



Transparency Report 2021

Our relentless focus on quality

April 2022

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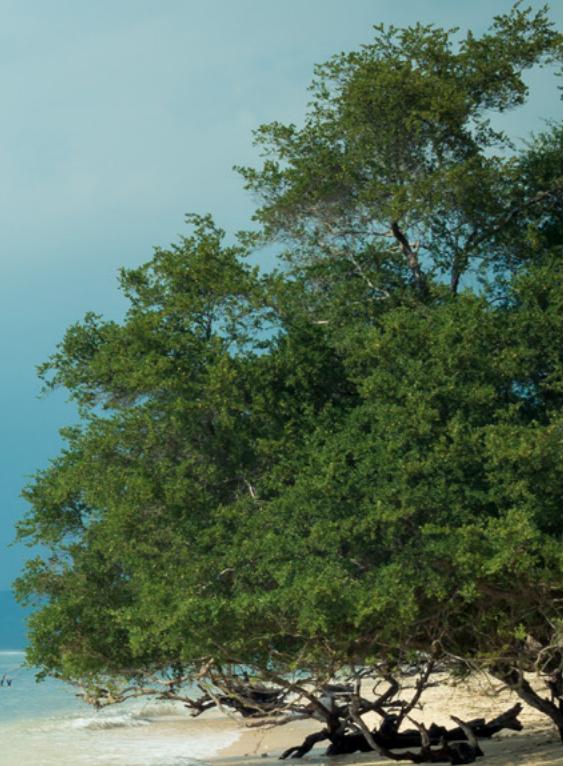
KPMG Values

Our Values represent what we believe in, and what's important to us as an organization. They guide our behaviors day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all our stakeholders.

Our Values are:

- **Integrity** : We do what is right.
- **Excellence** : We never stop learning and improving.
- **Courage** : We think and act boldly.
- **Together** : We respect each other and draw strength from our differences.
- **For Better** : We do what matters.

Our Values express our firm's long-standing core beliefs, and in 2020 the language was updated to make them bolder, simpler, and more memorable to help each of us bring them to life every day.



Focus on quality to inspire confidence and empower change

Audit is the foundation of our business, and audit quality is at the core of KPMG.

In our 2021 Transparency Report, we document how we are improving our quality management — by investing in new technologies and resources, while building a stronger culture of consistency and accountability. We share how our relentless focus on quality underpins our commitment to serve the public interest, drives our ambition to be the most trusted and trustworthy professional services organization and delivers on environmental, social and governance (ESG) commitments, as outlined in [Our Impact Plan](#).

KPMG has a simple but bold ambition: to become the most trusted and trustworthy professional services organization. That aim is impossible without delivering quality audits, and even though we have a sound foundation to build on, we need to constantly innovate, never losing our focus — especially as leaders of this proud profession.

This past year we've continued to invest in our system of quality management, global monitoring of audit quality, and enhanced support. We're also expanding access and training for innovative technology and tools for our engagement teams, such as KPMG Clara, our smart audit platform, to drive consistency, collaboration and efficiency.

All our actions are guided by our Values. They drive our daily behaviors, guide our decisions, and shape our ethical culture. Integrity is a core Value — we do what is right, in the right way, at the right time. We embody our Values of integrity and excellence in our commitment to quality, and our new Global Quality Framework outlines how every partner and employee contributes to delivering high-quality audits.



Tohana Widjaja
Managing Partner

Our people are at the heart of our business and supporting their wellbeing remains a priority through challenging times. This also means assessing the appropriate level of workloads as well initiatives that drive efficiencies through technology.

Driving improvements in audit quality relies on exceptional people always doing the right thing, not taking shortcuts, and being able to speak up without fear of repercussion. Our new Global Quality Framework outlines how every partner and employee contribute to delivering high-quality audits. These are mandatory actions and behaviors, built on our Values that have been our guide throughout nearly 150 years of providing quality audits.

We recognize the significance of the International Sustainability Standards Board, announced at COP26, and our evolving role to provide assurance over sustainability disclosures with the same focus that our auditors deliver over financial statements.

Finally, creating the right environment requires strong governance and practice management standards. It's why our Global Board implemented governance changes to achieve greater levels of consistency and accountability across our entire global organization. All KPMG member firms are now committed to a common set of Values, standards, and service quality expectations.

Together, we're making incredible strides for the better. Quality is what our profession is built on, and it's why KPMG is relentless in our approach to delivering it.

Thank you for the trust you have in us.



Budi Susanto
Head of Audit and Assurance

Audit quality

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

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

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





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Who We are

Our business

KPMG in Indonesia is affiliated with KPMG International Limited (KPMG International), a private English company limited by guarantee. Today, with more than 1,035 Indonesian and expatriate professionals¹, we are one of the largest professional services firms in Indonesia with a balanced mix of international and local clients.

We deliver Audit, Tax and Advisory services. Our audit and assurance services in Indonesia are delivered through Siddharta Widjaja & Rekan - Registered Public Accountants, License No.: 916/KM.1/2014 (the Firm). Full details of the services offered by us can be found on [our website](#).

One of our key priorities is to have a respectful and trusted relationship with audit and other regulators as we have a common interest in building public trust by promoting audit quality and, in consequence, the health of the capital markets.

Our strategy

Our strategy is set by our Board and demonstrates a commitment to quality and trust. Our focus is to invest significantly in priorities that form part of a multi-year collective strategy implementation that is taking place across the global organization.

The Board which, at present, comprises all Equity Partners, has the specific authority and responsibility to oversee management of the Firm by the executive committee (EXCOM) with the objective to protect the interests of the Equity Partners. The Board meetings are held quarterly and attended by the EXCOM who provides updates and other matters in respect of management of the Firm.

Throughout this document, "KPMG", "we", "our" and "us" refers to the global organization or to one or more of the member firms of KPMG International Limited, each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients.

No member firm has any authority to obligate or bind KPMG International Limited or any other member firm vis-à-vis third parties, nor does KPMG International Limited have any such authority to obligate or bind any member firm.

Throughout this document, references to "Firm", "KPMG firm", "member firm" and "KPMG member firm" refer to firms which are either: members of KPMG International Limited; sublicensee firms of KPMG International Limited; or entities that are wholly or dominantly owned and controlled by an entity that is a member or a licensee. The overall governance structure of KPMG International Limited is provided in the 'Governance and leadership' section of the 2021 [KPMG International Transparency Report](#).

¹ As of 30 September 2021

KPMG in Indonesia governance structure

We apply high standards of corporate governance. The Firm is governed and managed by the EXCOM. In addition to the EXCOM, the Firm also has disciplinary committee (DISCOM).

