



2019 Transparency Report

KPMG Professional Services

January 2020

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Message from the Senior Partner

Welcome to the KPMG Professional Services 2019 Transparency Report covering 1 October 2018 – 30 September 2019.

In this report, we will share with you how we deliver on our fundamental promise of audit quality to the public, investors, audit committees and the stakeholders we serve. This report is all about quality: how we drive quality, the initiatives we are pursuing to continuously improve it and our systems of quality control.

We are deeply committed to audit quality and understand that consistently providing exceptional quality across all our audit engagements is fundamental to our continued success. We must get audit quality right each and every time in order to build public trust.

Continually delivering audit quality begins with a quality-centric culture. Responsibility for quality starts at the top and means driving and reinforcing accountability through the complete chain of command in all our audit teams and practices so that every action helps us meet our rigorous quality objectives.

To demonstrate our commitment to continually advancing audit quality, at KPMG Professional Services, we constituted the Audit Quality Monitoring Team to monitor and support audit teams in driving improvements to audit quality. In addition, we are deploying an updated audit methodology and a new audit

workflow system, hosted in KPMG Clara, our 'smart' audit platform to ensure that our audit professionals have the support and solutions they need. The platform brings our powerful data and analytic capabilities into one interface — with the ability to integrate new technologies such as artificial intelligence and machine learning.

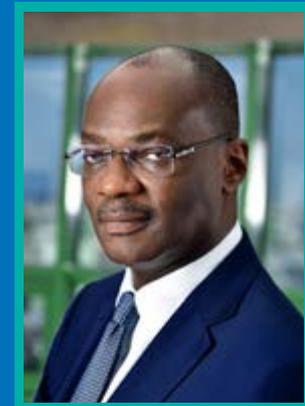
Audit is the foundation of the KPMG brand and has been the backbone of our business for over 100 years. That is why audit quality is absolutely paramount to us, our strategy begins with a relentless focus on quality and further guides us to continuously improve quality and consistency. We can only be satisfied with the best – it's our duty to the public and the stakeholders.

For us, integrity and independence are non-negotiable: our actions are guided by our values, vision and purpose. We take decisive action when individual behavior or events occur that do not align with our values or that run counter to achieving rigorous, independent audits.

We aim to live up to the high standards we set for ourselves while continually building upon our sound audit quality foundations, in terms of how we manage both our firm and our audit engagements.

At KPMG, our vision to lead the way in audit quality is clear, and is our overriding priority

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Kunle Elebute
Senior Partner

January 2020

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



Who we are

Our business

KPMG Professional Services (“the firm” or “our firm”) is a professional services firm that delivers Audit, Tax and Advisory services. We operate out of two (2) locations across Nigeria and had an average of 36 partners and 1048 employees in the year to 30 September 2019 (2018: 35 partners and 1045 employees).

Our audit services in Nigeria are delivered through KPMG Professional Services. Full details of the services offered by KPMG can be found on our [website](#).

Our strategy

Our strategy is set by the Partners of the firm 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 our entire global network.

The Partners of KPMG Professional Services have determined that a commitment to quality is a key imperative in all what we do.





Our structure and governance



Legal structure and ownership

KPMG Professional Services is affiliated with KPMG International Cooperative (“KPMG International”). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. It is the entity with which all the member firms of the KPMG network are affiliated. Further details about KPMG International and its business activities, including our relationship with it, are available in the ‘Governance and leadership’ section of the [KPMG International Transparency Report](#).

KPMG Professional Services is part of a global network of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. The KPMG organization structure is designed to support consistency of service quality and adherence to agreed values wherever its member firms operate.

KPMG Professional Services is a registered Partnership under Nigerian Laws. It is wholly owned by its Partners who have equal capital contributions.

During the year to 30 September 2019, there were 36 partners in the firm (2018: 35 partners).

A list of the entities which form KPMG in Nigeria, together with details of their legal structure, regulatory status, the nature of their business and area of operation is set out in [Appendix i](#).

Name, ownership and legal relationships

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

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

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

Responsibilities and obligations of member firms

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

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

Member firms commit to a common set of KPMG values ([see Appendix iv](#)). KPMG International’s activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the member firms. A firm’s status as a KPMG member firm and its participation in the KPMG network may be terminated if, among other things, it has not complied with the policies, procedures and regulations



set by KPMG International or any of its other obligations owed to KPMG International.

Governance structure

Our firm applies high standards of corporate governance. The key governance and management bodies of KPMG Professional Services are the General Assembly of Partners, the Policy Board and the Executive Committee ("EXCO").

Details of these are provided below:

The Partners (The General Assembly)

KPMG Professional Services had a total of 36 partners, including the Senior Partner.

The composition and the constitution of the Partnership is as determined by the Partnership Agreement.

Policy Board

The Policy Board was inaugurated to achieve efficiency in the firm's governance by overseeing the implementation of the firm's strategy by the Executive Committee, exercising oversight of processes and policies relating to the risks of the firm's business including the formulation of additional processes and policies.

The Policy Board helps to fast-track decision-making and also assists the General Assembly in providing oversight on significant policy matters for the firm while the Executive Committee focuses on the business. The Policy Board comprises the Senior Partner who serves as the Chairman, the Chief Operating Partner (COO) and five (5) other Partners elected by the General Assembly.

The Executive Committee

The Executive Committee is responsible for management of the day-to-day activities of the firm and developing the business plan within the overall strategy set by the Partners, together with its subsequent implementation.

It deals with operational matters affecting the firm, including monitoring operating and financial performance, budgets, new business proposals, marketing, technology development, recruitment, retention and general remuneration, prioritization and allocation of resources and investment and managing the risk profile of the firm.

As at 30 September 2019, in addition to the Senior Partner who serves as the Chairman, the Executive Committee members included the Risk Management Partner (RMP)/ Chief Operating Officer (COO), the Heads of Audit, Tax, and Advisory Practices; the Heads of Markets, Innovation, and People Strategy. The Executive Committee members are all Partners of KPMG.





System of quality control



Overview

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

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

KPMG International has quality control policies that apply to all member firms. These are included in KPMG’s Global Quality & Risk Management Manual (Global Q&RM Manual) which applies to all KPMG partners and employees. KPMG Professional Services is required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls.

KPMG Professional Services is required to implement KPMG International policies and procedures and also adopt additional policies and procedures that are designed to address rules and standards issued by the Financial Reporting Council of Nigeria, the Institute of Chartered Accountants of Nigeria and other relevant regulators as well as applicable legal and regulatory requirements.

Quality control and risk management are the responsibility of all KPMG Professional Services partners and employees. This responsibility includes the need to understand and adhere to firm policies and associated procedures¹ in carrying out their day-to-day activities. The system of quality control applies to all KPMG partners and employees wherever they are based.

