



# Transparency Report 2015

**KPMG Ireland**

[kpmg.ie](http://kpmg.ie)

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# Message from our Managing Partner

**Welcome to the KPMG Ireland Transparency Report for the year ended 31 December 2015 in which we take the opportunity to share with you the steps we take to uphold our professional obligations and responsibilities, and to explain how we seek to ensure delivery of the highest quality in all our services.**



Our vision is one that sees KPMG as the Clear Choice professional services firm in Ireland. Being the clear choice requires us to be, amongst other things:

- the Number One Firm by Reputation;
- a firm that is Significantly Differentiated by Quality; and
- a firm with the very Best People.

At the heart of that vision is quality - quality which maintains and builds further the trust that our stakeholders have in our ability to provide services of the highest quality. Our firm is built on a foundation of trust and integrity and we are fully committed to ensuring that all of our people do the right thing, every time, and that we continue to provide the highest quality services to our clients. Our Public Interest Committee, which is responsible for independently overseeing the public interest aspects of decision making in our firm, assists us in meeting those commitments. We greatly appreciate the external challenge and perspective that the additional oversight provides.

In providing statutory audit services – our partners and our teams are governed by one overarching goal - which is bound up in our public, professional and deep personal interest - that is, to provide audits of the very highest quality. It is the benchmark by which we measure ourselves.

Regulation of the audit profession in Ireland is impacted by domestic and EU regulatory developments and changes over time. These changes are disruptive and present challenges for the directors of the affected companies and for the audit profession. Our teams are embracing the challenges with enthusiasm and a continuing dedication to quality. However, while compliance with the increasing level of regulation around audit is necessary, the audit profession must act to ensure that the value of audit, which has been called into question in the last number of years, is re-established. Audit has proven its worth in the past to investors and companies alike but it's time for change – for a revolution in audit thinking and execution.

Historically, the audit profession's conservatism has been a strength. Auditing company accounts has required a cautious approach. Yet now the rapid change in the nature of how companies create value and how investors judge them demands change and innovation from auditors. In many cases, financial statements no longer give sufficient insight into companies' changing fortunes. So audit must evolve to remain relevant as a profession. At a time when investor conference calls may shed more light on the way companies are growing than the financial statements, the audit profession must consider widening the scope of information that it offers assurance over in order to give the investor community – and other stakeholders – what they need. KPMG Ireland will be at the forefront of innovation in the profession. It is only right that we continue to be subject to robust audit regulation and strong external challenge from our external audit regulators and in that context, we welcome the publication of the Chartered Accountants Regulatory Board's ("CARB") final report on the 2008 audits of certain Irish Banks.

In that regard we also look forward to the implementation of the new European Union Audit Regulation and Directive on 17 June 2016 and to the announcement by the Minister for Enterprise, Jobs and Innovation of the results of the consultation which took place recently - particularly on the approach to be taken on certain Member State options available to Ireland. While it is regrettable that these Member State options will result in a patchwork of regulation within the EU, the objectives of the measures are to be welcomed insofar as they drive audit quality and public confidence in audit. We also look forward to working with the Irish Auditing and Accounting Supervisory Authority ("IAASA") as it becomes the independent regulator of Public Interest Entity ("PIE") auditors. We would like to acknowledge the work and commitment of CARB to driving audit quality on PIEs over many years and look forward to early engagement with IAASA.

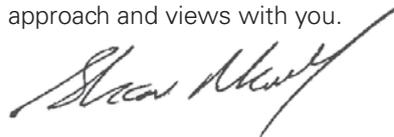
One other important aspect of IAASA's remit is its responsibility to develop mutual recognition arrangements with other global regulators, in particular the PCAOB in the US. While KPMG in Ireland has been inspected on two occasions by the PCAOB, their ability to carry out inspections of PIE auditors in Ireland has been hampered by the absence of mutual recognition arrangements. Given the significant role played by many large US corporates in Ireland, it is

important that the US audit regulator has appropriate access to the work of Irish auditors to ensure that it is comfortable that Irish auditors are reporting to the same global quality standards as their US counterparts.

The firm assisted the Joint Committee of Inquiry into the Banking Crisis in understanding the role of the auditor and we welcome the publication of the Committee's report.

In February, 2016, four partners located in the firm's Belfast office, who were subject to an investigation by HMRC into their personal affairs, retired following a period of administrative leave. The firm co-operated fully with the HMRC investigation which related solely to the personal affairs of the four individuals and was not related to the firm's business or the business of its clients. At the time of the retirements, the firm announced a new management team for KPMG in Northern Ireland and established a new Northern Ireland Advisory Board to complement and strengthen the management team. Our new management team has all the necessary skills and resources required to both service our existing clients and further develop our significant business in Northern Ireland. The new Advisory Board will be of tremendous assistance to the firm. I would like to acknowledge the magnificent support we have received from our staff and clients in recent months and can assure them of our absolute commitment to deliver on the confidence and trust which we recognise both clients and staff have placed in us.

This Transparency Report focuses significantly on our audit practice and plays a very important role in helping us to communicate to all of our stakeholders the measures that we take to help to ensure that we deliver high quality audits. However, a written report can never replace the additional insight that comes with discussion. Therefore, I would encourage any of our clients, potential clients, audit committee chairs, investors or indeed any other stakeholder group who wishes to discuss any matter set out in this report, to contact us. We would be very happy to discuss our approach and views with you.



**Shaun Murphy**  
**Managing Partner, KPMG Ireland**  
31 March 2016

# Message from the Chairman of the Public Interest Committee

The Public Interest Committee ("PIC") comprises three non-executive members, Frances Ruane, Stephen Haughey and myself as Chairman, together with the Firm's Managing Partner, Shaun Murphy and its Risk Management Partner, Paul Dobey. Mr Frank Gannon acts as Secretary to the Committee. It was established in the autumn of 2013 in line with Irish Audit Firm Governance Code prepared by the Chartered Accountants Regulatory Board ("CARB"). This sets out general principles rather than prescribing specific rules and has resulted in a learning-by-doing approach by the Committee and its members to establish a common view of the public interest as it relates to the Firm's activities and performance.

The PIC has a governance rather than a regulatory or executive role. Under the Code it has a right of access to relevant information and people and it exercises its duty of care to the Firm through the oversight of matters of public interest with an emphasis on risk and quality.

The Committee continues to build its knowledge of the Firm progressively through a series of in depth presentations across a wide range of topics. These have been impressive in quality, scope and openness and reveal a team of partners and staff committed to high standards of professional competence, ethics and integrity in what they do. The atmosphere has been one of open exchange with the external challenge and the diverse perspectives and comments of the PIC encouraged and valued. Issues that the non-executive members of the PIC have sought to place on the agenda or to follow up always have been accommodated. This receptiveness on the part of KPMG has been as striking as it has been reassuring.

In practice the Managing Partner, the Head of Audit and the Risk Management Partner update the PIC on key risk issues at each meeting. These have included a number of standing items, in particular the Chartered Accountants Regulatory Board ("CARB") review of the

2008 audits of certain Irish banks and the Oireachtas Joint Committee of Inquiry into the Banking Crisis. These reviews have been important external challenges and their publication, which we welcome, has informed and assisted the PIC in the exercise of its mandate.

The partnership is involved in a number of high profile assignments. Subject to due respect for client confidentiality, the PIC sought to be and was kept abreast of developments by the relevant partners.