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

1. The Executive Committee

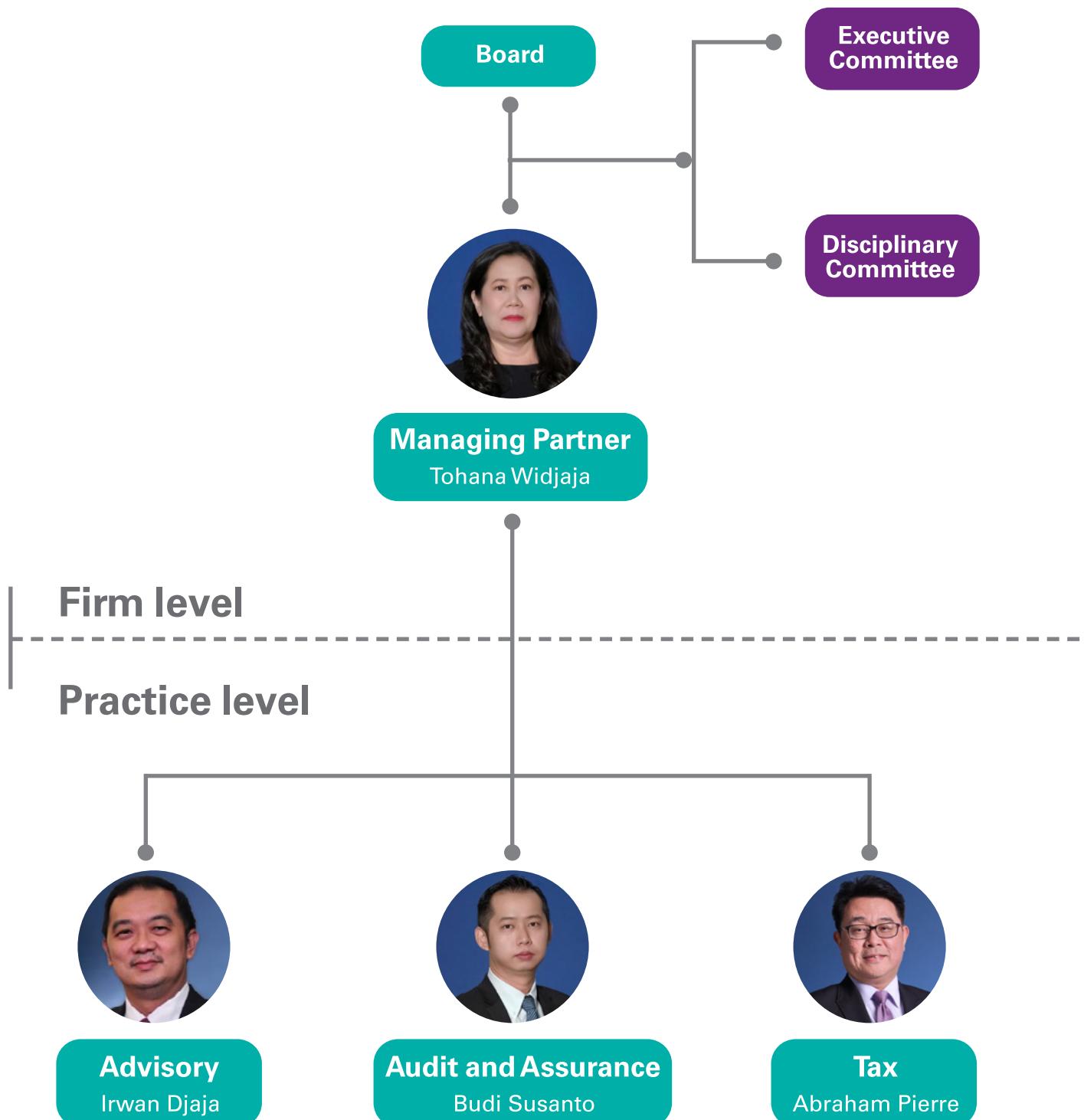
The EXCOM consists of the Managing Partner (MP), Head of Audit and Assurance (HOAA), Head of Tax, Head of Advisory, Risk Management Partner (RMP), Head of Clients and Markets, and Head of People. The EXCOM meets from time to time to undertake certain statutory duties for the Firm, including approving the annual financial statements and the transparency report. The EXCOM is responsible for the long-term growth and sustainability of the Firm. It provides leadership to the organization, sets the Firm's strategy, oversees its implementation and monitors performance against our business plan.

2. The Disciplinary Committee

The DISCOM consists of MP, RMP, Ethics and Independence Partner (EIP), HOAA, Head of Tax, Head of Advisory and Head of People. The DISCOM is responsible for overseeing the disciplinary process for ethics and independence matters. It sets the Firm disciplinary policy and monitor such policy has been communicated to all employees in our Firm.



KPMG in Indonesia governance structure (Continued)





Living our culture and Values

It's not just what we do at KPMG that matters: we also pay attention to how we do it. Our Values are our core beliefs, guiding and unifying our actions and behaviors. Shared across every level and in every country, jurisdiction and territory in which we operate, they are the foundation of our unique culture.

Fostering the right culture, starting with tone at the top

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

At KPMG in Indonesia we promote a culture in which consultation is encouraged and recognized as a strength.

We communicate our commitments to clients, stakeholders, and society at large to earn the public's trust.

Clear Values and a strong Code of Conduct

Our Values lie at the heart of the way we do things. To do the right thing, the right way, at the right time. Always. They drive our daily behaviors, guide our decisions, and shape our character. They form the foundation of a resilient culture ready to meet challenge with integrity, so we never lose sight of our principal responsibility to protect the public interest. And they propel us forward - through our work and the example we set - as we inspire confidence and empower change throughout the world.

Outlined in [KPMG's Global Code of Conduct](#) ("the Code") are the responsibilities all KPMG personnel have to each other, the public and our clients. It shows how our Values inspire our greatest aspirations and guide all of our behaviors and actions. It defines what it means to work at and be part of KPMG, as well as our individual and collective responsibilities.

Everyone at KPMG is held accountable to behave consistent with the Code and is required to confirm their compliance. All KPMG personnel are required to take annual training covering the Code. We are committed to holding ourselves accountable for behaving in a way that is consistent with the Code. Individuals are encouraged to speak up if they see something that makes them uncomfortable or is not in compliance with the Code, or our Values.

Moreover, everyone at KPMG is required to report any activity that could potentially be illegal or in violation of our Values, KPMG policies, applicable laws, regulations, or professional standards.

To safeguard this principle of holding each other accountable, each KPMG firm is required to establish, communicate and maintain clearly defined channels to allow KPMG personnel and third parties to make inquiries about, raise concerns in relation to, provide feedback on, and notify reportable matters, without fear of reprisal, in accordance with applicable laws or regulations.

The KPMG International hotline is a further mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International, activities of KPMG firms or KPMG personnel.

All KPMG firms and personnel are prohibited from retaliating against individuals who have the courage to speak up in good faith. Retaliation is a serious violation of the Code, and any person who takes retaliatory action will be subject to the firm's disciplinary policy.

The Global People Survey provides our leadership and KPMG International leadership with results related to upholding the KPMG Values. We and KPMG International monitor the results and take appropriate actions to communicate and respond to any findings.

System of quality control

Tone at the top, leadership, and a clear set of Values and conduct are essential to set the framework for quality. However, these are required to be backed up by a system of quality control that holds us accountable to meet the highest professional standards.

KPMG continues to invest significantly in audit quality across the global organization. We are building on our sound audit quality foundations, both in terms of how we manage KPMG firms and how KPMG firms execute audit engagements.



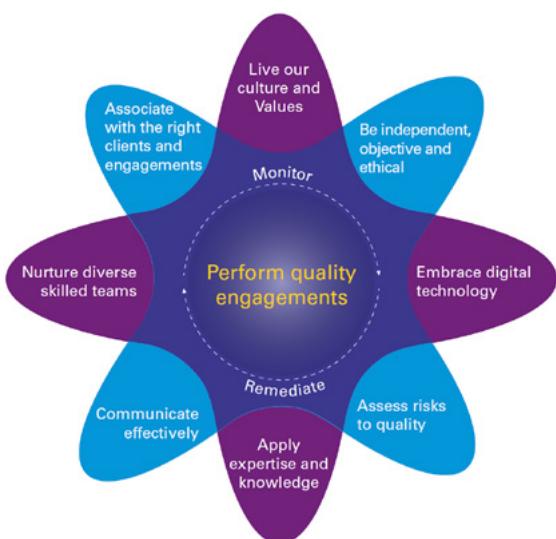
This means ongoing investment in the system of quality management, global monitoring of audit quality, enhanced support, and providing best-in class technology and tools for engagement teams.

KPMG's global audit quality program supports consistent deployment of investments to enhance and drive a common approach.

A robust and consistent system of quality control is essential to delivering quality services. KPMG International has quality control policies that apply to all KPMG firms. These are included in KPMG's Global Quality & Risk Management Manual (GQRMM), which applies to all KPMG personnel.

To adopt the new international standard on quality management (ISQM 1) which was approved by the IAASB and will be effective from December 2022, KPMG International initiated a program to redesign the network-wide requirements for member firms' systems of quality management. ISQM 1 requires each KPMG firm to design, implement and operate a system of quality management to consistently deliver quality audits, and to evaluate the effectiveness of the system on an annual basis.

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



The Global Quality Framework also meets the requirements of the current International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

While this Transparency Report summarizes KPMG's approach to audit quality, it may also be useful for stakeholders interested in member firms' Tax and Advisory services, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered.