While this Transparency Report 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.

Audit quality framework

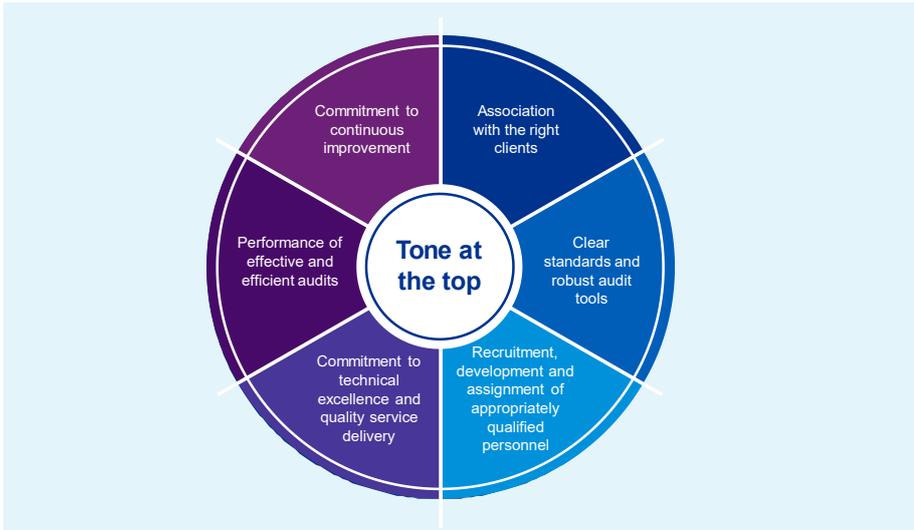
At KPMG Professional Services, audit quality is not just about reaching the right opinion, but how that opinion is reached. It is about the processes, thought and integrity behind the auditors’ report. The outcome of a quality audit is the delivery of an appropriate and independent opinion in compliance with relevant professional standards and applicable legal and regulatory requirements.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG International has developed the Audit Quality Framework.

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

‘Tone at the top’ sits at the core of the Audit Quality Framework’s seven drivers of audit quality and helps ensure that the right behaviors permeate all KPMG firms. All of the other drivers create a virtuous circle because each driver is intended to reinforce the others. Each of the seven drivers is described in more detail in the following sections of this report.

¹All the references to ‘KPMG policies and procedures’ or ‘our policies and procedures’ refer to the KPMG International policies and to the additional KPMG Professional Services policies together.



Tone at the top

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

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

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

The KPMG values can be found [here](#) (Also see [Appendix iv](#)).

KPMG Global Code of Conduct

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

Building on the KPMG values is the [KPMG Global Code of Conduct](#). Member firms, including KPMG Professional Services are required to adopt, as a minimum standard, the Global Code of Conduct.

The KPMG Code of Conduct emphasizes that each partner and employee is personally responsible for following the legal, professional, and ethical standards that apply to his or her job function and level of responsibility. The Code of Conduct sets out our commitments and includes provisions that require KPMG partners and employees, in summary to:

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

All KPMG Professional Services' partners and employees are required to:

- comply with the Code of Conduct and confirm their compliance with

the Code of Conduct upon joining the firm on an annual basis thereafter; and

- complete regular training covering the Code upon joining the firm and on a biennial basis thereafter.

Individuals are encouraged to speak up when they see something that makes them uncomfortable or that is inconsistent with the KPMG values.

Moreover, everyone at KPMG is responsible for reporting, and is required to report, any activity that could potentially be illegal or in violation of the KPMG values, KPMG policies, applicable laws, regulations or professional standards.

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

KPMG Professional Services also operates a whistle-blowing process with different reporting channels, that are available for our personnel, clients, and other parties to confidentially report concerns they have relating to how our Partners or personnel are behaving (both internally and externally). The whistleblowing channels i.e. the hotmail, hotboxes/suggestion boxes, hotline and hotlink, allow people to report their concerns. The local whistleblowing homepage can be accessed [here](#).

Matters reported via the whistleblowing channels are investigated under the supervision of an ombudsman and are reported ultimately to the firm's Risk Management Partner. This report covers matters reported via the hotline, how the investigations were conducted, findings from the investigations, and the implications for our policies and procedures.

In addition, the [KPMG International hotline](#) is a mechanism for all KPMG partners, employees, clients and other third parties to confidentially report concerns they have relating to certain areas of activities by KPMG International itself, activities of KPMG member firms, the senior leadership or employees of a KPMG member firm.



At KPMG Professional Services, we regularly monitor the extent to which our people feel that the firm lives the KPMG values through the Global People Survey.

Leadership responsibilities for quality and risk management

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

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

The following individuals have leadership responsibilities for quality and risk management at KPMG Professional Services.

Senior Partner

In accordance with the principles in ISQC 1, our Senior Partner, Kunle Elebute has assumed ultimate

responsibility for KPMG Professional Services’ system of quality control. Details of some of the measures taken to ensure that a culture of quality prevails within KPMG Professional Services are set out in this section.

Risk Management Partner

Operational responsibility for the system of quality control, risk management and compliance in KPMG Professional Services has been delegated to the Risk Management Partner (RMP) who is responsible for setting overall professional risk management and quality control policies and monitoring compliance for KPMG Professional Services. The RMP has a seat on the Executive Committee and has a direct reporting line to the Senior Partner. The RMP also consults with the appointed Area Quality and Risk Management Leader as required.

The fact that the role of the Risk Management Partner is part of Executive Committee of the firm, and seniority of the reporting lines, underlines the importance that the firm places on risk and quality issues. The RMP is supported by a Partner and a team of dedicated professionals in the Quality and Risk Management unit, and other Partners and professionals in each of the functions.

The RMP is also responsible for the

direction and execution of ethics and independence policies and procedures in KPMG Professional Services.

The Audit, Tax and Advisory functions – Function Heads

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

The firm’s Head of Audit is responsible for leading a sustainable high-quality Audit practice that is attractive to KPMG partners and employees. This includes:

- setting the right ‘tone at the top’ by demonstrating an unwavering commitment to the highest standards of professional excellence, including scepticism, objectivity, and independence
- developing and implementing strategies to monitor and maintain knowledge and skills required of partners and employees to fulfil their professional responsibilities





- working with the RMP to monitor and address audit quality and risk matters as they relate to the Audit practice, including an annual evaluation of activities considered to be key to audit quality

Audit Quality Committee

An Audit Quality Committee, a committee that reports to the Policy Board, ensures risk and quality matters are a priority for audit leadership.