The PIC was informed from the outset of issues in Belfast which, following a period of administrative leave, led to the retirement in February 2016 of four partners who were the subject of a HMRC investigation into their personal affairs. This issue was addressed with commendable thoroughness by the leadership team. The PIC has reflected on what lessons can be learned and applied as a result.

Based on our experience to date we consider the quality and risk management arrangements to be appropriate, robust and, when warranted, open to appropriate change. There is a focus on continuous improvement in light of the changing business and regulatory environment in which KPMG and similar firms operate and of the increasing expectations of regulators and other stakeholders of these Firms. In the context of oversight from the global entity, the KPMG International Global Compliance Review of KPMG Ireland was of assistance to the PIC in this regard.

We look forward in the coming period to making our contribution to the continued success of KPMG in serving the Public Interest.

**Pat Cox**  
**Chairman of the Public Interest Committee**  
31 March 2016

# Profiles of Independent Non-Executive members of the Public Interest Committee

## **Pat Cox (Chairman)**

Pat Cox is currently the President of the Jean Monnet Foundation, Lausanne in Switzerland and the Président de l'Alliance Française de Dublin in Ireland. He has served as the President of the European Parliament and the President of the European Movement International. He is currently a member of several boards throughout Europe, namely the Yalta European Strategy in Ukraine, the Third Age Foundation in Ireland, the Supervisory Board of Michelin in France and the European Advisory Council of Liberty Global in Netherlands. He acts as the EU Project Coordinator for a multi modal transport corridor, the Scandinavian-Mediterranean TEN-T Core Network Corridor. He is leading a Needs Assessment Mission for parliamentary reform in Ukraine appointed jointly by its parliament and the European Parliament.

## **Frances Ruane**

Professor Frances Ruane is currently a member of the Economic Advisory Group in Northern Ireland, the Council of Economic Advisors in Scotland, and the European Statistical Advisory Committee. Frances is also a former director of the Economic and Social Research Institute ("ESRI") and is an Honorary Professor at the Department of Economics at Trinity College, where she worked prior to joining the ESRI. Frances has served on various national boards including the Commission of the National Pensions Reserve Fund, the Abbey Theatre, IDA, Forfás, Bord Gais, the Higher Education Authority and the Health Research Board. Her research interests are in international trade, innovation and industrial policy.

## **Stephen Haughey**

Stephen Haughey is a qualified solicitor and was a partner in A&L Goodbody for twenty four years prior to retiring in 2010. Stephen was a partner in the Corporate Finance Department at A&L Goodbody, specialising in Banking and Finance and was head of the Banking Department for a period. He was appointed Chairman of A&L Goodbody in May 2005 and served in that role until he retired as a Partner in April 2010. Stephen currently acts as a Consultant to A&L Goodbody and has a number of non-executive directorships including Arnotts Holdings Limited, Airbus Finance Company and Enable Ireland Limited.

# KPMG's values

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

KPMG's core values are at the heart of the global Code of Conduct which defines the standards of ethical conduct that are required of people in KPMG member firms worldwide.

# 1. Who we are

## **1.1 Our business**

KPMG Ireland is a provider of professional services, offering a range of audit, tax and advisory services to a broad range of domestic and international clients across all sectors of business and the economy. We operate on an all Ireland basis and have 81 partners and over 2,300 people in five offices in Dublin, Belfast, Cork and Galway. Full details of all the services we offer can be found on our website [www.kpmg.ie](http://www.kpmg.ie). This is our sixth Transparency Report, published in accordance with the requirements of Statutory Instrument 220 of 2010 and is in respect of our financial year ended 31 December 2015.

## **1.2 Our strategy**

Our strategy is determined by the partners; we have set out our ambition to be the Clear Choice professional services firm in Ireland. We recognise in doing this that our commitment to quality in everything we do is the most important element of our strategy: our reputation depends on it, as does our ability to achieve all other elements of our strategy. The ability to articulate clearly and consistently what quality means to us, as well as being able to demonstrate how we safeguard the quality of the service we provide, underpins all elements of our strategy.

# 2. Our structure and governance

## 2.1 Legal structure

KPMG in Ireland (“KPMG Ireland”, “the firm”) operates through a number of partnerships, formed under the Partnership Act 1890 and governed by a formal Partnership Deed, where each partner has one vote. During the year to 31 December 2015 there was an average of 82 partners in KPMG Ireland. KPMG Ireland is affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law. Further details about KPMG International, including our relationships with it, are available in Section 11 of the 2015 KPMG Transparency Report.

The current transparency report for KPMG International is available at the following link: [www.kpmg.com](http://www.kpmg.com)

## 2.2 Name and ownership

KPMG is the registered trademark of KPMG International and is the name by which its 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.

## 2.3 The Irish Audit Firm Governance Code

The Irish Audit Firm Governance Code (“the Code”) was issued by the Chartered Accountants Regulatory Board (“CARB”) in June 2012. The Code applies to firms that audit public interest entities, defined as entities registered in the Republic of Ireland which are included within the scope of SI 277 of 2007: Transparency (Directive 2004/109/EC) Regulations 2007, as amended.

The Audit Executive Team, as defined in the Executive Team section on page 10 overleaf, has reviewed the provisions of the Code together with details of how the firm is complying with those provisions and has concluded that, as at 31 December 2015, KPMG Ireland is in compliance with the provisions of the Code.

## 2.4 Governance structure

KPMG Ireland applies high standards of corporate governance and we are totally committed to ensuring that we stay at the forefront of good governance.

### Managing Partner

The Managing Partner acts as the chief executive of the firm and manages the firm in accordance with its policies. Executive authority over all partners is vested in the Managing Partner and extends to all areas of the firm, in accordance with the terms of the Partnership Deed. The Managing Partner may consult other partners and, in particular, the Policy Committee, the Executive Team and the Executive Council, as considered advisable in relation to matters which are within the power of the Managing Partner, but he is not obliged to do so.

The Managing Partner is elected by the partnership and serves a three-year term. A Managing Partner can stand for election for a second three-year term. Any further term requires special approval by the partners. Any partner can put him/herself forward for Managing Partner at each three year interval as long as he/she is nominated by at least eight other partners.

Along with the Managing Partner there are a number of other principal bodies that deal with key aspects of governance within the firm. These are:

- The Policy Committee;
- The Executive Team;
- The Executive Council;
- The Public Interest Committee; and
- The Remuneration Committee

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

### The Policy Committee

The KPMG Ireland Policy Committee is responsible for ensuring that the firm is run in the interests of its partners and employees as a whole and in a manner which is in keeping with the standing and reputation of the firm.

It is responsible for all policy decision making with the exception of certain matters which are reserved to the partners as a whole. The Committee's policy decisions are binding on the partnership. In addition, the Policy Committee is responsible for approving the strategy of the firm, overseeing its implementation by the Executive Team, considering quality and risk matters, recommending partner candidates to the partnership and considering the firm's overall financial performance.

The Policy Committee is composed of seven people. The Managing Partner is ex-officio Chair of the Policy Committee. Other members are elected by the partnership at an annual election. Members who are elected serve a two-year term and can be then re-appointed for a further two years. Members having served four years are not eligible for election again for two years.

The Committee meets regularly throughout the year. In the year to 31 December 2015 it met 19 times. The Committee reports to partners at least twice yearly updating them on its activities and the issues it is addressing. Minutes from each meeting are circulated to all partners.

