners who are in a position to assess their performance and propose a performance rating. Performance ratings are awarded following a robust calibration process to effectively address rating inconsistencies and ensure fairness in the rating process. The results of the annual performance evaluation directly affect the compensation of personnel, including partners and in some cases, their continued association with the firm. This is achieved through our global performance development process, which is supported by a web-based application.

KPMG is committed to the career development of its people. To support this, the Global People, Performance and Culture group has designed a new behavioural capability framework which is being adopted in member firms around the world. This framework, combined with development initiatives in areas such as coaching and mentoring, will support our people in enhancing their skills, maximizing their performance and reaching their full potential.

#### **Compensation and promotion**

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

### 3.4.4 Partner admissions

Admission to partnership is through an Assessment Center process. Such process for admission to partnership is rigorous and thorough, involving appropriate members of the firm's leadership. Our key criteria for admission to the partnership are consistent with our commitment to professionalism, integrity, quality and being an employer of choice. These are strongly aligned to KPMG's behavioural capabilities and are based on consistent principles. Each candidate for the partnership, whether via potential direct-entry hire or internal nomination, is nominated by an existing partner, approved by the Function Head and then undergoes a series of tests and interviews by an appropriate committee. Furthermore, the Person in Charge of the Ethics and Compliance Group coordinates a comprehensive compliance review for each partner candidate. Once accepted the senior partner proposes the individuals for admission to partnership to the meeting of all existing partners and if the partners approve, the individuals are admitted to partnership.

### 3.4.5 Assignment

Our firm has procedures in place to assign both engagement partners and other professionals to a specific engagement on the basis of his or her skill sets, relevant professional and industry experience and the nature of the assignment or engagement. Function heads are responsible for the partner assignment process. Key considerations include partner experience, accreditation and capacity, based on an annual partner portfolio review, to perform the engagement in view of the size, the complexity and risk profile of the engagement and the type of support to be provided (that is, the engagement team composition and specialist involvement). Specifically, the National Risk Management Partner approves engagement partner and engagement quality control reviewer assignments to public interest entity audit clients and certain higher risk non public interest audit clients. For all other audit clients, engagement partner and engagement quality control reviewer assignments require approval from the Partner in Charge of Audit.

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

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

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

As an additional control in Audit (where the services are more of a recurring nature than across much of the rest of our business), our Heads of Audit and Quality and Risk Management together perform an annual review of the portfolio of all of our audit engagement partners. The purpose of this portfolio review is to look at the complexity and risk of each audit and then to consider whether or not taken as a whole the specific engagement partner has the appropriate time and the right support to enable them to perform a high quality audit for each client in their portfolio.

## 3.5 Commitment to technical excellence and quality service delivery

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

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

### 3.5.1 Technical training

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

Our technical training curriculum covers all grades of staff with a core training program for junior staff and periodic and annual update training for qualified and experienced staff and partners.

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

Audit training is mandatory and completion is monitored through a learning management system. This allows individuals to monitor their compliance with their ongoing Continuing Professional Education (CPE) requirements and with KPMG's mandatory training and accreditation requirements (refer to section 3.5.2.).

In addition to structured technical training, there is a coaching culture that encourages consultation, on-the-job training, mentoring, attending internal and external industry-specific training programs and conferences as well as reviewing pertinent bulletins and periodicals.

### 3.5.2 Accreditation and licensing

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

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

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

Our firm requires that all Audit professionals maintain accreditation with their professional bodies and satisfy the Continuing Professional Development (CPE) requirements of such bodies. Our policies and procedures are designed to ensure that those individuals that require a license to undertake their work are appropriately licensed. Specifically, those individuals responsible for signing audit reports are required to meet the requirements of the Institute of Certified Auditors and Accountants in Greece.

KPMG Certified Auditors A.E. is authorized by the Institute of Certified Auditors and Accountants in Greece as registered Auditors and is licensed to carry out audit work.

### 3.5.3 Access to specialist networks

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

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

### 3.5.4 Consultation

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

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

To assist audit engagement professionals in addressing difficult or contentious matters, we have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves such differences. In other circumstances, the matter may be escalated through the chain of responsibility for resolution by technical specialists. In exceptional circumstances, a matter may be referred to the Head of Audit, Head of DPP, National Risk Management Partner (or appropriate nationally qualified delegates) or ultimately the national senior partner (or appropriate nationally qualified delegates).

Our firm provides appropriate consultation support to audit engagement professionals through professional practice resources that include a DPP.