Specifically its responsibilities include:

- Reviewing the proposed significant audit initiatives ensuring the objectives and outcomes align with maintaining or enhancing audit quality.
- Recommending the strategic prioritisation, resourcing and time tabling of audit initiatives as they impact audit quality across all offices.
- Confirming the robustness of our monitoring activities as consistent with our audit quality priorities.

Investing in continuous improvement

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

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

This means significant ongoing investment in our system of quality management, global monitoring of audit quality, our professionals and enhanced support, technology and tools for engagement teams.

Our global audit quality program ensures consistent deployment of investments to enhance and support a common approach.



Association with the right clients

Acceptance and continuance of clients and engagements

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

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

KPMG firms must 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.

Client and engagement acceptance process

Client evaluation

KPMG Professional Services undertakes an evaluation of every prospective client.

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

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



Engagement evaluation

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, public perception, as well as factors specific to the type of engagement. For audit services, this includes the competence of the client's financial management team and the skills and experience of partners and employees assigned to staff the engagement. The evaluation is made in consultation with other senior personnel in the firm 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 other relevant business 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 or engagement, additional safeguards may be introduced to help mitigate

the identified risks. Any potential independence or conflict of interest issue is 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

The firm undertakes an annual re-evaluation of all its audit clients. The re-evaluation identifies any issue in relation to continuing association and any mitigating procedure that needs 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 in their risk profile, and as part of the continuous independence evaluation process, engagement teams are required to identify if there has been any change 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 obtain information that indicates that we should withdraw from an engagement or from a client relationship, we consult internally and identify any required legal, professional and regulatory responsibilities. We also communicate as necessary with those charged with governance and any other appropriate authority.

Client portfolio management

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

Each partner's client portfolio is reviewed at least once annually in individual discussions with the partner. 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 to deliver a quality service for every client.

Clear standards and robust audit tools

All the firm's professionals are expected to adhere to the firm and KPMG International policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The firm's 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 including the Companies and Allied Matters Act (CAMA), the Financial Reporting Council of Nigeria Act (FRC Act) and the Bank and Other Financial Institutions Act (BOFIA).

Our approach to audit

KPMG has been investing significantly in evolving the network's audit capabilities and will continue to do so in the coming years including a new global electronic audit workflow delivered through KPMG Clara platform – KPMG's smart, modular audit platform – capable

of continually integrating new and emerging technologies, with advanced capabilities embedded that leverage data, automation, and visualization. Data & Analytics (D&A) is integral to the way KPMG member firms obtain audit evidence and interact with clients in the digital era.

KPMG's high-quality audit process will continue to include:

- **timely partner and manager involvement** throughout the engagement
- **access to the right knowledge** including involvement of specialists, training and experience requirements and relevant industry expertise
- **critical assessment of all audit evidence obtained during the audit**, exercising appropriate professional judgment
- **ongoing mentoring, supervision and review** of the engagement team managing and documenting the audit
- managing and documenting the audit.

Consistent audit methodology and tools

The KPMG audit methodology developed by the KPMG Global Solutions Group (KGSG) is based on the requirements of the International Standards on Auditing (ISAs) as well as the auditing standards of PCAOB and AICPA. The KPMG audit methodology is set out in KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, which KPMG International believes enhance the quality of the audit. The methodology 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 be in compliance with standards, emerging auditing areas of focus and audit quality results (internal and external). Key topics include risk identification, assessment and response, accounting estimates, group audits and audit sampling.

KPMG member firms may add local requirements and/or guidance in KAM

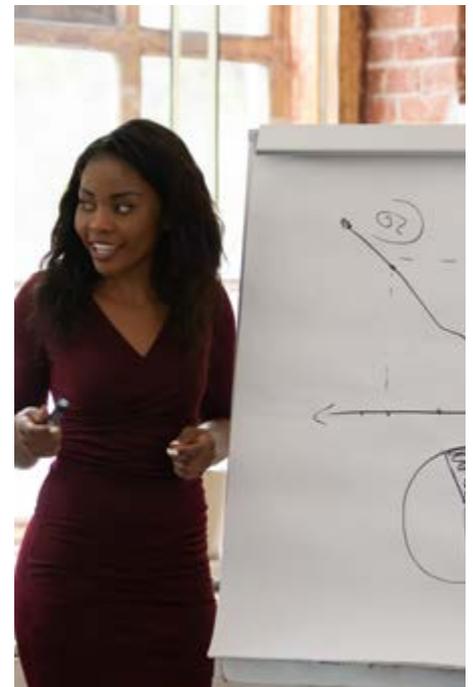
to comply with additional professional, legal, or regulatory requirements.

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

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

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

Significant investments are underway to revise and enhance the KPMG audit methodology (KAM) and workflow tool (eAudit), with the deployment of KPMG Clara workflow which was piloted in 2018, planned for initial deployment globally in 2019, and full deployment beginning in 2020.



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

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

KPMG Clara

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

KPMG Clara workflow

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

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

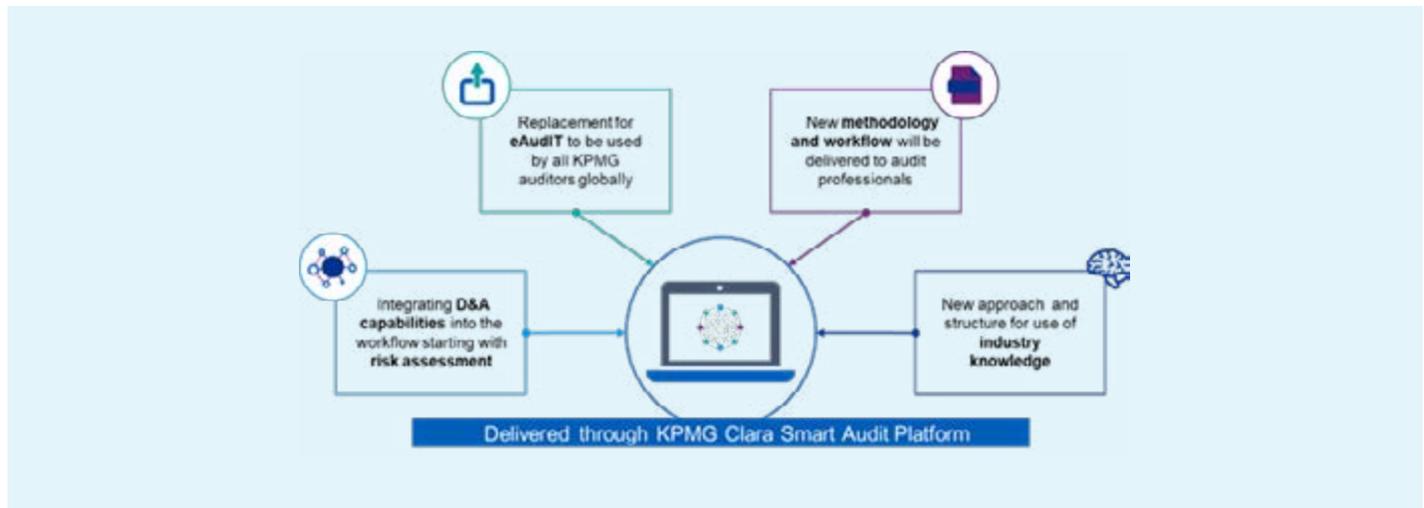
KPMG Clara workflow incorporates monitoring capabilities (e.g. data mining) at the engagement level for use by member firms. The KPMG Clara workflow was piloted in 2018, with initial deployment globally in 2019 and full deployment beginning in 2020. The predecessor audit workflow tool, eAudit, is expected to be decommissioned in the 2021 fiscal year.