### **The Executive Team**

The KPMG Ireland Executive Team acts as the key management decision making group of the firm in consultation with the firm's Executive Council. The composition of the Executive Team is determined by the Managing Partner for a period that is normally concurrent with, and may not exceed the period of appointment of the Managing Partner. With effect from 1 May 2013, the Executive Team comprised the Managing Partner, the Head of Audit, the Head of Tax and Legal Services, the Head of Advisory, the three Heads of Markets (Financial Services, Other Sectors and Innovation, and Strategic Pursuits), the Head of Risk Management, the Head of People and Operations, the Head of Finance and Administration and the Secretary to the Executive Team.

The Executive Team is responsible for developing the business plan within the overall strategy set by the Policy Committee, together with its subsequent implementation. It deals with operational matters affecting the firm including operating and financial performance, quality and risk, budgets, new business proposals, marketing, technology development, recruitment, retention and remuneration.

The Executive Team generally meets fortnightly. It met 18 times during the year to 31 December 2015.

A Functional Executive Team acts as the key management decision making group of their respective function in consultation with the Executive Team. The composition of each function Executive Team is determined by the Managing Partner and the Head of Function for a period that is concurrent with

the period of appointment of the Managing Partner. With effect from 1 May 2013, the Audit Executive Team comprised the Head of Audit, the Head of the Department of Professional Practice ("DPP") and the leaders of the key audit business units; the Tax and Legal Services Executive Team comprised the Head of Tax and Legal Services and the leaders of the tax and legal services business units; and the Advisory Executive Team comprised the Head of Advisory and the leaders of the key advisory business units.

### **The Executive Council**

The KPMG Ireland Executive Council acts as the senior management team of the firm. The Managing Partner appoints the Executive Council for a period that is normally concurrent with, and may not exceed the period of appointment of the Managing Partner. The composition of the Executive Council is such as to ensure appropriate representation from across the business. With effect from 1 May 2013 the Executive Council comprised the Managing Partner, the Head of Audit, the Head of Tax and Legal Services, the Head of Advisory, the three Heads of Markets (Financial Services, Other Sectors and Innovation, and Strategic Pursuits), the fourteen leaders of our main client facing business units in Audit, Tax and Advisory, the Head of Risk Management, the Head of the Department of Professional Practice, the Head of People and Operations, the Head of Finance and Administration and the Secretary to the Executive Council.

The Executive Council is responsible for implementation of the firm's business plan and for ensuring that the views of the firm's main business units and the needs of all our people are appropriately reflected in the key management decisions of the firm proposed by the Executive Team.

The Executive Council generally meets quarterly. It met 3 times during the year to 31 December 2015.

### **The Public Interest Committee**

The Public Interest Committee ("PIC") was established in autumn 2013 to respond to the Irish Audit Firm Governance Code promoted by our regulator CARB.

The PIC comprises three externally appointed members along with the Managing Partner and the Risk Management Partner. It is supported by a partner who acts as Secretary to the Committee.

The PIC is responsible for overseeing the public interest aspects of decision making of KPMG Ireland. The Committee's focus is on the firm's governance, risk, quality and oversight structures. Through its work the Committee assists in building public confidence in the quality control structures that the firm has in place to ensure we properly consider our broader public accountability in delivering our services. Acting in the public interest involves having regard to the legitimate interests of clients, government,

financial institutions, employers, employees, investors, regulators, the business and financial community and others who rely upon the objectivity and integrity of the auditing profession. The PIC may also participate, together with Audit Leadership, in dialogue with external stakeholders, in particular representatives of shareholders in public interest entities audited by KPMG Ireland.

Three independent Non-Executive (“INE”) members were appointed to the PIC during 2013. The profiles of the current INEs, Pat Cox (Chairman), Frances Ruane and Stephen Haughey, are included on page 7 of this report.

The Public Interest Committee generally meets quarterly. It met 5 times during the year to 31 December 2015.

The firm has considered the Irish Audit Firm Governance Code and the Ethical Standards issued by the Financial Reporting Council’s (“FRC”) Audit and Assurance Council (formerly known as the Auditing Practices Board) in drawing up criteria for appointment of the members of the PIC. These criteria recognise the need for the external Non-Executive members of our PIC to maintain appropriate independence from the firm and its Partners and have due regard to the impact of any external financial and business relationships held by the Non-Executives on the firm’s independence from its audit clients.

Our external Non-Executives are not considered to be part of the chain of command for the purposes of auditor independence requirements. In addition, none of them hold senior management positions at audit clients of the firm which are public interest entities. They are, as a condition of their appointment, under a continuing obligation to disclose any matters which may constitute a potential conflict of interest as soon as they become aware of them. A report from the chair of the Public Interest Committee on the activities of the Committee in the year is provided on page 6.

### **The Remuneration Committee**

The Remuneration Committee is responsible for determining the remuneration of each partner on an annual basis following a detailed review of each partner’s contribution over the year. Each partner submits a written appraisal to the Remuneration Committee detailing his/her own view of performance against objectives over the previous year. The Committee hears a report from each partner’s

Counselling Partner on his/her individual performance for the year.

Finally, as part of its deliberations the Remuneration Committee also receives and considers presentations from the Heads of Audit, Tax and Legal Services, Advisory, Markets, Risk Management and People and Operations setting out an assessment of the quality of work performed by partners during the year under review. The Remuneration Committee details its findings and its recommendation in relation to profit allocations in a report at the end of the review process which is then circulated to all partners for their approval before the profit allocations of the previous year are finalised.

The Remuneration Committee is chaired by the Managing Partner. Other members of the Committee are elected by the partner group annually. The Committee met 7 times in the year ended 31 December 2015.

Further information regarding partner remuneration is set out in Section 5 and 10.

### **2.5 Reporting**

The governance bodies receive timely and appropriate quality information to enable them to discharge their duties. Section 9 of this Transparency Report provides the following disclosures required to be made by the Code:

- the financial information set out in Regulation 61(b)(ix) of SI 220 of 2010 European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010;
- a statement of who is responsible for preparation of the financial information and their respective reporting responsibilities;
- a statement in respect of going concern; and
- our internal control review process.

### **2.6 Dialogue with stakeholders**

The management of the firm and the members of its Public Interest Committee engage regularly with stakeholders and value the insights that come from that dialogue. We encourage any of our clients, audit committee chairs, investors or indeed any other stakeholder group who wish to discuss any matter set out in this report to contact us. We would be happy to discuss our approach and views with you.

# 3. System of audit quality control

## 3.1 Responsibility for Quality and Risk Management

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

While many KPMG quality control processes are cross-functional, the primary focus of the Transparency Report requirements relate to audit. This section focuses on what we do to ensure the delivery of quality audits.

At KPMG audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the audit report.

We view the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. This means, above all, being independent and compliant with relevant legal and professional requirements.

## 3.2 Our system of quality control

KPMG International has policies of quality control that apply to all member firms. These policies are based on the International Standard on Quality Control 1 ("ISQC1") issued by the International Auditing and Assurance Standards Board ("IAASB"), and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA"), relevant to firms that perform statutory audits and other assurance and related services engagements. These policies and associated procedures are designed to guide member firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

Our firm implements KPMG International policies and procedures and adopts additional systems of quality control that are designed to meet the rules and standards issued by CARB and other relevant regulators as well as local legal and other requirements.