Leadership responsibilities for quality and risk management

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

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

KPMG in Indonesia is required to seek input from the chair of the relevant Global Steering Group or his/her delegatee on the performance of certain leaders within our firm whose role most closely aligns with the activities of the Global Steering Group. Input is sought as part of the annual performance process and is based on an assessment of the leader's performance, which includes matters of public interest, audit quality and risk management activities.

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

1. Managing Partner and Head of Audit and Assurance

The MP oversees strategy implementation, protects and enhances the KPMG brand and oversees management of the Firm. In accordance with the principles in Indonesian Standard of Quality Control 1 (SQC 1) (equivalent to ISQC 1), at KPMG in Indonesia, the MP assumes ultimate responsibility for our system of quality control and is accountable for the quality of service delivered in the Audit Practice. The HOAA is responsible for the execution of the risk management, quality assurance and monitoring procedures within the framework set by the RMP. These procedures make it clear that at the engagement level, risk management and quality control is ultimately the responsibility of all professionals. Our MP and the HOAA also actively participate in interactions with the ASEAN Audit Regulators Group (AARG) to facilitate the consideration of audit quality matters across the region.



2. Risk Management Partner

Operational responsibility for the system of quality control, risk management and compliance at KPMG in Indonesia has been delegated to the RMP, who is responsible for setting overall professional risk management and quality control policies and monitoring compliance across all business practices – Audit, Tax and Advisory. The RMP is supported by a team of professionals in each of the practices. The RMP has a seat on the EXCOM and has a direct reporting line to the MP. Within the Audit Practice, the HOAA with the RMP are responsible for setting the framework for performance of high quality audits, including expected behaviors.

3. Department of Professional Practice (DPP)

The role of the DPP is crucial in terms of the support that it provides to the Audit Practice. The DPP, made up of senior professionals with extensive experience in audit and financial reporting and led by a partner, is the national center of technical excellence responsible for: conducting technical research, interacting with local and global professional standard-setters and regulators, and providing technical financial reporting and auditing guidance and support to our people in the field. The DPP works closely with Learning & Development (L&D) on technical training matters.

Number of DPP professionals
30 September 2021 and 2020



4. Audit Quality Partner

The Audit Quality Partner is responsible for assisting the HOAA and RMP to roll-out compliance measures for the Audit Practice. Specifically, the responsibilities of Audit Quality Partner include:

- Reviewing the proposed significant audit initiatives ensuring the objectives and outcomes align with maintaining or enhancing audit quality;
- Recommending the strategic prioritization, resourcing and timetabling of audit initiatives as they impact audit quality;
- Confirming the robustness of our monitoring activities as consistent with our audit quality priorities.

5. Audit Methodology and Deployment Partner

Our Audit Methodology and Deployment Partner disseminates to audit team guidance and information relating to our interpretations of auditing standards and national initiatives to enhance quality, identify improvement opportunities and lead our methodology coaches.

6. System of Quality Management Partner

Whilst the Firm's Managing Partner is ultimately accountable for the implementation of ISQM 1 that will be effective from 15 December 2022, the System of Quality Management (SoQM) Implementation Leader is responsible for driving the SoQM implementation within the member firm. The SoQM Implementation Leader in the member firm is responsible for overseeing, coordinating, and supporting the execution of the tasks necessary to implement the controls that make up the SoQM components: the Firm's risk assessment process, governance and leadership, relevant ethical requirement, acceptance and continuance of client relationship, engagement performance, resources (human, intellectual and technological resources), information & communication and monitoring & remediation. To oversight the SoQM implementation process, the Firm has established SoQM steering committee that consists of MP, HOAA, RMP, Audit Quality Partner, and Head of People.





Applying expertise and knowledge

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

Methodology aligned with professional standards, laws and regulations

Our audit methodology, tools and guidance enable a consistent approach to planning, performing and documenting audit procedures over key accounting processes:

- globally consistent and fully compliant with the applicable standards, including International Standards on Auditing (ISA), Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) and are supplemented to comply with local auditing standards and regulatory or statutory requirements by KPMG firms.
- inclusive of KPMG methodology interpretations that drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed.
- centered on identifying risk, focusing on risks of material misstatements and the necessary audit response.
- made available to all KPMG audit professionals and required to be used, where necessary.
- applied even where local auditing standards may be less demanding than the ISAs.
- focused on the international assurance methodology and the alignment of assurance products in response to growth of Environmental, Social and Governance (ESG reporting).

The KPMG audit methodology is set out in the KPMG Audit Manual (for use with eAUDIT) and the KPMG Audit Execution Guide (for use with the KPMG Clara workflow) and includes KPMG interpretation of how to apply ISAs, which we believe enhance audit quality. The methodology emphasizes applying appropriate professional skepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence.

Enhancements to the audit methodology, guidance and tools are made regularly to maintain compliance with standards and address emerging auditing areas of focus and audit quality results (internal and external). For example, as a result of the COVID-19 pandemic, many businesses

are experiencing significant financial uncertainty. We have issued guidance to our auditors on conducting audit procedures in a remote-working environment, raising awareness of key audit risks such as going concern and impairments and provided reminders of the importance of exercising professional skepticism taking appropriate actions if information is identified that is unexpected or unusual and may be indicative of potential management bias, a fraud risk or fraud.

We have added local requirements and/or guidance to the KPMG Audit Manual and the KPMG Audit Execution Guide to comply with additional local professional, legal, or regulatory requirements.

Deep technical expertise and knowledge

Specialist expertise is an increasingly important part of the modern audit. Our engagement teams have access to a network of KPMG specialists - either within our firm or in other KPMG firms. These specialists receive the training they need to ensure they have the competencies, capabilities and objectivity to appropriately fulfil their role on our audits. They also receive a global annual update on global quality performance issues.

The need for specialists to be assigned to an audit engagement in areas such as information, technology, tax, treasury, actuarial, forensic and valuations is considered as part of the audit engagement acceptance and continuance process, as well as during the planning and conduct of the engagement.

Number of	30 September 2021
IT Audit support	9
CISA* certified	1

*The CISA (Certified Information System Auditor) certification is world-renowned as the standard of achievement for those who audit, control, monitor and assess an organization's information technology and business systems.



KPMG's commitment to audit quality during the COVID-19 pandemic

The COVID-19 pandemic has forced us all to think differently, we continue to respond to and embrace this challenge.

Since the start of the pandemic, we have maintained an online [COVID-19 | Financial reporting resource center](#) to assist companies and other stakeholders understand potential accounting and disclosure implications.

KPMG International has issued extensive guidance to assist teams in addressing the various accounting, financial reporting and audit related matters arising from the impacts of the COVID-19 pandemic including going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, inventory, subsequent events and audit evidence of communications with Those Charged With Governance. Additionally, KPMG International has issued specific guidance for remote working environments which addresses how teams work together, communications with management and the design and performance of audit procedures.

KPMG's guidance has been continually updated throughout the pandemic as other significant auditing, accounting and reporting issues have been identified.

KPMG is a technology-enabled organization, with technical accounting and auditing resources, guidance and audit platforms and tools all available electronically, which greatly enabled the conversion to a remote working environment.

Enhanced communication has been increasingly important to everyone during the COVID-19 pandemic. We have leveraged our investments in technology to facilitate regular communications, including virtual meetings to share best practices and guidance.

Quality and risk management manual

KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (GQRMM) which applies to all KPMG personnel. We are required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls.





Embracing digital technology

At KPMG, we are committed to serving the public interest and create value through continuous innovation. By leveraging leading technologies, we are transforming the audit experience for our professionals and our clients - enabling us to provide an even higher quality audit by increasing our ability to focus on the issues that matter through the data and insights it provides.

Intelligent, standards-driven audit workflow

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

Evolving our audit workflow

We recognize that to deliver quality audits, we need to continually evolve and develop our technology solutions to keep pace with today's digital world.

That is why KPMG embarked on a process of reimagining our audit platform, workflow and methodology to provide enhanced consistency and support to our audit engagement teams, deliver detailed insights, and future-proof our systems for the expected continued development of new technologies such as robotic process automation, machine learning and cognitive technologies.

The release of the KPMG Clara workflow and revised audit methodology is an important milestone in KPMG's journey to innovate, digitalize and transform the audit. It is a significant investment that underlines our commitment to audit quality, consistency and innovation.