Audit data & analytics (D&A)

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

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

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



Independence, integrity, ethics and objectivity

Overview

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

KPMG International has detailed independence policies and procedures, incorporating the requirements of the IESBA Code of Ethics. These are set out in KPMG's Global Quality & Risk Management Manual, which applies to

all KPMG member firms. Automated tools, which must 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 processes to ensure compliance with the standards issued by Financial Reporting Council of Nigeria and those of the Institute of Chartered Accountants of Nigeria. These policies and processes cover areas such as firm independence (covering, for example,

treasury and procurement functions), personal independence, firm financial relationships, post-employment relationships, partner rotation and approval of audit and non-audit services.

The 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 member firms, and that tools are available to help the firms and their personnel to comply



with these requirements.

In KPMG Professional Services, the Risk Management Partner also acts as the Ethics and Independence Partner (EIP). He has the primary responsibility for the direction and execution of ethics and independence policies and procedures in the firm. The EIP is responsible for communicating and implementing KPMG global policies and procedures and ensuring that local policies and procedures are established and effectively implemented when they are more stringent than the global requirements. The EIP fulfills 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;
- monitoring compliance with policies;
- 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 in the course of the year are included in regular quality and risk communications with member firms. Member firms are required to implement changes as specified in the communications, and this is checked through the internal monitoring programs.

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

In the event of failure to comply with our independence policies, professionals are subject to an independence disciplinary policy. Matters arising are factored into promotion and compensation decisions and performance decisions.

The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the gravity of any violations.

Personal financial independence

KPMG International policies require that KPMG member firms and KPMG professionals are free from prohibited financial interests in, and prohibited financial relationships with KPMG member 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 member firm and function — are generally prohibited from owning securities of any audit client of any member firm.

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

In common with other KPMG member firms, we use a web-based independence compliance system (KICS) to assist our professionals in complying with personal independence investment policies. This system contains an inventory of publicly available investments and provides a tracking mechanism for required users

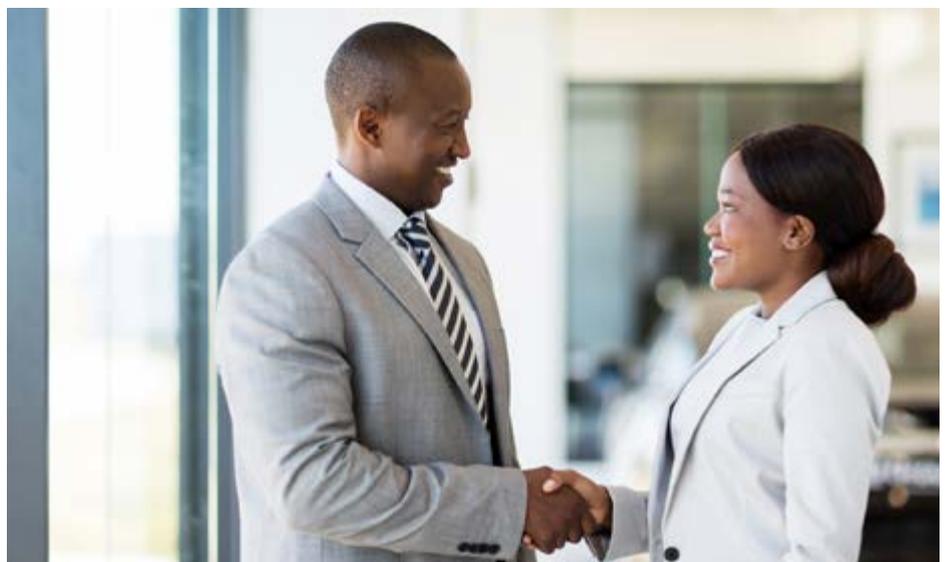
to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e. late reporting of an investment acquisition).

All Partners and all manager grade and above are required to use KICS 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. The disposal of newly restricted investments must commence within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of a sample of professionals. The Global Independence Group provides guidance and suggested procedures relating to the audit and inspection by KPMG member firms of personal compliance with KPMG's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

In 2019, over 25 of our firm's personnel were subject to these audits.

Employment relationships

Any professional providing services to an audit client irrespective of function is required to notify our RMP if they





intend to enter into employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG member firm that is a public interest entity.

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

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

We communicate and monitor requirements in relation to employment of the firm's professionals by audit clients.

Firm financial independence

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

In common with other KPMG member firms, KPMG Professional Services also uses KICS to record its own direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed entities or funds. These include investments held in 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, our firm obtains confirmation of compliance with independence requirements as part of the Risk Compliance Program.

Business relationships/suppliers

KPMG Professional Services has policies and procedures in place that are designed to ensure its business relationships with audit clients are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements.

This includes establishing and maintaining a process to evaluate potential third-party arrangements (for example business alliances and joint working arrangements, procurement relationships and marketing and public affairs activities) with particular regard to whether they have a bearing on auditor independence.

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

Third parties providing services to audit or assurance clients are required to complete the firm's independence training.

Business acquisitions, admissions and investments

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

Independence clearance process

KPMG Professional Services follows 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,' must be completed prior to accepting an audit engagement for these entities.

A 'KPMG Independence Checkpoint' tool was introduced in October 2015 to automate and standardize all the workflows that comprise the independence clearance process. This is in anticipation of the increasing number of audit tenders member firms will be participating in and the number of independence clearances that need to be completed as a result of mandatory firm rotation of statutory audits in certain parts of the world.

Independence training and confirmations

All KPMG Professional Services' partners and professionals, as well as certain other individuals, must complete independence training that is appropriate to their grade and function upon joining the firm and on an annual basis thereafter.

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

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

- the Global Code of Conduct and ethical behavior, including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards; and
- reporting suspected or actual non-compliance with laws, regulations, professional standards, and KPMG's policies.