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

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

The Audit Quality Framework identifies seven drivers of audit quality:

- Tone at the top;
- Association with the right clients;
- Clear standards and robust audit tools;
- Recruitment, development and assignment of appropriately qualified personnel;
- Commitment to technical excellence and quality service delivery;
- Performance of effective and efficient audits; and
- Commitment to continuous improvement

Tone at the top sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviours permeate across our entire network. All of the other key aspects of our system of quality control then operate within a virtuous circle, with each driver of the model reinforcing the others. We have a series of performance metrics linked to each of these drivers that are monitored and reviewed regularly. Each of these key drivers of our quality control system is described in more detail in the following sections of this report. The policies and practices set out in the following pages also ensure that persons eligible for appointment as a statutory auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.

## Audit Quality Framework



### 3.3 Tone at the Top

Our leadership clearly demonstrates and communicates their commitment to quality, ethics and integrity. KPMG's tone at the top provides a clear focus on quality through:

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

Integrity is a critical characteristic that our stakeholders expect and rely on. It is also the key KPMG core value - Above all, we act with integrity.

For us, integrity means constantly striving to uphold the highest professional standards in our work, providing sound good quality advice to our clients and rigorously monitoring our independence. Our values, which have been explicitly codified now for a number of years, are embedded in our working practices in KPMG. For example, they are considered in the performance appraisal process that our people follow and adherence to these values is also reviewed when our people are considered for more senior promotions, including to partner. Our core values are set out on page 8.

This commitment underlies our values-based compliance culture where individuals are encouraged

to raise their concerns when they see behaviours or actions that are inconsistent with our values or professional responsibilities.

Our Code of Conduct incorporates our core values and addresses the commitments that we make as well as the responsibilities of our people at all levels across our firm. Our Code of Conduct was last updated in 2013 and is updated regularly to reflect changes in law, regulations and professional ethics.

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

#### 3.3.1 Leadership responsibilities for quality and risk management

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

##### Managing Partner

In accordance with the principles in ISQC1, our Managing Partner, Shaun Murphy, has assumed ultimate responsibility for KPMG Ireland's system of quality control.

The three heads of function – Audit, Tax and Legal Services and Advisory – are primarily accountable for the quality of service delivered in their respective functions. Each is supported by an executive team of partners who, together with the head of function, are responsible for the operation of the risk management, quality assurance and monitoring procedures for their specific functions set by the firm's policies and the Head of Risk Management. These procedures reinforce the fundamental principle that, on each individual engagement, quality is ultimately the responsibility of each and every professional.

##### Head of Risk Management

Operational responsibility for the system of quality control, risk management and compliance has been delegated to the Head of Risk Management who reports directly to the Managing Partner and is a member of the Executive Team which underlines the importance that our firm places on risk and quality. He is responsible for setting overall professional risk management and quality control policies and monitoring compliance.

The Risk Management function is also responsible for establishing policies and procedures in relation to ethics, and independence, and for monitoring compliance with these policies and procedures.

## **Department of Professional Practice (“DPP”)**

The DPP function is responsible for providing support to the firm’s professionals in meeting their professional responsibilities in the areas of auditing, accounting, reporting and assurance standards. It is led by the Head of DPP and is comprised of a team of senior and experienced professionals with the technical expertise necessary to support client teams on the interpretation and application of auditing, accounting and regulatory requirements.

The DPP and Risk Management functions are involved in the internal monitoring procedures described in Section 7.

### **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 Head of Risk Management. These procedures make it clear that at the engagement level, risk management and quality control is ultimately the responsibility of all professionals

## **3.4 Association with the right clients**

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

Rigorous client and engagement acceptance and continuance policies and processes are vitally important to our ability to provide quality professional services and to protect KPMG’s reputation and support its brand.

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

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

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

Each prospective engagement is also evaluated. The prospective engagement partner evaluates a prospective engagement in consultation with other

senior personnel and involves a review by quality and risk management leadership as required. A range of factors is considered as part of this evaluation including potential independence and conflict of interest issues (using Sentinel™, KPMG International’s proprietary global conflicts and independence checking system) as well as a range of factors specific to the type of engagement, including for audit services, the competence of the client’s financial management team.

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

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

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

Section 4 provides more information on our independence and conflict checking policies.

### **3.4.3 Continuance process**

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

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

### **3.4.4 Client portfolio management**

Our leadership allocates engagement partners that have the appropriate competence, capabilities, time and authority to perform the role.

Each audit partner’s client portfolio is regularly reviewed to ensure that they have sufficient time to manage the portfolio and to ensure that the risks are being appropriately managed.

### 3.5 Clear standards and robust audit tools

Professional practice, risk management and quality control are the responsibilities of every KPMG professional. We expect our professionals to adhere to the clear policies and procedures (including independence policies) we set and we provide a range of tools to support them in meeting these expectations. The policies and procedures we set for audit incorporate the relevant requirements of auditing, accounting, ethics, and quality control standards, and other relevant laws and regulations.

#### 3.5.1 Audit methodology and tools

We dedicate significant resources to keeping our audit methodology and tools complete and up to date. Our global audit methodology, developed by the Global Services Centre ("GSC"), is based on the requirements of International Standards on Auditing ("ISAs"). The methodology is set out in the KPMG Audit Manual ("KAM") and includes additional requirements that go beyond the ISAs where KPMG believes these enhance the quality of our audits. KPMG member firms may also add local requirements and/or guidance in KAM to comply with additional professional, legal or regulatory requirements.

KPMG continues to invest in developing and deploying best in class Data & Analytics tools and methods as an integral part of our audit. Our use of Data & Analytics supports our audit approach by:

- Enabling the engagement team at the outset of our planning to assess client data and highlight areas of higher audit risk;
- Automating the analysis of internal and external data into effective, high-quality audit evidence that runs through our service model and enables us to leverage data-driven audit processes and techniques;
- Maintaining and developing industry-specific Data & Analytics models that enhance the value and insight we deliver on financial risk and performance; and
- Allowing our teams to present innovative new solutions and value-added deliverables that enable us to deliver a robust, high-quality audit together with actionable insights to the organisations we serve.

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

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

The key activities within the eAudit workflow are:

#### 1. Engagement setup

- Engagement acceptance and scoping; and
- Team selection and timetable

#### 2. Risk assessment

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

#### 3. Testing

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

#### 4. Completion

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

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

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

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Quality and Risk Management manual that is applicable to all KPMG member firms, functions and personnel. The provisions of ISQC1 are addressed through KAM and through our implementation of the Global Quality and Risk Management manual.

# 4. Independence, integrity, ethics and objectivity

## 4.1 Overview

We have adopted the KPMG Global Independence Policies which are derived from the IESBA Code of Ethics and incorporate, as appropriate, the rules of the US Securities and Exchange Commission ("SEC") and of the US Public Company Accounting Oversight Board ("PCAOB"). In Ireland and Northern Ireland, these policies are supplemented by other processes to ensure compliance with Ethical Standards (the Ethical Standards) issued by the FRC's Audit and Assurance Council (formerly known as the Auditing Practices Board). KPMG will also undertake the steps necessary to adopt the requirements of Directive 2014/56/EU and the Regulation (EU) No 537/2014 which will come into effect on 17 June 2016.

The firm's policies 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 designated Ethics and Independence Partner ("EIP") is also the Head of Risk Management and is supported by a core team of specialists to help ensure that we apply robust and consistent independence policies, processes and tools. Ethics and independence policies are set out in our intranet hosted Quality and Risk Management Manual which contains our independence policies, and is reinforced through the issue of alerts and an annual training program. Amendments to the ethics and independence policies in the course of the year are communicated through the use of e-mail practice alerts and are incorporated in regular risk and quality communications.