Technical support is available to our firm through the ISG as well as the US Capital Markets Group for work on SEC foreign registrants.

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

### 3.5.5 Developing business understanding and industry knowledge

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

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

## 3.6 Performance of effective and efficient audits

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

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

### 3.6.1 KPMG Audit Process

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

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

#### 3.6.1.1 Timely partner and manager involvement

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

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

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

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

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

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

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

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

Professional judgment training has been embedded in our core Audit Technical training program for junior professionals as well as being included in our periodic and annual update training for qualified and experienced professionals and partners.

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

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

Ongoing mentoring and on-the-job coaching and supervision during an audit involves:

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

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

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

#### 3.6.1.4 Appropriately supported and documented conclusions

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

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

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

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

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

#### 3.6.1.5 Appropriate involvement of the EQC reviewer

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

An EQC reviewer is required to be appointed for the audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations and other engagements designated by the risk management partner or country head of audit. Before the date of the auditor's report these individuals review:

- Selected audit documentation and client communications.
- The appropriateness of the financial statements and related disclosures.

- Significant judgments the engagement team made and the conclusions it reached with respect to the audit.

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

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

- Issuing leading practices guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers.
- Incorporating specific procedures in eAudit to facilitate effective reviews.
- Ensuring that the role performed by EQC reviewers is also taken into account when performing the Partner Portfolio Review process (see section 3.4.5) to ensure adequacy of time and appropriate skill set for the role and reallocation if needed.
- Assessing as part of our Quality Performance Reviews, the work performed by the EQC reviewer and the adequacy of involvement including discussion with the EQC reviewer.
- Implementing policies relating to recognition, nomination and development of EQC reviewers, as well as monitoring and assessing the nature, timing and extent of their involvement.

#### 3.6.1.6 Reporting

Auditing standards and local Company Law 2190/1920 largely dictate the format and content of the audit report that includes an opinion on the fair presentation of the client's financial statements in all material respects. Experienced engagement partners arrive at all audit opinions based on the audit performed.

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

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

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

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

### 3.6.1.8 Focus on effectiveness of group audits

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

Additional guidance, training and materials has been issued in this area as follows:

- eAudit includes guidance and functionality based on revised ISA 600 for group audit engagements and heightened attention is being given to key risk areas for group audits, for example emerging markets and business environments that may be subject to heightened fraud risk.
- Training for partners and managers in 2013 reinforced key principles and requirements about the responsibility of the group auditor for the work undertaken by component auditors.

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

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

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

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

## 3.7 Commitment to continuous improvement

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

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

### 3.7.1 Monitoring

#### 3.7.1.1 Internal monitoring

KPMG International has an integrated monitoring program that covers all member firms to assess the relevance, adequacy and effective operation of key quality control policies and procedures. This monitoring addresses both engagement delivery and KPMG International policies and procedures and meets the ISQC 1 monitoring requirements. The results and lessons from the programs are communicated within each member firm and the overall results and lessons from the programs are considered and appropriate action taken at regional and global levels. Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented and operates effectively.

Our monitoring procedures involve ongoing consideration of:

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

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

Additionally all member firms are covered by cross-functional Global Compliance Reviews (GCRs). These programs are designed by KPMG International and participation in them is a condition of ongoing membership of the KPMG network (refer to section 6 for further details).

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

The international QPR Program is the cornerstone of our efforts to monitor engagement quality and one of our primary means of ensuring that member firms are collectively and consistently meeting KPMG International's requirements and applicable professional standards. The QPR Program assesses engagement level performance in the Audit, Tax and Advisory functions and identifies opportunities to improve engagement quality. All engagement partners/leaders are generally subject to selection for review at least once in a three-year cycle. The reviews are tailored to the relevant function, performed at a member firm level, generally overseen by a lead reviewer from outside of the local firm and are monitored regionally and globally. Remedial action plans for all significant deficiencies noted are required at an engagement and member firm level. We disseminate our findings from the QPR Program to our professionals through written communications, internal training tools and periodic partner, manager and staff meetings. These areas are also emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

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

The QPR review, which was carried out in June 2013, did not identify any issues considered to have a material effect on the conduct of the firm's accounting and auditing practice.

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

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

The RCP review, which was carried out during the period May to August 2013, did not identify any issues considered to have a material effect on the conduct of the firm's risk management practice.

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

GCRs are performed by reviewers independent of the member firm, who report to GQ&RM and are led by the Global Compliance Group and are carried out on member firms once in a three-year cycle. These reviews focus on significant governance, risk management, independence and finance

processes (including an assessment of the robustness of the firm's RCP). In the event that a GCR identifies issues that require immediate or near-term attention, a follow-up review will be performed as appropriate.