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

Thereafter, all KPMG partners and employees are required to sign an annual confirmation stating that they



have remained in compliance with applicable ethics and independence policies throughout the year.

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.

We are required to establish and maintain a process to review and approve all new and modified services that are developed by the firm. The firm's RMP is involved in the review of potential independence issues.

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

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 member firm expressing the audit opinion.

These policies require KPMG member firms to consult with their Area Q&RM 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 the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of

the total fees received by a particular member firm for two consecutive years, these policies further require that:

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

No audit client accounted for more than 3 percent of the total fees received by our firm over the last two years.

Resolving conflicts of interest

Conflicts of interest can arise in situations where KPMG Professional Services 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 Risk Management Partner (RMP) is required in these situations.

KPMG International policies are also in place to prohibit KPMG partners and staff from accepting gifts and hospitality from audit clients, unless the value is trivial and inconsequential, is not prohibited by relevant law or regulation and is not deemed to be have been offered with the intent to improperly influence the behavior of the audit team member or the member firm. KPMG partners and staff are also precluded from offering inducements, including gifts and entertainment, which are made or perceived to be made with the intent to improperly influence the 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 member 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 member firm and/ or its partners or employees in their ability to be objective or otherwise act without bias.

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

KPMG Professional Services has risk management resources ('Resolvers') who are responsible for reviewing any identified potential conflict and working with the affected engagement teams to resolve the conflict, the outcome of which must 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.

Any potential conflict matter that raises important points of principle for our firm are referred to our RMP for resolution; in cases of difficulty a panel of partners may be convened to resolve the matter.

Independence breaches

All KPMG Professional Services personnel are required to report an independence breach as soon as they become aware of it to the RMP. 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 rules must 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.





Our firm has 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 and managers, are reflected in their individual quality and risk metrics.

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

Compliance with laws, regulation and standards is a key aspect for everyone at KPMG Professional Services. In particular, we have zero tolerance of bribery and corruption.

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

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

Partner and firm rotation

Partner rotation

KPMG International partner rotation policies are consistent with or exceed the requirements of the IESBA Code of Ethics and require all member firms to comply 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

Firm rotation

KPMG Professional Services is required to comply with the following mandatory sectoral regulators in Nigeria:

| Regulator | Type of Audit Client | Maximum Tenure | Cooling – off Period |
|---|--|----------------|----------------------|
| Securities and Exchange Commission of Nigeria (SEC) | Listed and unlisted Public companies in Nigeria | Ten (10) years | Seven (7) years |
| Central Bank of Nigeria (CBN) | Banks and Other Financial Institutions | Ten (10) years | Ten (10) years |
| National Insurance Commission (NAICOM) | Insurance Companies | Five (5) years | Not applicable |
| Financial Reporting Council of Nigeria | Public Interest Entities as defined by the FRC Act | Ten (10) years | Seven (7) years |

KPMG Professional Services has processes in place to track and manage audit firm rotation.





Recruitment, development and assignment of appropriately qualified people

One of the key drivers of quality is ensuring that all KPMG professionals have the appropriate skills and experience, passion and purpose, to deliver the highest quality in audit. This requires the right recruitment, development, reward, promotion, retention and assignment of professionals.

All KPMG personnel, across all functions, are invited to participate in KPMG’s global independent survey to share their perception about their experience of working for KPMG. The survey provides us with an overall measure of our people’s engagement, as well as insights into the areas in which we could drive further engagement. The results are analyzed across various teams and demographic groups. We gain additional insight on how we are faring on categories known to impact employee engagement.

Importantly, results are reviewed against benchmarks and trends, allowing the tracking of progress and performance with respect to other organizations.

All firms are required to participate in the survey and to take appropriate actions to communicate and respond to the findings of the survey. This includes monitoring survey results including those related to quality and risk behavior, audit quality, and upholding the KPMG values. The GPS results are tracked and appropriate

follow-up actions agreed upon. Results and associated action plans are also reviewed as part of the Global Compliance Review Program (for more details on this program, see the ‘Internal monitoring and compliance programs’ section).

Recruitment

KPMG Professional Services is committed to building an extraordinary people experience for all KPMG partners and employees 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, but also working with secondary schools, helping to build relationships with a younger, diverse talent pool at an early age. The firm also recruits significant numbers at an experienced hire and partner level.

All candidates submit an application and are employed following a variety of merit driven 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 characteristics to perform competently, are suitable and best placed for their roles.

Our firm recruited over 231 new graduates in the year ended 30 September 2019 (2018: approximately 240).

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

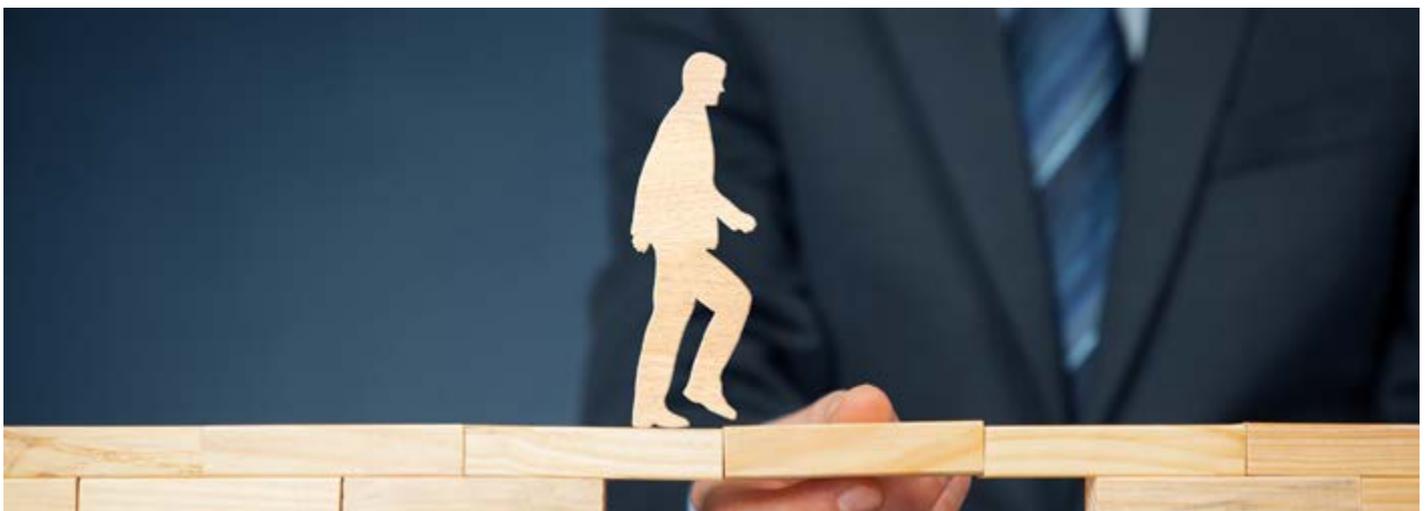
Performance development

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

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

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

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





Our firm monitors quality and compliance incidents and maintains quality and compliance metrics in assessing the overall evaluation, promotion and remuneration of partners, directors and managers. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

Talent and development is at the very top of our people agenda and there is a significant investment of time, money and other resources to build professional capability, leadership and business skills and technical expertise. The firm provides blended learning solutions via coaching, mentoring and senior level training programs across the partnership. Partners are encouraged to make use of these development opportunities, and also to actively identify and manage talent and to act as role models for the development of other Partners and staff.