KPMG Clara

KPMG Clara is our smart and intuitive technology platform that is driving globally consistent audit execution. As a fully integrated, scalable, cloud-based platform, it enables the enhanced audit methodology through a data-enabled workflow.

The platform integrates new and emerging technologies, with advanced capabilities that leverage data science, audit automation, and data visualization.

The digital audit is increasingly integral to how KPMG member firms perform quality audits and interact with their clients. Policies and guidance are in place to establish and maintain appropriate processes and controls regarding the development, evaluation and testing, deployment and support of technology in our audits.

KPMG Clara is helping auditors see meaningful patterns across a business, whether conducting risk assessment, tracing transactions through a complex revenue process, or simply adding up the accounts. Examples of current capabilities include:

- enable the analysis of account balances and journal entry data;
- automate 'period on period' balances comparison and 'time series' evolution information;
- enable the analysis of sub-ledger, transactional data over certain business processes and accounts.

Our vision of the future

KPMG Clara was developed to be KPMG's foundational technology platform to deliver audit quality. It delivers this by being the base technology delivering new capabilities in a globally consistent way, enabling the audit workflows and a fully digital experience for our audit professionals.

The KPMG Clara platform evolves as technologies such as artificial intelligence, blockchain and cognitive capabilities transform how audits are delivered.

KPMG Clara workflow

We are replacing eAudIT with a new workflow and revised audit methodology embedded into the KPMG Clara smart audit platform. Phased full deployment of KPMG Clara workflow commenced globally in 2020 with planned completion of full global transition for the 2022 fiscal period-end audits.



The web-enabled KPMG Clara workflow guides audit teams through a series of steps in a logical sequence aligned to the applicable professional auditing standards with a clear display of information, visuals, and guidance available, and with embedded advanced digital audit and project management capabilities. The workflow and revised audit methodology are scalable - adjusting the requirements to the size and complexity of the audit engagement. KPMG Clara workflow significantly enhances the execution of an audit by KPMG professionals and clearly drives audit quality and global consistency.

Using data mining and tracking of relevant engagement level data indicators, the KPMG Clara workflow can also facilitate monitoring of audit execution at the engagement level.

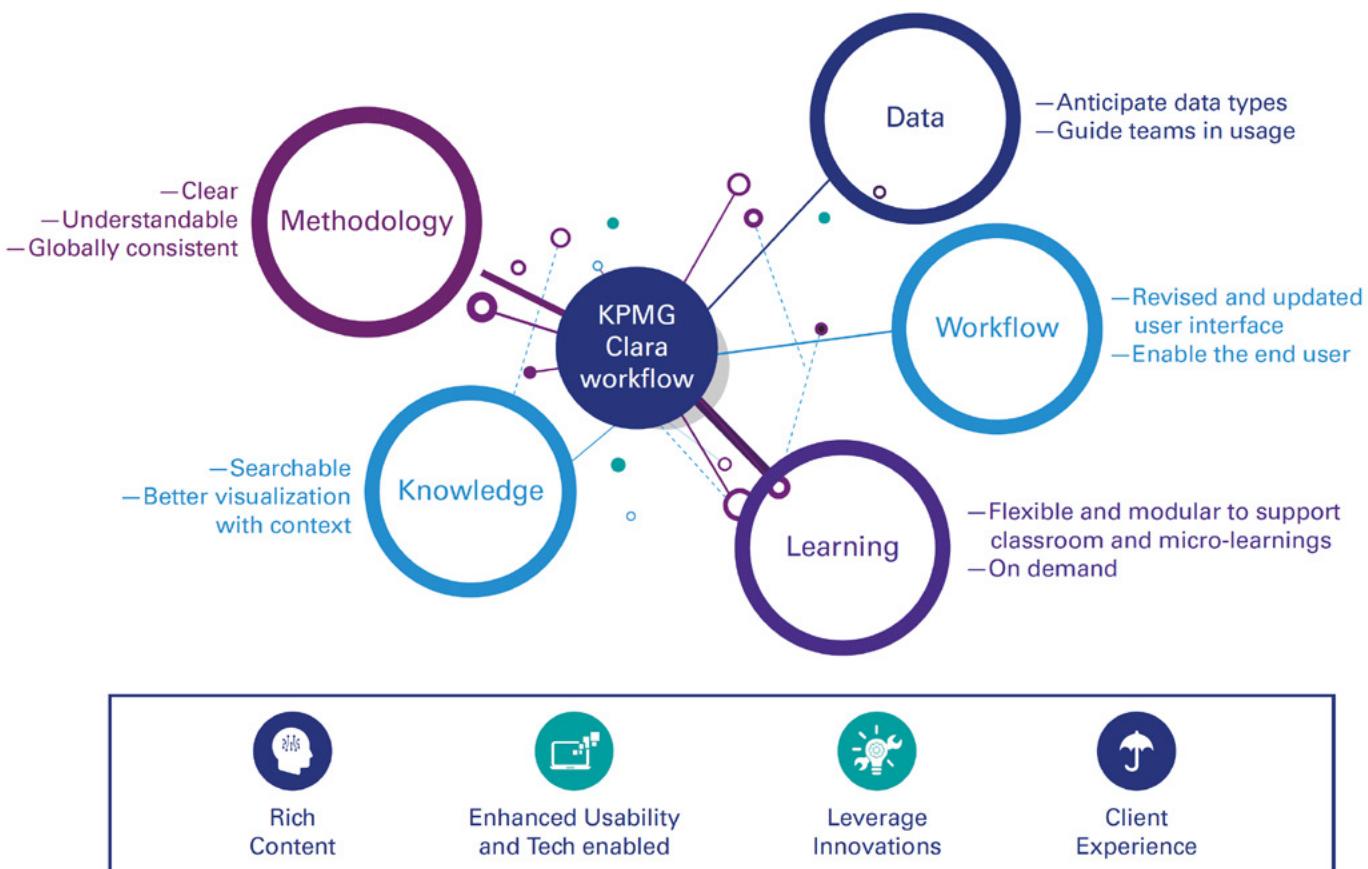
We continue to enhance the KPMG Clara smart audit platform to accommodate accelerating security demands, integrate existing audit applications into a single platform, and develop new capabilities to digitize additional audit processes.

Client confidentiality, information security, and data privacy

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms including the KPMG Global Code of Conduct.

We have policies on information security, confidentiality, personal information and data privacy. We have a 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, regulations, and professional standards.

We provide training on confidentiality, information protection and data privacy requirements to all our personnel annually.





Nurturing diverse skilled teams

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

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

One of the key drivers of quality is ensuring that KPMG professionals have the appropriate skills and experience, motivation and purpose, to deliver high quality audits. This requires the right recruitment, development, reward, promotion, retention and assignment of professionals.

Recruitment

We have invested in understanding how we can attract the talent we need across the organization in the future. This requires the right recruitment, development, reward, promotion and assignment of professionals. This includes building an extraordinary people experience for all current and prospective partners and employees.

Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools. We also recruit significant numbers at an experienced hire level.

All candidates 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. These leverage fair and job-related criteria to ensure that candidates possess the appropriate skills and experience to perform competently, are suitable and best placed for their roles.

We recruited over 164 new graduates in the year ended 30 September 2021 (2020: 78).

Where individuals are recruited for senior grades, a formal independence discussion is conducted with them by the EIP or a delegate. We do not accept any confidential information belonging to the candidate's former firm/employer.

Profiles of KPMG audit personnel	30 September 2021	30 September 2020
No. of audit partners and partner equivalents	29	26
No. of client service audit staff (excluding partners and partner equivalents)	620	624
Staff/partner ratio	21.38	24.00

Average years of experience	30 September 2021	30 September 2020
Partners and partner equivalents	20.97	19.94
Senior manager and manager	8.37	8.58
Senior team member	3.45	3.40
Team member	1.30	1.36

Inclusion, Diversity & Equity programs

We are committed to build a diverse and equitable firm that is inclusive to all.

Inclusion, diversity and equity (IDE) is core to our very existence – helping us build great teams with diverse views that represent the world we live in. It leads to better decision making, drives greater creativity and innovation, and encourages us to stand up, live our Values, and do what is right.