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

The GCR review, which was carried out during the period May to June 2013, did not identify any issues considered to have a material effect on the firm's processes focusing on significant governance, risk management, independence and finance.

#### 3.7.1.2 External monitoring

The Accounting and Auditing Standards Oversight Board carried out an ISQC 1 compliance review in October 2009. In addition, a review was carried out by the Institute of Certified Auditors and Accountants in Greece in November 2010. None of these prior year external inspections have identified any issues that have a material impact on the conduct of our statutory audit business. We have not had any inspections during the year 2013 from this regulator and professional accounting body respectively.

Our firm is registered with the Public Company Accounting Oversight Board (PCAOB) and as such it is accredited to carry out audits for companies listed on the US stock exchange. We have not had any inspections from the US PCAOB to date.

#### 3.7.2 Interaction with regulators

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

In Greece, our firm has regular two-way communication with our local regulator, the Accounting and Auditing Standards Oversight Board (ELTE), to discuss regulatory changes and any other matters relevant to our audit business.

## 4 Financial information

The gross revenues of the firm for the financial year ended 30 June 2013, as shown in the published financial statements, are Euro 18 102 thousand (30 June 2012: Euro 14 980 thousand) analysed as follows:

Segment Reporting for 30 June 2013 and 30 June 2012 (The amounts are in thousands of Euro).

<b>Services</b>	<b>Revenues 30 June 2013</b>	<b>Revenues 30 June 2012</b>
Statutory Audit Services	18 031	14 261
Tax Services	5	708
Other Consulting Services	66	11
<b>Total</b>	<b>18 102</b>	<b>14 980</b>

## 5 Partner remuneration

Remuneration of partners is determined by the senior partner in consultation with appropriate committee members, based on the objectives set for each partner on a number of matters relevant to their role in the group. These include quality of work, excellence in client service, growth in revenue and profitability, leadership and living the values of the firm. Audit partner remuneration setting takes no account of the level of non-audit services provided to the partner's audit clients.

Specifically, there are three elements to partner remuneration:

- Base component - fixed amount as a base component.
- Performance related bonus - rewards performance in the year by each partner against individual objectives.
- Profit share - a share of residual profits not retained for future investment in the business.

# 6 Network arrangements

## 6.1 Legal Structure

The independent member firms of the KPMG network (including KPMG Certified Auditors A.E.) are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law. The KPMG network consists of approximately 155,000 personnel working in 155 countries. For the year ended 30 September 2013 the member firms comprising the network generated aggregate revenues of US\$23.42 billion<sup>1</sup> (September 2012: US\$23.03 billion<sup>1</sup>).

KPMG International carries on business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

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

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

## 6.2 Responsibilities and obligations of member firms

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

In these agreements, member firms commit themselves to a common set of KPMG Values. Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global and regional strategies, share resources (incoming and outgoing), service multinational clients, manage risk and deploy global methodologies and tools. Each member firm takes responsibility for its management and the quality of its work. In accordance with the global code of conduct, partners and professionals working within member firms are required to act with integrity at all times.

Member firms are also required to have the capability to provide certain types of core services and to refer work to other member firms where appropriate (for example, if the engagement concerns work in that other member firm's country and that other member firm has the required capacity and expertise to perform the work).

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

<sup>1</sup> This represents combined information of the separate KPMG member firms that performed professional services for clients. It is combined solely for presentation purposes.

## 6.3 Professional Indemnity Insurance

A substantial level of insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis and is principally written through a captive insurer that is available to all KPMG member firms.

## 6.4 Governance structure

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

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit that KPMG International has no share capital and, therefore, only has members, not shareholders). Among other things, the Global Council elects the chairman for a term of up to four years (renewable once) and also approves the appointment of Global Board members. It includes representation from 54 member firms that are "members" of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

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

The Global Board includes the chairman, the deputy chairman, the chairman of each of the three regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East and Africa (EMA)) and a number of senior partners of member firms. One of the Board members is elected as the lead director by those Global Board members who are not also members of the Global Executive Team ("non-executive" members). A key role of the lead director is to act as liaison between the chairman and the "non-executive" Board members.

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

The Global Executive Team is the principal management body of KPMG International. The Global Executive Team drives the execution of the strategy approved by the Global Board and establishes processes to monitor and enforce policy compliance. It is led by the chairman and includes the deputy chairman, the chief operating officer, global practice heads, regional leaders and a number of senior partners of member firms.