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

## 4.2 Personal independence

KPMG Ireland's policy extends the Code of Ethics and the Ethical Standards restrictions on ownership of audit client securities to every member firm partner in

respect of any audit client of any member firm. Our professionals are responsible for making appropriate inquiries to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes. In common with other member firms of KPMG International, we use a web-based independence tracking system ("KICS") to assist our professionals in their compliance with personal independence investment policies. This system contains an inventory of publicly available investment products. Partners and all client facing staff who are manager grade or above are required to use this system prior to entering into an investment to identify whether they are able to do so. They are also required to maintain a record of all of their investments in KICS, which automatically notifies them if their investments subsequently become restricted.

Our firm monitors compliance with this requirement through performing regular independence compliance audits of a sample of professionals.

Any professional providing services to an audit client is also required to notify the Ethics and Independence Partner if they intend to enter into employment negotiations with an audit client.

## 4.3 Independence training and confirmations

Our firm provides all relevant personnel (including all partners and client service professionals) with annual independence training appropriate to their grade and function and all new personnel with relevant training when they join.

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

## 4.4 Firm financial independence

Our firm maintains a record of its investments (made for example through pension plans and treasury activities) in the web based independence tracking

system. This record is monitored through our compliance process.

#### **4.5 Business relationships/suppliers**

We have policies and procedures in place that are designed to ensure that business relationships are maintained in accordance with both the Ethical Standards and the IESBA Code of Ethics. Detailed guidance is maintained covering, inter alia, business alliances and joint working arrangements, procurement relationships and marketing and public affairs activities. Consultation with our ethics and independence professionals is required in any case of uncertainty to ensure that no relationship is entered into with an audit client or its management which is not permitted for independence purposes. Compliance with these policies and procedures is reviewed periodically.

#### **4.6 Audit engagement leader rotation**

Audit engagement leaders are subject to periodic rotation of their responsibilities for audit clients under applicable laws and regulations and independence rules. These limit the number of years that engagement leaders in certain roles may provide audit services to an audit client. KPMG rotation policies are consistent with the Ethical Standards (and where applicable for certain engagements, the IESBA Code of Ethics and the SEC rules). Our firm monitors the rotation of audit engagement leaders and any other key roles where there is a rotation requirement, including the Engagement Quality Control Reviewer, and the firm has transition plans to enable us to deliver a consistent quality of service to clients. The rotation monitoring is subject to compliance testing.

#### **4.7 Non-audit services**

Our firm has policies as to the scope of services that can be provided to audit clients which are consistent with the Ethical Standards and the IESBA Code of Ethics, and, where applicable, the rules of the SEC and PCAOB. Our policies require the consideration by the lead audit engagement partner of the threats arising from the provision of non-audit services and the safeguards available to address those threats.

KPMG International's proprietary system, Sentinel™, facilitates compliance with these policies. Lead audit engagement partners are required to maintain group structures for our publicly traded and certain other audit clients and their affiliates in the system.

Every engagement intended to be entered into by any KPMG member firm in our network is required to be included in the system prior to starting work. The system then enables lead audit engagement partners for restricted entities to review and approve, or deny, any proposed service wherever in the world the service is proposed to be provided and wherever the

member firm is based. In accordance with applicable auditor independence rules, none of our audit partners or members of the audit team are compensated for their success in selling non-audit services to their audit clients.

#### **4.8 Fee dependency**

KPMG International's policies recognise that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the operating firm expressing the audit opinion.

In particular, these policies require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10% of the total fees received by a particular member firm for two consecutive years, a senior partner from another operating firm would be appointed as the Engagement Quality Control Reviewer. Also, this would be disclosed to those charged with governance at the audit client.

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

#### **4.9 Conflicts of interest**

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

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

#### **4.10 Breaches of independence policy**

In the event of failure to comply with the firm's independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. Matters arising are factored into promotion and compensation decisions and, in the case of engagement leaders and managers, are reflected in their individual quality and risk metrics. The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations. Any breaches of auditor independence regulations are reported to those

charged with governance at the audit client, on the basis agreed with them.

#### **4.11 Compliance**

Compliance with laws, regulation and standards is a key requirement for all KPMG personnel. In particular, KPMG has 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.

# 5. Quality audit teams

One of the key drivers of quality is ensuring the assignment of professionals with the skills and experience appropriate to the client. This requires recruitment, development, promotion and retention of our professionals and robust capacity and resource management processes.

We monitor quality incidents for the purposes of partner assignments and also for the purposes of partner evaluation, promotion and remuneration.

## 5.1 Our people

We depend on our ability as a firm to recruit, train and motivate intelligent professionals who take personal responsibility to deliver high-quality work. We make a big effort to develop our people and help them advance their careers. In 2015, 269 graduates joined the firm and we expect a further 280 to join us in 2016.

Over the past three years 546 of our people qualified as Chartered Accountants and 89 of these people also qualified as Chartered Tax advisers. People who work within our Audit function complete Chartered Accountants Ireland's Final Admitting Examination ("FAE") Audit Elective examination in order to ensure better delivery of audit services to our clients.

Exam success is a priority for our people and for the firm. Our exam success rate is significantly higher than the national average and our people feature in the top ten exam placings each year.

In 2015, for the 4th year in a row, KPMG International was named Sustainable Firm of the Year by International Accounting Bulletin. In 2015 KPMG Ireland won the GradIreland Employer of the Year Award and also won Silver prize for the Best Innovation on Campus and Bronze prize for Best Internship Programme. These awards are an acknowledgment of our ongoing focus on innovative and quality graduate recruitment. We are committed to supporting our people sitting professional exams, 220 of our people passed Chartered Accountants Ireland's Final Admitting Examination ("FAE") and 36 people passed the Irish Tax Institute's final examinations

("Part 3"). KPMG Ireland's sustained commitment to making a real difference to the communities in which we operate was also acknowledged in 2015 by winning the Best Creative Staff Engagement Award at the Allianz Business to Arts Awards 2015.

Internally, the firm participates in the "KPMG Global People Survey" on an annual basis which, inter alia, measures people engagement with a view to maximising the success of the firm. We engage in a comprehensive programme of communication and feedback with our people in all business units each year following the Global People Survey results. We continue to invest in equipping our people with the technical, coaching and management skills needed to deliver quality work and we also encourage regular, honest feedback to help in their development.

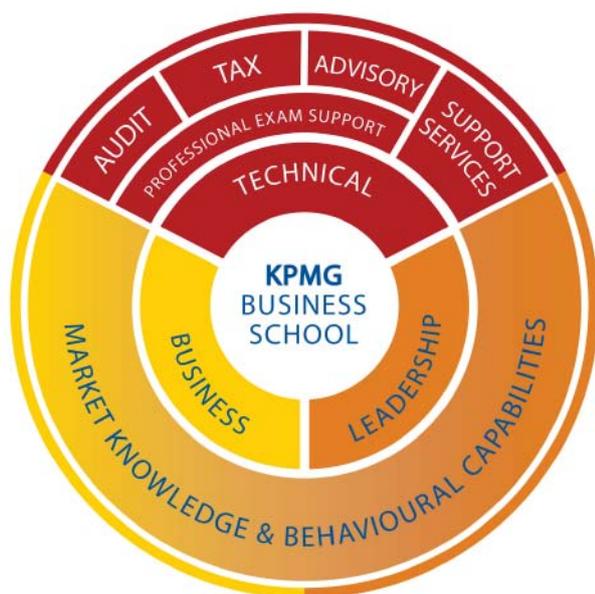
KPMG Ireland deliver over 1,500 courses every year to ensure our people have the best leadership, business and technical skills to support them to succeed as individuals and the firm to continue to succeed. Being part of the KPMG Business School ensures we have access to state of the art virtual classroom and on-line resources from across the KPMG network and we engage with cutting edge universities and executive education schools to ensure our Leadership and Business training remains first class. Our technical training is delivered by a combination of our partners, directors and managers, who are subject matter experts, and external specialists.