We recognize that KPMG firms' global position working with clients around the world affords us a privileged place. With that comes an opportunity and responsibility to achieve more and push for a fairer, more equitable society.

KPMG Global Inclusion, Diversity & Equity Collective Action Plan outlines the actions that are necessary to advance inclusion, diversity and equity at KPMG in Indonesia and across all KPMG firms.

For more about Inclusion and Diversity at KPMG, read [here](#).

Reward and promotion

We have compensation and promotion policies that are informed by market data, clear, fair and linked to the performance review process. This helps our partners and employees understand what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved through calibration process where relative performance across a peer group is discussed and used to formulate reward decisions. Reward decisions are based on consideration of both individual and firm performance.

The extent to which our people feel their performance has been reflected in their reward is measured through the annual Global People Survey, with action plans developed as required.

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

Partner remuneration

There are two elements to partner remuneration: a base component reflective of role and seniority and a performance related bonus, rewarding high performance against previously agreed goals and achievement of Key Performance Indicators which include compliance with various metrics and audit quality. Compensation is based on factors including results of internal and external inspections, risk management and independence monitoring, leadership, quality client impact, delivering on our strategy, coaching and developing staff and living the values of our firm.

Assigning an appropriately qualified team

We have procedures in place to assign engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the partner assignment process. Key considerations include partner experience and capacity - based on an annual partner portfolio review - to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement).

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

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

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



Investing in data centric skills - including data mining, analysis and visualization

KPMG is strategically investing in our talent pipeline by partnering with world-class institutions to sustain our strong leadership, while also looking forward to cultivating the skills and capabilities that will be needed in the future. We are recruiting and training professionals who specialize in software, cloud capabilities and artificial intelligence and who can bring leading technology capabilities to our smart audit platform. We provide training on a wide range of technologies to ensure that field professionals not only meet the highest professional standards but are also upskilled in new technology. With this approach we are bringing together the right people with the right skills and the right technology to perform exceptional audits.

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

Commitment to technical excellence and quality service delivery

All our professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and the professional practice department for consultation. Where the right resource is not available within KPMG in Indonesia, the firm accesses a network of highly skilled KPMG professionals in other KPMG firms.

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

Lifetime learning strategy



Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at global, regional and, where applicable, KPMG firm level.

Mandatory learning requirements for audit professionals across the KPMG organization are established annually. Training is delivered using a blend of learning approaches and performance support.

Types of training	No. of hours	
	FY2021	FY2020
Technical (e.g. accounting and auditing, quarterly updates, IFRS, US GAAP, etc.)	35,795	49,457
Risk management (e.g. independence, etc.)	4,820	3,689
Industry (e.g. energy, financial services, food and beverages, etc.)	2,012	4,628
Continuing professional education (CPE) training	909	1,051
Soft skills (e.g. milestone workshops, project management, business development skills, etc.)	1,963	3,525
Others	6,214	6,656
Total	51,713	69,006

Mentoring and on the job training

Learning is not confined to a single approach - rich learning experiences are available when needed through coaching and just-in-time learning, available at the click of a mouse and aligned with job specific role profiles and learning paths.

Mentoring and on-the-job experience play key roles in developing the personal qualities important for a successful career in auditing, including professional judgment, technical excellence and instinct.

We support a coaching culture throughout KPMG as part of enabling KPMG professionals to achieve their full potential and instil that every team member is responsible for building the capacity of the team, coaching other team members and sharing experiences.



Continuing professional education

We require all our client service partners and staff with an Indonesian CPA license to maintain the Indonesian Institute of Certified Public Accountants (IAPI) standard of CPE. They must obtain a minimum of 40 CPE hours annually and at least half of the hours must cover accounting or auditing, including the capital market and banking sectors for CPAs practicing in these areas. In addition, our policy requires all partners and staff to achieve a minimum of 30 CPE hours per year and a minimum of 120 CPE hours over three years. To assist our people in maintaining their CPE records, we record attendance using our internal training tracking system.

Number of:	30 September	
	2021	2020
Indonesian CPAs*	41	40

*Manager to Partner levels

Licensing and mandatory requirements for IFRS® Standards and US GAAP engagements

Licensing

All of our professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development requirements in the jurisdiction where they practice. Our policies and procedures are designed to facilitate compliance with license requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework.

Mandatory requirements - IFRS Standards and US GAAP engagements

In addition, we have specific requirements for partners, managers and Engagement Quality Control (EQC) reviewers working on IFRS engagements.

Similar policies apply to engagements where the financial information prepared in accordance with US GAAP and/or

audited in accordance with US auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR). These require that at a minimum, all partners, managers and, if appointed, the EQC reviewers (and for engagements conducted in accordance with US GAAP and/or US auditing standards engagements, the engagement partner, engagement manager, engagement in-charge and, if appointed the EQCR reviewers) assigned to the engagement have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

Recognizing quality

Our approach to performance development, 'Open Performance Development', is built around the *Everyone a Leader* performance principles, and includes:

- global role profiles (including role profiles specific to audit quality accountabilities and responsibilities);
- a goal library (including audit quality content); and
- standardized review forms (with provision for audit quality ratings).

Open Performance Development is linked to the KPMG Values and designed to articulate what is required for success - both individually and collectively. We know that by being clear and consistent about the behaviors we expect and rewarding those who demonstrate them, we will continue to drive a relentless focus on audit quality.

At the same time, KPMG is driving a shift in our performance-driven culture, supported by and enacted through leading technology that allows us to embed audit quality into the assessment of performance and the decisions around reward as well as drive consistency across the global organization.

We consider quality and compliance metrics in assessing the overall evaluation, promotion and remuneration of partners, directors, senior managers and managers. These evaluations are conducted by performance managers and partners who are in a position to assess performance.



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.

Following the client and engagement acceptance and continuance policies

KPMG's client and engagement acceptance and continuance policies and processes are designed to identify and evaluate potential risks prior to accepting or continuing a client relationship or performing a specific engagement.

KPMG firms are required to evaluate whether to accept or continue a client relationship or perform a specific engagement. Where client/engagement acceptance (or continuance) decisions pose significant risks, additional approvals are required.

Accepting appropriate clients and engagements

Client evaluation

We undertake an evaluation of every prospective client.

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

Engagement evaluation

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, public perception, whether the services would be unethical or inconsistent with our Values, as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience

of KPMG professionals assigned to staff the engagement. The evaluation is made in consultation with other senior 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 business, financial and personal relationships.

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

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

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

Continuance process

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

Recurring or long running non-audit engagements are also subject to periodic re-evaluation. In addition, clients and engagements are required to be re-evaluated if there is an indication that there may be a change to the risk profile, and as part of the continuous independence evaluation process,



engagement teams are required to identify if there have been any changes to previously identified threats or if there are new threats to independence. The threats are then evaluated and, if not at an acceptable level, are eliminated or appropriate safeguards are applied to reduce the threats to an acceptable level.

Withdrawal process

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

Managed portfolio of clients

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

Each partner's client portfolio is regularly reviewed to ensure that they have sufficient time to manage the portfolio and to ensure that the risks are being appropriately managed. The reviews consider the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the partner and wider team to deliver a quality audit for every client.





Being independent and ethical

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

Acting with integrity and living our Values

KPMG International's detailed independence policies and procedures, incorporate the IESBA Code of Ethics. These are set out in KPMG's GQRMM, which applies to all KPMG firms. Automated tools, which are required to be used for every prospective engagement to identify potential independence and conflict of interest issues, facilitate compliance with these requirements. These policies are supplemented by other policies and processes to ensure compliance with additional local independence standards.

The Partner-in-Charge of the Global Independence Group is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG firms, and that tools are available to help the firms and their personnel to comply with these requirements.

We have a designated EIP who has primary responsibility for the direction and execution of ethics and independence policies and procedures in our firm. The EIP is responsible for communicating and implementing KPMG International policies and procedures and ensuring that local independence policies and procedures are established and effectively implemented when they are more stringent than the KPMG International requirements. The EIP fulfils this responsibility through:

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

Amendments to KPMG International's ethics and independence policies are included in regular quality and risk communications with all KPMG firms. KPMG firms are required to implement changes as specified in the communications, and this is checked through the internal monitoring programs described in page 24.