The Global Executive Team is supported by Global Steering Groups responsible for executing the approved strategy and business plan in their respective areas. In particular, the Global Quality & Risk Management Steering Group operates under delegated authority from the Global Executive Team.

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

Further details about KPMG International including the governance arrangements, can be found in its Transparency Report, which is available at:

<http://www.kpmg.com/Global/en/about/governance/Documents/kpmg-international-transparency-report-2013.pdf>.

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

KPMG International has a network of Area Quality & Risk Management Leaders (AQRMLs), reporting to the global vice chair–Quality and Risk Management. The AQRMLs are members of the Global Quality & Risk Management Steering Group and each AQRML performs a monitoring function over a group of member firms. Their role is to enhance the KPMG network’s ability to proactively monitor quality and risk management across member firms.

# 7 Statement by the Board of KPMG Certified Auditors A.E. on the effectiveness of quality controls and independence

The measures and procedures that serve as the basis for the system of quality control for KPMG Certified Auditors A.E. outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by our firm comply with the applicable laws and regulations. Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant laws and regulations would be prevented or detected.

The Board of KPMG Certified Auditors A.E. has considered:

- The design and operation of the quality control systems as described in this report;
- The findings from the various compliance programs operated by our firm (including the KPMG International Review Programs as described in section 3.7.1 and our local compliance monitoring programs).

Taking all of this evidence together, the Board of KPMG Certified Auditors A.E. confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 30 June 2013.

Further, the Board of KPMG Certified Auditors A.E. confirms that an internal review of independence compliance within our firm has been conducted in the year to 30 June 2013.

Marios T. Kyriacou  
Senior Partner

# A Appendices

## A.1 Public Interest Entities

The list of public interest entity audit clients for which KPMG Certified Auditors A.E. has signed an audit/review opinion in the year ended 31 December 2013 is given below. The definition of public interest for this purpose is that given under the provisions of Law 3693/2008, where a public interest entity is an issuer whose transferable securities are admitted to trading on a regulated market in the European Union and the audit of which is a statutory audit within the meaning of Law 3693/2008, as well as banks and insurance companies whose transferable securities are not admitted to trading on a regulated market in the European Union.

Alpha Bank A.E. (1)

Alpha Astika Akinita A.E. (1)

Halcor A.E. (1)

Ioniki Hotel Enterprises A.E. (1)

Karelia Tobacco Company Inc. A.E. (1)

Viohalco A.E. (1)

Attica Bank A.T.E. (1)

Elval Hellenic Aluminium Industry A.E. (1)

Citibank International (Greek branche) (2)

HSBC Bank Plc (Greek branch) (2)

BMW Austria Bank GMBH (2)

Allianz Hellas Insurance Company S.A. (2)

Euler Hermes Emporiki Credit Insurance S.A. (2)

Interasco A.E.G.A. (2)

Mercedes Benz Bank Polska S.A. (Greek branch) (2)

Ergo (Ex Victoria General Insurance A.A.E.) (2)

Ergo (Ex Victoria Life Insurance Company A.A.E.) (2)

Saxo Bank (2)

Diners Club International A.E. (2)

Hellenic Post Office A.E. (2)

Allianz Mutual Funds (3)

Alpha Mutual Funds (3)

Bank of Greece A.E. (2)

Financial Insurance Company Limited (Genworth) – Greek branch (2)

Prime Insurance Company Ltd – Greek branch (2)

(1) Listed entity - statutory semi-annual (30 June 2013) and annual audit (31 December 2012)

(2) Non-listed entity - statutory annual audit (31 December 2012)

(3) Non-listed entity - statutory semi-annual (30 June 2013) and annual audit (31 December 2012)

## A.2 KPMG's Values

**KPMG people work together to deliver value to clients. We believe strongly in a common set of shared values which guide our behavior when dealing with both clients and each other:**

We lead by example:	At all levels we act in a way that exemplifies what we expect of each other and our clients.
We work together:	We bring out the best in each other and create strong and successful working relationships.
We respect the individual:	We respect people for who they are and for their knowledge, skills and experience as individuals and team members.
We seek the facts and provide insight:	By challenging assumptions and pursuing facts, we strengthen our reputation as trusted and objective business advisers.
We are open and honest in our communication:	We share information, insight and advice frequently and constructively and manage tough situations with courage and candor.
We are committed to our communities:	We act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities and protecting the environment.
Above all, we act with INTEGRITY:	We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

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