Our learning culture focuses on the application of training in a supportive, coaching orientated and learning environment. We strongly believe that people learn in the classroom, through on-line forums, by networking with others and by applying their knowledge in a range of work environments.

On joining the firm and in each year of their training contract our graduates attend a structured programme that combines technical and leadership skills in line with the increasing challenges of their role. As they progress through their professional exams (through Chartered Accountants Ireland and the Irish Tax Institute) they benefit from our additional supports and development, helping our exam results remain well ahead of the national average.

As people are promoted to the grade of manager and above they continue to enhance their technical skills and benefit from our leadership skills development, helping them to excel with their clients and support them as they contribute and lead more complex and challenging projects.

In 2015 our people completed 49,065 hours of classroom based audit technical training programmes, and additional e-learning courses were also available and accessed. Training is only one aspect of our people's development. We try to give an optimal mix of on-the-job experience, coaching and training programmes. This is supported by additional development opportunities such as secondments and international assignments.



## 5.2 Recruitment

All candidates applying for professional positions are required to submit an application and are employed following a variety of selection processes, which includes application screening, competency-based interviews and qualification/reference checks.

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

## 5.3 Personal development

It is important that all professionals have the necessary business and leadership skills to be able to perform quality work in addition to technical skills (see section 5.8).

In relation to audit training we provide opportunities for professionals to develop and maintain the skills, behaviours and personal qualities that form the foundations of a successful career in auditing. Courses

are available to enhance personal effectiveness and develop technical, leadership and business skills. We further develop our people for high performance through coaching and mentoring on the job, global mobility opportunities and client secondments.

## 5.4 Performance evaluation and compensation

All professionals, including partners, undergo annual goal-setting and performance evaluations. Each professional is evaluated on his or her attainment of agreed-upon goals, demonstration of the KPMG behaviours for his or her level, and adherence to the KPMG values. These evaluations are conducted by performance managers and partners who are in a position to assess their performance and award a performance rating. This is achieved through our global performance management process, which is supported by a web-based application.

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

### 5.4.1 Compensation and promotion

Our firm has compensation and promotion policies that are linked to the performance evaluation process so that our people know what is expected of them. Our compensation policies do not permit audit partners or members of the audit team to be compensated for the sale of non-audit services to their audit clients.

## 5.5 Partner admissions

Our process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. The procedure includes a business case and a personal case for the individual candidate. We use criteria for admission to the partnership that are consistent with a commitment to professionalism and integrity, quality, and being an employer of choice. The criteria are strongly aligned to KPMG's behavioural capabilities and are based on consistent principles to help achieve quality in our partner admissions. All recommendations for admission to partnership of KPMG Ireland need to be approved by the partners.

## 5.6 Assignment

Our firm has procedures in place to assign both the engagement leaders and other professionals to a specific engagement by evaluating his or her skills, relevant professional and industry experience, and the nature of the assignment or engagement. Heads of Function are responsible for the process of allocating particular engagement leaders to clients.

Audit engagement leaders are required to be satisfied that their engagement teams have appropriate competencies and capabilities to perform audit engagements in accordance with KAM, professional standards and applicable legal and regulatory requirements. This may include involving KPMG's local and global specialists.

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 specialised areas of auditing or accounting;
- knowledge of relevant industries in which the client operates;
- ability to apply professional judgment; and
- an understanding of quality control policies and procedures.

### **5.7 Commitment to technical excellence and quality service delivery**

We provide all professionals with the technical training and support they need, including access to networks of specialists and DPP, which comprise senior professionals with extensive experience in audit, reporting and risk management, either to provide resources to the engagement team or for consultation.

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

### **5.8 Technical training**

In addition to personal development, discussed at 5.3, our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements. Audit Learning and Development steering groups at the global, regional and local levels identify annual technical training priorities for development and delivery using a blend of classroom, e-learning and virtual classroom. Audit Learning and Development teams work with subject experts and leaders from GSC, the International Standards Group ("ISG") and DPP to ensure the training is of the highest quality, relevant to performance on the job and is delivered on a timely basis.

### **5.9 Accreditation and licensing**

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

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

In addition, we have specific accreditation requirements for partners and managers working on International Financial Reporting Standards ("IFRS") engagements, US Generally Accepted Accounting Principles engagements, US Generally Accepted Auditing Standards engagements, and SEC engagements performed outside of the US. These require that the partner, manager, and engagement quality control reviewer have sufficient training and experience in the relevant reporting framework.

Our firm requires that all Audit professionals are also required to maintain accreditation with their professional bodies and satisfy the Continuing Professional Development requirements of such bodies (at a minimum, professionals comply with IESBA requirements and Chartered Accountants Ireland requirements). Our policies and procedures are designed to ensure that those individuals that require a licence to undertake their work are appropriately licensed.

### **5.10 Access to specialist networks**

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

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

### **5.11 Consultation**

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

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

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

issues and disseminates international guidance on IFRS and ISAs.

Specific guidance is issued to assist teams in areas of significant judgement including topics such as use of fair values, impairment testing, pension assumptions and the appropriateness of going concern disclosures where significant uncertainties exist. To assist audit engagement professionals in addressing difficult or contentious matters, we have established protocols for consultation and documentation of significant auditing and accounting matters, including procedures to facilitate resolution of differences of opinion on engagement issues.

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

Technical support available to our firm also includes the International Standards Group ("ISG") as well as

(for work on SEC foreign registrants) the U.S. Capital Markets Group based in London and New York. The ISG works with Global IFRS topic teams with geographic representation from around the world to promote consistency of interpretation of IFRS between member firms, identify emerging issues and develop global guidance on a timely basis.

## **5.12 Developing business understanding and industry knowledge**

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

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

# 6. Performance of effective and efficient audits

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

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

## 6.1 KPMG audit process

As set out in section 3.5.1, our audit workflow is enabled in eAudIT. The key behaviours that our auditors apply throughout the audit process to deliver effective and efficient audits are:

- timely partner and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgement and professional scepticism;
- ongoing mentoring and on-the-job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control Reviewer;
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

## 6.2 Timely partner and manager involvement

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

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

The engagement leader is a key participant in the planning meetings, reviews key audit documentation – especially documentation relating to significant risks and key audit judgements – and is responsible for the final audit opinion.

The engagement manager assists the partner in these responsibilities and in the day to day liaison with the client and team.

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

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

We consider all audit evidence obtained during the course of the audit, including consideration of contradictory or inconsistent audit evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We recognise that audit evidence obtained from external sources tends to be more persuasive. The analysis of the audit evidence requires each of our team members to exercise professional judgement and maintain professional scepticism to obtain sufficient appropriate audit evidence.

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

We have developed a professional judgement process that provides audit professionals with a structured approach to making judgements.

Our professional judgement process has professional scepticism at its heart. It recognises the need to be alert to biases which may pose threats to good judgement, to consider alternatives, to critically assess audit evidence by challenging management's assumptions and following up contradictory or inconsistent information and to document rationale for conclusions reached on a timely basis as a means of testing their completeness and appropriateness.