Our partners and employees are required to consult with the EIP on certain matters as defined in the GQRMM. The EIP may also be required to consult with the Global Independence Group, depending upon the facts and circumstances.

Maintaining an objective, independent and ethical mindset, in line with our code of conduct and policies

Personal financial independence

KPMG International policies require that KPMG firms and KPMG professionals are free from prohibited financial interests in, and prohibited financial relationships with, KPMG firm assurance and audit clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors, and, where required, significant owners. All KPMG partners - irrespective of their firm or function - are generally prohibited from owning securities of any audit client of any KPMG firm.

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

All partners and manager grade or above client-facing employees are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a



record of all of their investments in publicly traded entities in KICS, which automatically notifies them if any investment subsequently becomes restricted. Newly restricted investments are required to be disposed of within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of professionals. The Global Independence Group provides guidance and required procedures relating to the audit and inspection by KPMG firms of personal compliance with KPMG's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

Employment relationships

Any our professional providing services to an audit client irrespective of function is required to notify the firm EIP if they intend to enter into employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG firm that is a public interest entity.

Former members of the audit team or former partners of our firm are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to our firm, including payments which are not fixed and predetermined and/or would be material to us and ceased participating in our business and professional activities.

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

An assurance team member is also required to notify the EIP when they enter into employment negotiations with the assurance client during the course of the engagement. Former assurance team members or former partners of our firm who join an assurance client in certain roles cannot continue to participate in our business or professional activities.

We communicate and monitor requirements in relation to employment and partnership of our professionals by audit and assurance clients.

Firm financial independence

KPMG firms are required to also be free from prohibited interests in, and prohibited relationships with, audit clients, their management, directors and, where required, significant owners.

In common with other KPMG firms, we use KICS to record our own direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed entities or funds. This includes investments held in associated pension and employee benefit plans.

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

On an annual basis, we confirm compliance with independence requirements as part of the Risk Compliance Program.

Business relationships/suppliers

We have policies and procedures in place that are designed to ensure our business relationships with audit and assurance clients are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements, such as those promulgated by the SEC.

Independence clearance process

In addition to the standard acceptance evaluation performed for every engagement, which includes an evaluation of independence, we follow specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as 'the independence clearance process', are required to be completed prior to accepting an audit engagement for these entities.

Independence training and confirmations

All our partners and client facing professionals, as well as certain other individuals, are required to complete independence training that is appropriate to their grade and function upon joining our firm and on an annual basis thereafter.

New partners and client facing employees who are required to complete this training are required to do so by the earlier of (a) thirty days after joining our firm or (b) before providing any services to, or becoming a member of the chain of command for, any audit client.

We also provide all partners and employees with annual training on:

- the Global Code of Conduct; and
- bribery and compliance with laws, regulations, and professional standards.

New partners and employees are required to complete this training within three months of joining our firm.

All KPMG partners and employees are required to sign, upon joining our firm and thereafter, an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies.

Non-audit services

All KPMG firms are required, at a minimum, to comply with the IESBA Code of Ethics and applicable laws and regulations related to the scope of services that can be provided to audit clients.



In addition to identifying potential conflicts of interest, Sentinel™ facilitates compliance with independence requirements. Certain information on all prospective engagements, including detailed service descriptions, deliverables and estimated fees are required to be entered into Sentinel™ as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential independence threats and safeguards is also required to be included in the Sentinel™ submission.

Lead audit engagement partners (LAEPs) are required to maintain group structures for their publicly traded and certain other audit clients including their related entities or affiliates in Sentinel™. They are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats. For entities for which group structures are maintained, Sentinel enables LAEPs to review and request revision, approve, or deny, any proposed service for those entities worldwide. For approved proposed services, Sentinel designates a timeframe during which the approval remains valid. Upon expiration of the established timeframe, the services are required to be complete or be re-evaluated for permissibility; otherwise, the services are required to be exited.

We are required to establish and maintain a process to review and approve all new and modified services that are developed by us. Our EIP is involved in the review of potential independence issues related to these new or modified services.

KPMG global independence policies prohibit KPMG firms audit partners from being evaluated on, or compensated based on, their success in selling non-assurance services to their audit clients.

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 KPMG firm expressing the audit opinion. These policies require firms to consult with their Area Quality & Risk Management Leader where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In addition, if 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, these policies further require that:

- This be disclosed to those charged with governance at the audit client; and
- A partner from another KPMG member firm be appointed as the engagement quality control (EQC) reviewer.

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

Resolving conflicts of interest

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

KPMG International policies are also in place to prohibit KPMG personnel from offering or accepting inducements, including gifts and hospitality to or from audit clients, unless the value is trivial and inconsequential, is not prohibited by relevant law or regulation and is not deemed to be have been offered with the intent to improperly influence the behavior of the recipient or which would cast doubt on the individual's or the member firm's integrity, independence, objectivity or judgment.

All KPMG firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived to have an impact on a firm's and/ or its partners' or employees' ability to be objective or otherwise act without bias.

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

We have risk management resources who are responsible for reviewing any identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which is required to be documented.

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

Independence breaches

All our personnel are required to report an independence breach as soon as they become aware of it to the EIP. In the event of failure to comply with our independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. All breaches of independence requirements of the IESBA Code or other external independence requirements are required to be reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed to with those charged with governance.



We have a documented and communicated disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations. Our Disciplinary Committee oversees policies and procedures in relation to ethical matters and breaches of requirements.

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

Partner rotation

KPMG International partner rotation policies are consistent with the requirements of the IESBA Code of Ethics and require compliance with any stricter local applicable rotation requirements.

Our partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide audit services to a client, followed by a 'time-out' period during which time these partners may not participate in the audit, provide quality control for the audit, consult with the engagement team or the client regarding technical or industry-specific issues, in any way influence the outcome of the audit, lead or coordinate professional services at the client, oversee the relationship of the firm with the audit client, or have any other significant or frequent interaction with senior management or those charged with governance at the client.

We monitor the rotation of audit engagement leaders (and any other key roles where there is a rotation requirement) and develop related transition plans to enable the allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.

Zero tolerance of bribery and corruption

Compliance with laws, regulations and standards is a key aspect for everyone at our firm. We have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery - even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third parties, including by our clients, suppliers or public officials. KPMG International requires KPMG firms to have appropriate internal controls in place to mitigate the risk of involvement in bribery by the firm and its partners and employees.

All KPMG firm partners and employees are required to take training covering compliance with laws, regulations and professional standards relating to anti-bribery and corruption, including the reporting of suspected or actual non-compliance.

Further information on KPMG International anti-bribery and corruption policies can be found on the [anti-bribery and corruption site](#).





Performing quality engagements

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

Consulting where necessary

KPMG encourages a strong culture of consultation that supports engagement teams at KPMG firms throughout their decision-making processes and is a fundamental contributor to audit quality. We promote a culture in which consultation is recognized as a strength and that encourages all KPMG professionals to consult on difficult or contentious matters.

To assist audit engagement professionals in addressing difficult or contentious matters, protocols have been established for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, the KPMG GQRMM includes mandatory consultation requirements where certain matters are identified, such as concerns over client integrity.

We provide consultation support on auditing and technical accounting matters to our audit professionals through professional practice resources (referred to as DPP). This resource also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are required to follow a prescribed escalation protocol for final resolution.

The International Standards Group (ISG) is available for consultation when required. Technical auditing and accounting support is available to all member firms and their professionals through the KGSG (formally referred to as the Global Service Centre (GSC)) and the ISG as well as the US Capital Markets Group for SEC foreign registrants.

Critically assessing audit evidence, using professional judgement and skepticism

On all KPMG 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 skepticism throughout the audit engagements. Professional skepticism involves

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

Direct, coach, supervise and review

Embedding ongoing mentoring, supervision and review

To invest in the building of skills and capabilities of KPMG professionals, we promote a continuous learning environment and supports a coaching culture.