All KPMG personnel are encouraged to think about their careers and personal development needs via regular performance conversations with ongoing feedback and support. To support career and professional development, there is a range of core skills programs covering skills and behaviors that provide performance improvement and ensure that individuals reach their full potential.

KPMG uses a model for learning and development which focuses learning on critical and stretching experiences, learning through others and informal learning with more formal learning

for the development of key technical, leadership and business skills.

Development centres and feedback tools enable the firm to identify high performers who also have the potential to take on more senior or more complex roles. We also have long-term development programs to support the journey to manager for more junior grades, and for those in the promotion pipeline for identified director and Partner roles.

In recognition that some KPMG professionals are unable to always attend training courses in person, to complement the mix between education, collaboration and experience, and to provide training accessible at the right time in a flexible and interactive approach, we also provide training via online learning and virtual classrooms.

In relation to Audit, we provide specific opportunities from graduate upwards for professionals to develop and maintain the skills, behaviors and personal qualities that form the foundation of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership and business skills. We further develop our personnel for high performance through coaching and mentoring on the job, country rotational and global mobility opportunities and client secondments.

Inclusion and Diversity programs

Our firm works hard to foster an inclusive culture. Being inclusive enables us to bring together successful

teams with the broadest range of skills, experiences and perspectives.

Our leadership and management teams also need to reflect the diversity within our firm and the diversity of our clients.

We believe that the established KPMG Global Inclusion and Diversity strategy provides the framework to drive the actions that are necessary to promote inclusive leadership at KPMG Professional Services and across all KPMG network.

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

Reward and Promotion

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

Reward

We have compensation and promotion policies that are informed by market data, clear, simple, and linked to the performance review process. This helps our partners and employees know what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved through calibration/moderation meetings where relative performance across a peer group is discussed and used to inform reward decisions.

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

Promotion

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 admissions

Our process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. Our criteria for admission





to the firm's partnership are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice. All recommendations for admission to membership of KPMG Professional Services need to be approved by the General Assembly.

Assignment of professionals

KPMG Professional Services has procedures in place to assign both 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 KAM, 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 firm's quality control policies and procedures
- Quality Performance Review (QPR) results and results of regulatory inspections.

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

Insights from our people – Global People Survey (GPS)

Annually, KPMG Professional Services invites all its people to participate in an independent Global People Survey (GPS), to share their perception about their experience working for KPMG.

The GPS provides an overall measure of our people's engagement through an Engagement Index (EI) as well as insights into areas driving engagement which may be strengths or opportunities. Results can be analyzed by functional or geographic area, grade, role, gender to provide additional focus for action. Additional insight is provided on how we are faring on categories known to impact engagement.

The survey also specifically provides KPMG Professional Services leadership and KPMG global 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.

KPMG Professional Services participates 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.

Commitment to technical excellence and quality service delivery

All KPMG 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, either to provide resources to the engagement team or for consultation. Where the right resource is not available within our firm, access is provided to a network of highly skilled KPMG professionals in other KPMG member 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, at a local level. Training is delivered using a blend of classroom, digital learning and performance support to assist auditors on the job.

In relation to audit, KPMG Professional Services:

- deploys a variety of learning solutions that are designed to reinforce the KPMG values and ensure our professionals get the fundamentals right, and develop the necessary skills and attitudes to make judgments, and apply professional skepticism that enhance audit quality and the value of audit
- provide instructor-led and virtual classroom training, performance support tools, coaching guides and just-in-time learning. Guidance is available on judgmental audit topics — this is used by audit teams and this guidance is embedded across audit learning solutions
- have also developed professional judgment tools, designed to reinforce the importance of independence and objectivity, and to assist engagement teams in demonstrating professional skepticism
- provide courses to enhance personal effectiveness and develop leadership and business skills. Our partners and employees are developed further for high performance through coaching and mentoring on the job, stretch assignments and country rotational and global mobility opportunities.

Mentoring and on the job training

Learning is not confined to the classroom — rich learning experiences are available when needed through coaching and just-in-time learning,



available at the click of a mouse and aligned with job specific role profiles and learning paths. All classroom courses are reinforced with appropriate performance support to assist auditors on the job.

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

Licensing

All KPMG professionals are required to comply with applicable professional licence rules and satisfy the Continuing Professional Development (CPD) requirements in the jurisdiction where they practice. KPMG Global and local firm policies and procedures are designed to facilitate compliance with licence requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework –International Financial Reporting Standards (IFRS) and U.S.GAAP engagements.

Mandatory requirements – IFRS and U.S.GAAP engagements

In addition, KPMG has specific requirements for partners, managers and EQC reviewers working on IFRS engagements in countries where IFRS is not the predominant financial reporting framework.

Similar policies apply to engagements performed outside the U.S. to report on financial statements or financial information prepared in accordance

with U.S. GAAP and/or audited in accordance with U.S. 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, engagement in-charges and EQC 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.

Access to specialist networks

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

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

Culture of Consultation

KPMG encourages a strong culture of consultation that supports member firm teams throughout their decision-making processes and is a fundamental



contributor to audit quality. KPMG Professional Services promotes 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 Global Q&RM Manual includes mandatory consultation requirements where certain matters are identified such as concerns over client integrity.

Technical consultation and global resources

Technical auditing and accounting support is available to all member firms and their professionals through the KPMG Global Solutions Group (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.

KPMG Global Solutions Group (KGSG)

The KGSG's mission is to drive success for KPMG's global network of Audit practices through collaboration, innovation and technology. The KGSG develops, maintains and deploys KPMG's audit methodology and technology-based tools used by KPMG audit professionals to facilitate effective and efficient audits. With three global

locations, one in each region, the KGSG Audit team is made up of professionals with backgrounds in audit, IT, data science, mathematics, statistics, and more from around the world who bring diverse experiences and innovative ways of thinking to further evolve KPMG's audit capabilities.

International Standards Group (ISG)

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

The ISG also supports the following groups to facilitate information sharing within the DPP network, and to ensure sector-specific issues are dealt with proactively.