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

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

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

- 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; and
- identifying matters for consultation with more experienced team members during the engagement.

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

#### **6.5 Appropriately supported and documented conclusions**

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

Our methodology recognises that documentation prepared on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before our report is finalised.

Teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is ordinarily not longer than 60 days from the date of the audit report. A key principle that engagement team members are required to consider is whether an experienced auditor, having no previous connection with the engagement, reviewing the audit documentation sometime in the future will understand the nature, timing, and extent of audit procedures performed to comply with ISAs; applicable legal and regulatory requirements, the results of the procedures performed and the audit evidence obtained; significant findings and issues arising during the audit, and actions taken to address them (including additional audit evidence obtained); the basis for the conclusions reached, and significant professional judgements made in reaching these conclusions.

#### **6.6 Appropriate involvement of the Engagement Quality Control ("EQC") reviewer**

EQC reviewers have appropriate experience and knowledge to perform an objective review of the decisions and judgements made by the audit team. They are experienced audit professionals who are independent of the engagement team and are required to be involved at several stages throughout the audit. They offer an objective review of the more critical and judgemental elements of the audit.

An EQC reviewer is required to be appointed for the audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the Head of Risk Management, the Head of DPP or country Head of Audit. Before the member firm issues its audit report, these individuals review:

- selected audit documentation and client communications;
- the appropriateness of the financial statements and related disclosures; and
- the significant judgements the engagement team made and the conclusions it reached with respect to the audit.

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

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

- issuing guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers;

- incorporating specific procedures in eAudit to facilitate effective reviews; and
- implementing policies relating to recognition, nomination and development of EQC reviewers, as well as monitoring and assessing the nature, timing and extent of their involvement.

### **6.7 Clear reporting of significant findings**

Auditing standards and Company Law largely dictate the format and content of the audit report that includes an opinion on the fair presentation in all material respects of the client's financial statements. Experienced auditors arrive at all audit opinions, after involvement in and review of the work performed by the audit team.

We provide extensive reporting guidance and technical support to audit partners in preparing audit reports, where there are significant matters to be reported to users of the audit report, either as a qualification to the audit report or through the inclusion of an emphasis of matter paragraph.

We have also continued to engage directly with the Central Bank in relation to meetings that are governed by the Auditor Protocol which has been widened now to other entities. We continue to work with the Central Bank in relation to the provision of Auditor Assurance on systems of Internal Governance with high impact credit institutions and insurance undertakings.

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

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

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

In recognition of the demanding and important role that Audit Committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, our Audit Committee Institute ("ACI") aims to help Audit Committee members enhance their awareness, commitment and ability to implement effective Audit Committee processes. The ACI provides Audit Committee members with authoritative guidance on matters of interest to Audit Committees as well as the opportunity to network with their peers during an extensive program of technical updates and awareness seminars.

### **6.9 Focus on effectiveness of group audits**

Our audit methodology covers the conduct of group audits in detail. We stress the importance of effective two-way communication between the group engagement team and the component auditors, which is a key to audit quality.

We work effectively with component auditors. The group audit engagement partner is required to evaluate the competence of component auditors, whether they are KPMG member firms or not, as part of the engagement acceptance process.

Our audit methodology incorporates the heightened attention currently being given to key risk areas for group audits, for example, emerging markets and business environments that may be subject to heightened fraud risks.

Consistent approaches, methodology and tools are used across the KPMG network. We provide lead audit engagement partners with information on component auditors within the KPMG network to help them evaluate their competence and capabilities including, where appropriate, the results of relevant inspection results.

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

We are committed to providing a secure and safe environment for the personal data and confidential information we hold, as well as protecting the privacy of our clients, service providers and other third parties.

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

Our security requirements are set out in the Global Information Security Policies and Standards published by KPMG International. Compliance monitoring against these standards and policies is carried out through our internal information security audit programme and is supplemented by annual checks by the Global Information Risk and Security Office.

As part of these Global requirements, the firm has a National IT Security Officer (“NITSO”), with the necessary authority, skills and experience to lead the information security function. Our NITSO is in charge of our information security programme and works closely with Quality and Risk Management. The NITSO also reports to IT Senior Management and also to the Global IT Security Officer and Global Head of Information Protection.

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 rules as well as other applicable regulatory bodies’ standards and regulations.

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

# 7. Commitment to continuous improvement

We focus on ensuring our work continues to meet the needs of participants in the capital markets. To achieve this goal, we employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement. Additionally, we have processes in place to proactively identify emerging risks and to identify opportunities to improve quality and provide insights.

## 7.1 Internal monitoring

KPMG International has an integrated monitoring program that covers all member firms to assess the relevance, adequacy, and effective operation of key quality control policies and procedures. This monitoring addresses both engagement delivery and important KPMG International policies and procedures. The results and lessons from the programs are communicated within each member firm, and the overall results and lessons from the programs are considered at regional and global levels.

Our monitoring procedures involve ongoing consideration of:

- compliance with KPMG International policies and procedures;
- the effectiveness of training and other professional development activities; and
- compliance with applicable laws and regulations as well as our standards, policies, and procedures.

We use two formal internal inspection programs conducted annually across the Audit, Tax and Legal Services, and Advisory functions; the Quality Performance Review Program (“QPR”) and the Risk Compliance Program (“RCP”). Both programs are developed and administered by KPMG International.

Additionally, all member firms are covered once in a three-year cycle by cross-functional Global Compliance Reviews (“GCRs”) performed by reviewers in the Global Compliance Group who are independent of the member firm and report to Global Quality & Risk Management. These programs are designed by KPMG International and participation in them is a condition of ongoing membership of the KPMG network.

## Quality Performance Review (“QPR”) Program

The QPR Program is the cornerstone of our efforts to monitor engagement quality and one of our primary means of ensuring that member firms are collectively and consistently meeting both KPMG International’s requirements and applicable professional standards. The QPR Program assesses engagement level performance in the Audit, Tax and Legal Services, and Advisory functions and identifies opportunities to improve engagement quality. All engagement leaders are generally subject to selection for review at least once in a three year cycle. The reviews are tailored to the relevant function, performed at a member firm level, generally overseen by a Lead Reviewer from outside the member firm, and are monitored regionally and globally.

We perform a root cause analysis for pervasive issues. Remedial action plans for any significant deficiencies noted are required at an engagement and operating firm level. We disseminate our findings from the QPR Program to our professionals through written communications, internal training tools, and periodic partner, manager and staff meetings. These areas are also emphasised in subsequent inspection programs to gauge the extent of continuous improvement.

Audit Engagement Partners are notified of any less than satisfactory engagement ratings on their respective cross border engagements. Additionally, engagement partners of global audit accounts are notified where a subsidiary of their global account is audited by a member firm where quality issues have been identified during the Audit QPR.

## Risk Compliance Program (“RCP”)

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

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

GCRs are performed by reviewers external to the member firm led by the Global Compliance Group and are carried out over a three-year cycle. These reviews focus on significant governance, risk management and independence and finance processes (including an assessment of the robustness of the firm’s RCP). In the event that a GCR identifies significant issues that require immediate or near-term attention, a follow-up review will be performed as appropriate.

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

### **7.2 External monitoring**

Our firm is registered as a statutory audit firm by the Chartered Accountants Regulatory Board (“CARB”). CARB is subject to oversight by the Irish Auditing and Accounting Supervisory Authority (“IAASA”). The firm is subject to review by the Quality Review Section (“QRS”) of CARB. CARB is an independent body established by Chartered Accountants Ireland and is responsible for developing standards of professional conduct and supervising the compliance of member firms in their execution of statutory audits.