Ongoing mentoring, coaching and supervision during an audit involves:

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

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

Engagement quality control (EQC) reviewers

The EQC review is an important part of KPMG's framework for quality. An EQC reviewer is required to be appointed for audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the RMP or HOAA.



An EQC review provides reasonable assurance that the team has appropriately identified significant risks, including fraud risks, and has designed and executed audit procedures to address them.

EQC reviewers are required to meet training and experience criteria to perform a quality control review for a particular engagement. Reviewers are independent of the engagement team and audit client and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved, though the engagement partner is ultimately responsible for the resolution of accounting and auditing matters.

We continually seek to strengthen and improve the role that the EQC review plays in member firm audits and have taken a number of actions to reinforce this, including issuing best practice guidance, incorporating specific review requirements into our audit workflow, and developing policies relating to recognition, nomination and development of EQC reviewers.

Appropriately support and document conclusions

Reporting

The Indonesian Standards on Auditing and applicable rules and regulations of the Financial Services Authority (for listed entities and all other public interest entities) largely dictate the format and content of the auditors' report that includes an opinion on the fair presentation of the client's financial statements in all material respects. Experienced engagement partners form all audit opinions based on the audit performed.

In preparing auditors' reports, engagement partners have access to extensive reporting guidance and technical support through consultations with our DPP, especially where there are significant matters to be reported to users of the auditors' report (e.g. a modification to the opinion or through the inclusion of an 'emphasis of matter' or 'other matter' paragraph).

Engagement documentation

Our audit documentation is completed and assembled according to the timeline established by the firm policy and auditing standards, and we have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and firm information. KPMG International recently adopted policies to apply to all KPMG firms to reduce the time period allowed to assemble audit documentation, which is significantly less than required by the applicable auditing standards.



Assessing risks to quality

Through the Global Audit Quality Council and the Global Quality & Risk Management Steering Group (GQRMSG), 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.

Global remediation are aimed at actions around culture and behavior across the global organization and at driving consistent engagement team performance within KPMG firms.





Communicating effectively

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

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

At our firm we stress the importance of keeping those charged with governance informed of issues arising throughout the audit through guidance and supporting resources. We achieve this through a combination of 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 audit committees is key in supporting quality auditing by overseeing the relationship between company and auditor and challenging what auditors do and how they do it.

Board Governance Forum

In recognition of the increasing demand and importance of roles that the members of board of commissioners and directors (the board) play in the capital markets and of the challenges that they face in meeting their responsibilities, KPMG in Indonesia has established the Board Governance Forum (BGF), a dedicated forum focused on challenges, insights and emerging hot topics that are believed to be of important relevance. Examples include the directors' toolkit, the role of the board in strategy, risk oversight and board committee effectiveness. This forum also aims to help the respective members enhance their awareness, commitment and ability to implement effective governance processes. Our forum is held on a periodic basis and encourages participants to share ideas on matters of interest to them and gives the opportunity to network with peers. We also regularly share on our [BGF website](#) thought leadership on trends and pertinent topics surrounding key challenges faced by board members in implementing adequate and effective mechanisms to discharge their responsibilities.

Conduct and follow-up on the Global People Survey (GPS)

Only with engaged, talented people can KPMG deliver audits in line with our audit quality expectations. Annually our personnel are invited to participate in KPMG's Global People Survey (GPS) to share their perception about their experience of working for KPMG. The GPS provides a measure of our people's engagement and insights into areas

driving engagement. Results can be analyzed by several factors, for example functional or geographic area, grade and gender to provide additional focus for action. Through the GPS, we gain additional insight on how we are faring on categories known to impact employee engagement. We also cover areas of focus which are directly relevant to audit quality; the survey includes specific audit quality related questions that all individuals who participated in an audit in the previous 12 months are asked to respond to, giving us a particular data set for audit quality related matters.

The survey also provides our leadership and KPMG International leadership with results related to quality and risk behaviors, audit quality, upholding the KPMG Values, employee and partner attitudes to quality, leadership and tone at the top.

We participate in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. The results of the GPS are also aggregated for the entire global organization and are presented to the Global Board each year and appropriate follow-up actions agreed.

Audit specific analysis of GPS results is also undertaken, with a particular focus on audit quality. Results and key themes are presented to the Global Audit Steering Group on an annual basis for consideration of appropriate remedial action, if needed.

GPS 2021 response received from KPMG in Indonesia



Most improved areas:

- I have access to the tools and resources (e.g., hardware, applications, portals, content and insights) I need to do my job effectively.
- I have seen KPMG making the change necessary to achieve our Collective Ambitions on Trust and Growth.
- There is open and honest two-way communication at KPMG.
- I trust the leadership of the Firm. KPMG does an excellent job of keeping us informed about matters affecting us.



Monitoring and remediation

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

Rigorously monitor and measure quality at the local and global level

Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG firm audits. The quality monitoring and compliance programs are globally consistent in their approach across all member firms, including the nature and extent of testing and reporting. We compare the results of our internal monitoring programs with the results of those of any external inspection programs and take appropriate action.

Internal monitoring and compliance programs

Our monitoring programs are created by KPMG International and applied across KPMG firms. The programs evaluate both:

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

Our internal monitoring programs also contribute to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively. These include Quality Performance Reviews (QPR) and Risk Compliance Programs (RCP), which are conducted annually across the Audit, Tax and Advisory functions.

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

Audit Quality Performance Reviews (QPRs)

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

Risk-based approach

Each engagement partner is reviewed at least once in a three-year cycle. A risk-based approach is used to select engagements.

We conduct the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at the firm level and are monitored regionally and globally. Firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the firm.

Reviewer selection, preparation and process

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

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

Evaluations from Audit QPR

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

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

Reporting

Findings from the QPR program are disseminated to firm 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.

LAEPs are notified of unsatisfactory ratings on their respective cross-border engagements. Additionally, LAEPs of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR.



QPR Programs	FY2021	FY2020
Number of engagements reviewed	14	12
Percentage of audit partners reviewed	45%	41%
Percentage of reviewers who were from outside KPMG in Indonesia	100%	100%

Risk Compliance Program (RCP)

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

The objectives of the RCP are to:

- document, assess and monitor the extent of compliance of KPMG in Indonesia system of quality control with GQRM policies and key legal and regulatory requirements; and
- provide the basis for KPMG in Indonesia to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

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

Global Quality & Compliance Review (GQ&CR) program

Each KPMG firm is subject to a GQ&CR conducted by KPMG International's GQ&CR team, independent of the member firm, at various intervals based on identified risk criteria.

The GQ&CR team performing the review is independent of the firm and is objective and knowledgeable of GQRM policies. GQ&CRs assess compliance with selected KPMG International policies and procedures and share best practices among member firms. The GQ&CR provides an independent assessment of:

- a firm's commitment to quality and risk management (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment;

- a firm's compliance with KPMG International policies and procedures; and
- the robustness with which the member firm performs its own compliance program (RCP).

We develop action plans to respond to all GQ&CR findings that indicate improvement is required and agree these with the GQ&CR team. Our progress on action plans is monitored by the GQ&CR central team. Results are reported to the GQRM Steering Group and where necessary, to appropriate KPMG International and regional leadership.

Area Quality & Risk Management Leaders

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

Obtain, evaluate and act on stakeholder feedback

Regulators

In Indonesia, the Ministry of Finance through *Pusat Pembinaan Profesi Keuangan* (PPPK) has been carrying out independent inspections for a number of years. Our firm and our partners are subject to an annual inspection by PPPK. The latest inspection report issued in September 2021.

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR), principally through its Global Audit Quality Working Group (GAQ WG), to discuss thematic audit quality issues along with targeted strategies for improvement. We value the open, honest and transparent dialogue that IFIAR facilitates on global audit quality issues.

Every KPMG firm is expected to maintain professional and respectful relationships with regulators, including proactively engaging, responding to questions in a timely manner and taking appropriate remedial actions.



Client feedback

We operate a formal program where we actively solicit feedback from management and those charged with governance on the quality of specific services that we have provided to them. The feedback that we receive from this program is considered centrally and by the individual client services teams. We have in place a post interview process to review and follow up any actions arising from client feedback to ensure that it is dealt with on a timely basis.