- *The KPMG Global ISA Panel, chaired by the Global Audit Quality and Risk Management Partner, and which includes senior DPP partners from key member firms and is responsible for monitoring the development of ISA guidance, and the development of response letters to the International Auditing and Assurance Board and/or regulators.*
- *Global Topic Teams, which formulate guidance on IFRS accounting and reporting practice on sector specific or specific technical areas, and act as central contact points for their regions/home practices in identifying and addressing issues related to relevant topics.*

- *The Global IFRS Panel is responsible for monitoring the development of IFRS guidance and response letters to the International Accounting Standards Board and/or regulators by the ISG and the Topic Teams. The panel is chaired by the Global IFRS Leader and includes Global IFRS topic leaders.*

Member firm professional practice resource

Appropriate consultation support on auditing and technical accounting matters is provided to audit engagement professionals through our professional practice resources (referred to as Department of Professional Practice or DPP). DPP also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are required to be escalated to senior partners for final resolution. The ISG is also available for consultation when required.

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

Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by technical specialists. In exceptional circumstances, a matter may be referred to the Head of Audit, Head of DPP, Head of Quality and Risk Management (or appropriate nationally qualified delegates) or ultimately the Senior Partner (or appropriate nationally qualified delegates).

Developing business understanding and industry knowledge

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

For significant industries, global audit sector leads are appointed to support the development of relevant industry



information, which is made available to audit professionals through the KPMG audit workflow. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes). In addition, industry overviews are available that provide general and business information in respect of particular industries, as well as a summary of the industry knowledge provided in the KPMG audit workflow.

Performance of effective and efficient audits

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

Ongoing mentoring, supervision and review

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

Ongoing mentoring, coaching and supervision during an audit involves:

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

A key part of effective mentoring and

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

Engagement quality control (EQC) reviewers

EQC reviewers are independent of the engagement team and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

The EQC process 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 Risk Management Partner or country Head of Audit.

In Nigeria, the Financial Reporting Council of Nigeria Act, 2011 requires evidence of second partner review. This applies to all public interest entities which are defined as "governments, government organizations, quoted and unquoted companies and all other organizations which are required by law to file returns with regulatory authorities and this excludes private companies that routinely file returns only with the Corporate Affairs Commission and the Federal Inland Revenue Service".

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

KPMG Professional Services is continually seeking to strengthen and improve the role that the EQC reviewer plays in audits, as this is a fundamental part of the system of audit quality control. The firm ensures that the role performed by EQC reviewer is also taken into account when performing the Partner Portfolio Review process, to ensure adequacy of time and appropriate skill set for the role and reallocation if needed. Also,

the EQC reviewer is assessed as part of our Quality Performance Reviews. Specifically, the work performed by the EQC reviewer and the adequacy of involvement including discussion with the EQC reviewer is reviewed.

Reporting

Auditing standards and the provisions of the Company and Allied Matters Act of Nigeria (CAMA), the Financial Reporting Council of Nigeria Act, and the Banks and Other Financial Institutions Act (BOFIA) 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 the 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, as well as key audit matters to be communicated).

Insightful, open, and honest two-way communication

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

At KPMG Professional Services, we stress the importance of keeping those charged with governance informed of issues arising throughout the audit and the need to listen to and understand their views. We achieve this through a combination of reports and presentations, attendance at Audit Committee or board meetings, and, when appropriate, ongoing informal discussions with management and members of the Audit Committee.

IFRS Institute

KPMG's Global IFRS Institute provides information and resources to help the KPMG Professional Services Board



and Audit Committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial reporting framework.

Client confidentiality, information security, and data privacy

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

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

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

Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency

of KPMG audits. Integrated quality monitoring and compliance programs enable member 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.

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

Our monitoring programs evaluate both:

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

Internal monitoring and compliance programs

Our internal monitoring program also contributes to the assessment of

whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively. These include:

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

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

Audit Quality Performance Reviews (QPRs)

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

Risk-based approach

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

KPMG Professional Services conducts the annual QPR program in accordance with KPMG International QPR



instructions. The reviews are performed at firm level and are monitored regionally and globally. Member firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the member firm. *Reviewer selection, preparation and process*

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

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

Evaluations from Audit QPR

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

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

Reporting

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

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

Lead audit engagement partners are notified of less than satisfactory engagement (defined as ‘Performance Improvement Needed’ or ‘Unsatisfactory’) ratings on their respective cross-border engagements. Additionally, lead audit engagement partners of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR.

Risk Compliance Program (RCP)

KPMG International develops and maintains quality control policies and processes that apply to all

KPMG member firms. These policies and processes, and their related procedures, include the requirements of ISQC

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 the firm’s system of quality control with Global Quality & Risk Management policies and key legal and regulatory requirements relating to the delivery of professional services; and
- provide the basis for the firm to evaluate that it and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

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

Global Compliance Review (GCR) program

Each member firm is subject to a GCR conducted by KPMG International’s GCR team, independent of the member firm, at least once in a 3 year cycle.

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

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

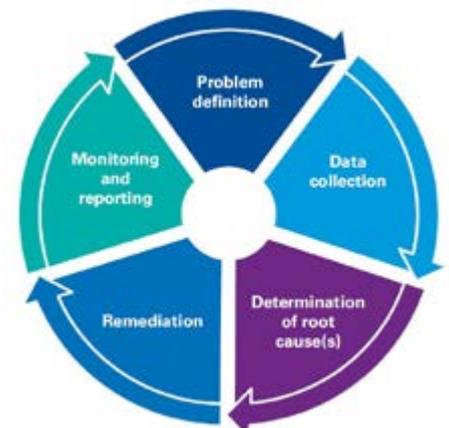
We develop action plans to respond to all GCR findings and agree these with the GCR team. Our progress on action plans is monitored by the GCR central team. Results are reported to the Global Quality & Risk Management Steering Group and, where necessary, to appropriate KPMG International and regional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

Root Cause Analysis (RCA)

Our firm performs root cause analysis to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement.

In 2019, RCA training based on our Global RCA 5 Step Principles was attended by those individuals in the firm who will be performing RCA or directing those performing RCA. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA.

The Global RCA 5 Step Principles are as follows:



It is the responsibility of all KPMG member firms to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified. The firm’s Head of Audit is responsible for the development and implementation of action plans as a result of RCA, including identification of solution owners. Our RMP monitors their implementation.

Over the last year we have significantly increased the formality of root-cause analysis performed. The RCA is performed by a team trained in our



Financial information

KPMG Professional Services signed the audit opinion for Zenith Bank Plc., the firm’s only public interest entity audit client whose transferable securities were traded on an EU regulated market, as at 30 September 2019. The total professional fee in relation to the services provided to Zenith Bank Plc. for the period covered by this report was NGN662.6 million².

| Fee Description | 2019 (₦) |
|---|----------------|
| Total audit fees from Zenith Bank Plc | 504,063,900 |
| Total audit fees from other audit clients excluding Zenith Bank Plc | 7,522,866,000 |
| Total non-audit fees earned from Zenith Bank Plc | 158,599,860 |
| Total non-audit fees earned from the firm’s clients excluding Zenith Bank Plc | 12,137,126,000 |

²Revenues are reported gross, inclusive of expenses incurred and amounts paid to other KPMG member firms who have assisted in the performance of the Services.



Partner remuneration



Partners' profit share

Partners are remunerated out of the distributable profits of the firm (such profits being determined by all the Partners) and are personally responsible for funding pensions and other benefits. The final allocation of profits to partners is made by the Senior Partner, with the assistance of the Executive Committee, after assessing each partner's contribution for the year. The Partners approve changes to the Compensation model at the general meetings based on recommendations of the Partners' Compensation Committee

There are two elements to partner remuneration:

- base component – a proportion of the firm's budgeted profits are allocated to members as base component; this is effectively

member salary. The amount of base component reflects the role and seniority of each partner.

- profit related performance component – rewards performance in the year by each partner against individual objectives previously agreed and the overall profits of their part of the firm as a whole. Our policies for this variable element of partner remuneration take into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and living the KPMG values. Audit partners are not permitted to have objectives related to, or receive any remuneration from, selling non-audit services to their audit clients. In addition, a part of their performance-related component is based on an assessment of their ability to deliver audit quality.

Drawings

During the year, the firm's partners received monthly drawings, and from time to time, additional profit distributions. The level and timing of the additional distributions are decided by the Partners' General Assembly, taking into account cash requirements for operating and investing activities. All such drawings and profit distributions to partners represent payments on account of current year profits and are reclaimable from members until profits have been allocated. Any over-distribution of profits during the year is also recoverable from partners.



Network arrangements



Legal structure

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law.

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

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

KPMG International is an entity that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture, or in a principal or agent relationship

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

The name of each audit firm that is a member of the network and the EU/EEA countries in which each network member firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available via this [link](#).

Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements³

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

prevailing in the 12 months ended 30 September 2019.

Responsibilities and obligations of member firms

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

Each member firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG values (as set out in the Appendices to this document).

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the member firms. A firm's status

³The financial information set forth represents combined information of the separate KPMG member firms from EU and EEA Member States that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.



as a KPMG member firm and its participation in the KPMG network may be terminated if, among other things, it has not complied with the policies and regulations set by KPMG International or any of its other obligations owed to KPMG International.

Professional Indemnity Insurance

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

Governance structure

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

Global Council

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit KPMG International has no share capital and, only has members, not shareholders).

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 59 member firms that are "members" of KPMG International as a matter of Swiss law. Sublicensees⁴ are generally indirectly represented by a member.

Global Board

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG



International, and approving policies and regulations. It also admits member firms.

The Global Board includes the Global Chairman, the Chairman of each of the three regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)) and a number of senior partners of member firms.

It is led by the Global Chairman, who is supported by the Executive Committee, consisting of the Global Chairman, the Chairman of each of the regions and currently three other senior partners of member firms. The list of Global Board members, as at October 2019 is available in the [KPMG Global Review](#).

One of the other Global Board members is elected as the lead director by those Global Board members who are not also members of the Executive Committee of the Global Board ("non-executive" members). A key role of the lead director is to act as liaison between the Global Chairman and the "non-executive" Global Board members.

Global Management Team

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing

global strategy by working together with the Executive Committee. The Global Management Team also supports the member firms in their execution of the global strategy and is responsible for holding them accountable for commitments.

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

The list of Global Management Team members as at 1 October 2019 is available in the KPMG Global Review.

Global Steering Groups

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

- establish and communicate appropriate audit and quality/risk management policies;
- enable effective and efficient risk

⁴Unless otherwise stated, the words 'member firm' or 'KPMG member firm' when used in this Transparency Report include the following:

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



- processes to promote audit quality;
- proactively identify and mitigate critical risks to the network.

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section 'Governance and leadership' of the [KPMG International Transparency Report](#).

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

Further details about KPMG International including the governance arrangements, can be found in section 'Governance and leadership' of the [KPMG International Transparency Report](#).

Area Quality & Risk Management Leaders

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

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





Statement by the Executive Committee of KPMG Professional Services on the effectiveness of quality controls and independence

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

The Partners of KPMG Professional Services have considered:

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

Taking all of this evidence together, the Executive Committee of KPMG Professional Services confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 30 September 2019.

Further, the Partners of KPMG Professional Services confirm that an internal review of independence compliance within our firm has been conducted in the year to 30 September 2019.



Kunle Elebute

Senior Partner

Lagos, January 2020



Appendices

i. Key legal entities and areas of operation

| Name of Entity | Legal Structure | Regulatory Status | Nature of Business | Area of Operation |
|----------------------------|---|--|---------------------------|---|
| KPMG Professional Services | A Partnership registered under Nigerian laws. All its Partners have equal holdings. | It is subject to the regulatory control of the Corporate Affairs Commission (CAC) and Financial Reporting Council (FRC). | Partnership | Provision of Audit, Tax and Advisory Services |
| KPMG Advisory Services | Registered under Nigerian laws. Its Partners have equal holdings. | It is subject to the regulatory control of the Corporate Affairs Commission (CAC) | Partnership | Provision of Tax and Advisory Services |
| VI Services Limited | It is an incorporated company under Nigerian laws. | It is subject to the regulatory control of the Corporate Affairs Commission (CAC) | Limited Liability Company | Company Secretarial Services |



II. Details of those charged with governance at KPMG Professional Services are:



Kunle Elebute
National Senior Partner



Victor Onyenkpa
Risk Management
Partner & Chief
Operating Officer



Bisi Lamikanra
Partner & Head of
Advisory



Adetola Adeyemi
Partner & Head of Audit



Wole Obayomi
Partner & Head of Tax



Joseph Tegbe
Partner & Head of Markets



Toyin Gbagi
Partner & Head of
People Strategy



Olumide Olayinka
Partner & Head of
Innovation



iii. Public Interest Entities

In the year ended 30 September 2019, Zenith Bank Plc was the public interest entity audit client for which KPMG Professional Services signed an audit opinion.

The definition of public interest for this purpose is that given under the provisions of the Statutory Auditor (Transparency) Instrument 2008, issued by the Professional Oversight Board, where a public interest entity is an issuer whose transferable securities are admitted to trading on a regulated market within the EU as of 30 September 2019.

iv. The KPMG values

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



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

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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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