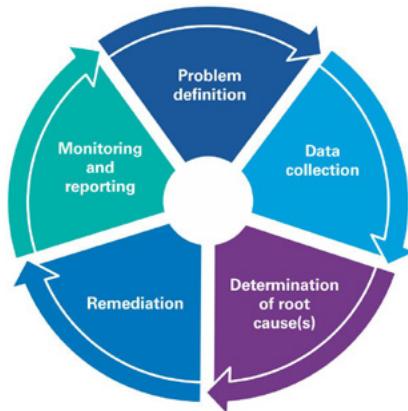
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Client satisfactory survey done through interview with the audit clients

Perform root cause analysis

We conduct Root Cause Analysis (RCA) in respect of audit quality issues and prevent them from recurring, and to help identify good practices as part of our continuous improvement.

The Global RCA 5 Step Principles are as follows:

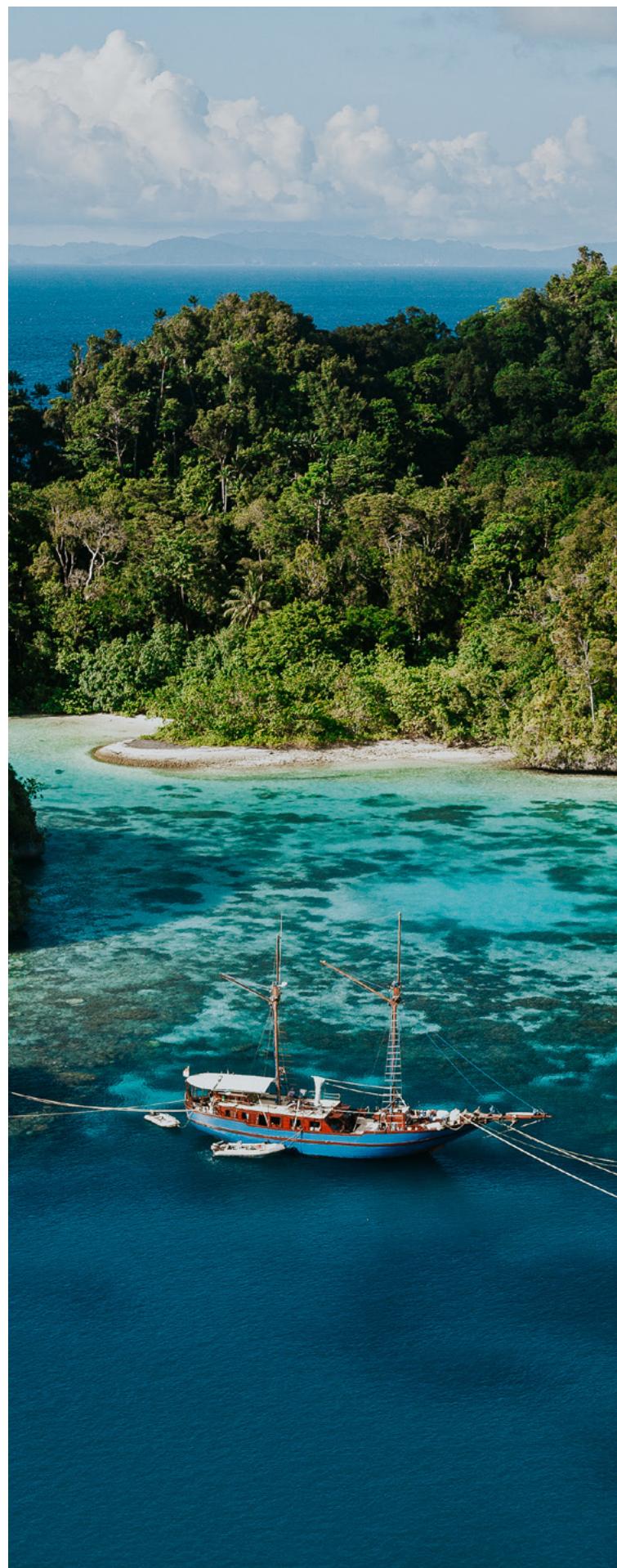


In 2021, our RCA team had attended Global RCA training. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA.

From the RCA projects we performed, we have increased visibility of the underlying factors at engagement level that hinder the consistent delivery of high quality audits. This improved visibility allows us to develop more insightful and focused actions. These actions are broader than training, tools and guidance and are designed to address behavioural and structural matters in addition to areas such as technical knowledge and work allocation. Our remedial actions include conducting in-depth coaching to the engagement teams and independent review over selected on-going engagements (called as Second Line of Defence program).

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

Our HOAA is responsible for audit quality including the remediation of audit quality issues. The firm's RMP monitors the remediation plans implementation.





Appendices

A1. Network arrangements

Legal structure

On 1 October 2020, KPMG in Indonesia and all other KPMG firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee.

Since 1 October 2020, KPMG International Limited has been the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

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.

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes being professionally and financially stable; having an ownership, governance and management structure that ensures continuity and 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 multi-national clients, manage risk, and deploy global methodologies and tools.

KPMG International Limited 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 member firm has any authority to obligate

or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International Limited or any of its related entities have any such authority to obligate or bind any member firm.

Further detail on the revised legal and governance arrangements for the KPMG global organization from 1 October 2020 can be found in section 'Governance and leadership' of the [2021 KPMG International Transparency Report](#).

Responsibilities and Obligations of Member Firms

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

Member firms commit to a common set of KPMG Values.

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

Professional Indemnity Insurance

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

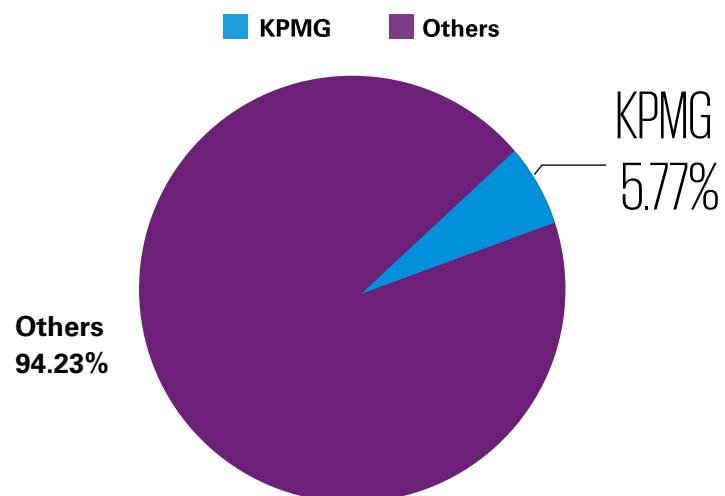
Governance Structure

The key governance and management bodies of KPMG International are the Global Council, the Global Board, and the Global Management Team. Further details on KPMG International's governance structure can be found in [2021 KPMG International Transparency Report](#).

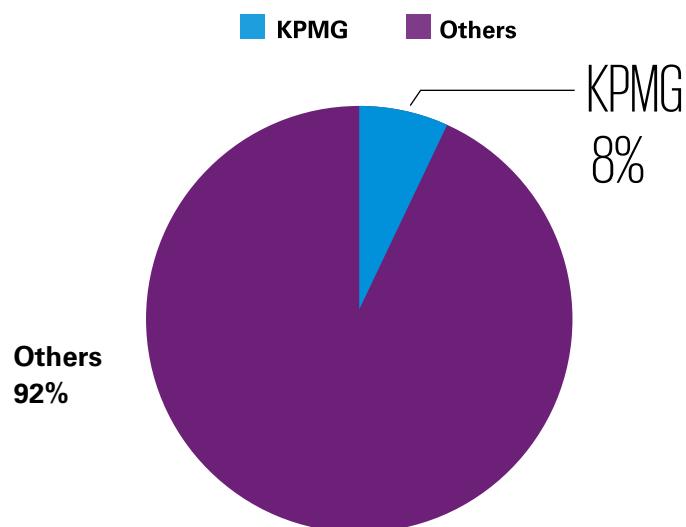


A2. Our listed clients

List of LQ 45 Companies (as of July 2021)



Number of Top 25 Listed Companies by Market Capitalization (as of 30 September 2021)



Contact us

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