The most recently completed inspection by QRS took place in July 2015. An action plan has been developed to respond to matters arising from the inspection. The report of the inspection and the action plan arising have been agreed with CARB.

CARB, as part of its ongoing regulatory responsibilities, reviewed the audits of seven covered credit institutions for the financial years ending 2008 and, where relevant, 2009. This included four credit institutions audited by KPMG. The purpose of these reviews was to determine whether the auditors applied appropriate procedures and complied with relevant standards in the work carried out on the provisions for impairment as part of their audit of the financial statements as a whole.

These reviews were completed during 2015 and CARB issued a report to the firms in respect of their audits of each of the credit institutions. CARB also issued a public report, in accordance with its governance procedures, on 18 September 2015, which outlines the overall results of the reviews conducted. CARB have concluded that the audit work of the firm in relation to its 2008 financial statement audits for the four credit institutions, which were the subject of the review, complied with relevant auditing standards. While there

are a number of instances where improvements were recommended, these are not material.

As the firm is registered with the Public Company Audit Oversight Board (“PCAOB”) in the US, we are also subject to inspections by the PCAOB. The most recent inspection took place in November 2008 and encompassed detailed file reviews of two of our SEC listed audit clients, together with a review of many of our firm wide governance and risk management practices. A clean report was issued by PCAOB in April 2011. The public report on the inspection was released on 29 April 2011 and both it and our response are available on [www.pcaobus.org](http://www.pcaobus.org).

Our firm is also registered with the Japanese Financial Services Agency, the Johannesburg Stock Exchange, the Isle of Man Financial Supervision Commission, the Jersey Financial Services Commission and the Guernsey Registry.

### **7.3 Client feedback**

In addition to internal and external monitoring of quality, we operate a formal program where we actively solicit feedback from those charged with governance on the quality of specific services that we have provided to them. The feedback we receive from this program is formally considered by our Executive Team and individual client service teams to ensure that we continually learn and improve the levels of client service that we deliver. Any urgent actions arising from client feedback are followed up by the engagement partner to ensure that concerns on quality are dealt with on a timely basis.

### **7.4 Monitoring of complaints**

We have procedures in place for monitoring and addressing complaints received from clients relating to the quality of our work. These procedures are detailed in our general terms of business.

### **7.5 Interaction with regulators**

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

### **7.6 Audit Quality Committee**

KPMG Ireland has established an Audit Quality Committee which is chaired by the Head of Audit. Its terms of reference include establishing a heightened focus on audit quality across the audit function and exercising oversight of sufficiency of QPR and regulatory inspection responses.

# 8. Corporate Social Responsibility

At KPMG Ireland we believe in Corporate Social Responsibility ("CSR"). It is at the heart of all great organisations, and we are committed to making a real difference to the communities in which we operate. All organisations have a social responsibility to their people, their clients and to society. We believe a real commitment to CSR unites an organisation, strengthens its reputation and creates vital links with the communities in which it operates. We want our employees to be part of this effort and to be actively involved in CSR activities that will ultimately make a positive impact on society.

KPMG Ireland strives to create a well-rounded CSR programme. In recognition of this, our initiatives have been grouped into six categories: Community, Charity, Education, Environment, Developing World and Workplace/ Marketplace.

We measure our CSR activity in our communities through a number of key metrics. Our metrics for the year to 31 December 2015 are set out below.

Community Connections	169
In-Kind Donations	€859,755
Cash Donations	€290,095
Number of volunteers	1,103
Employee volunteer hours	9,554
Employee fundraising	€142,808

CSR involves creating innovative and proactive solutions to societal and environmental challenges, as well as collaborating with both internal and external stakeholders to maximize the impact of our CSR activity in our community. The firm is committed to playing a leading role in achieving a sustainable future. We take responsibility for our actions and promote responsible business practices, support the growth and development of our people and communities, embed CSR in our values and business processes and create a distinctive business in a responsible way.

## Community

We believe that both KPMG Ireland and our staff have an opportunity to play a significant role in positively impacting our surrounding communities. The hard work and education obtained by our staff members serves as a good example to the youth in our community and allows us to engage with many organisations in the wider community such as The Business in the Community Ireland Ready for Working initiative which provides work experience and guidance to people who are looking to move on from homelessness into employment or training.

The Get Cents programme sees KPMG Ireland volunteers work with early school leavers (aged 16-21) to develop their financial know-how in managing their money, budgeting and saving.

KPMG Ireland partners with St. Michael's House to work with the charity to develop a new and innovative project of writing and packaging multi-sensory stories for use in the development and wellbeing of profoundly disabled children.

## Charity

Each year KPMG Ireland supports individual staff members who fundraise for their own personal charities, and gives them a donation towards their fundraising efforts based on the amount raised. This ensures that the firm supports a wide range of charities that our staff feel passionate about.

2015 marked the ninth year of KPMG Ireland's main charity fundraising drive – the Denis O'Connor Walk, which has raised €460,000 for various charities to date. The Denis O'Connor Walking Festival is an annual event that aims to raise funds for deserving causes. For the last number of years, people in KPMG Ireland, our alumni, and family and friends have raised money for a number of charities. In 2015 we had over 80 people participate in the walk and raised €26,000 for Debra Ireland.

## Education

Education is one of the key pillars of KPMG Ireland's CSR strategy and we believe that education is

paramount in terms of its contribution to the development of a successful society. Our education programme allows us to further the capacity of schools and colleges, work with children and young people to advance potential, and invest skills that support enterprise in the community. As part of this initiative through Business in the Community Ireland, KPMG Ireland has forged a highly successful relationship with CBS Westland Row School. This programme involves KPMG Ireland people mentoring 5th and 6th year students and making a real difference in their lives.

KPMG Ireland is also working with Business in the Community on a programme called Time to Read. This programme involves volunteers from businesses, including KPMG Ireland, providing one to one reading support to second class students in City Quay National School. The desired outcomes of the programme are to: increase the enjoyment of reading; improve fluency and comprehension when reading; increase confidence in reading; and improve and encourage self-discovery.

KPMG Ireland has led the charge in establishing Enactus in Ireland. Enactus is an international non-profit organisation, founded in the US, that works with leaders in business and higher education to mobilise university students to make a positive difference in their communities while developing the skills to become socially responsible business leaders. This is a way of uniquely engaging students by:

- giving them personal development opportunities;
- showcasing their talents and skills to a key business audience;
- getting students to be more socially aware and put in place solutions to community, environment and social issues;
- utilising the skill-sets of students to put their academic learning into real-life practice; and
- potentially having the honour and prestige of being crowned the Enactus Ireland National winner going on to represent Ireland at the Enactus World Cup.

There are 1,600 universities in 37 countries around the world participating in Enactus and this is a wonderful opportunity to showcase the best of Irish talent. The Board of Directors of Enactus Ireland is chaired by a representative of KPMG Ireland. The Board also consists of the CEOs of Enactus Ireland's other sponsors. In the 2014/15 academic year, eight third level institutions participated in the initiative.

## Environment

We are pleased to confirm that KPMG Ireland renewed its carbon neutral status for 2015. KPMG Ireland was the first professional services firm to achieve carbon neutral status in January 2007. KPMG

Ireland has moved all its energy supply to come from renewable sources and moved to a bin free office, encouraging all staff to individually segregate and recycle their waste.

## Developing World

KPMG Ireland also has CSR activity outside of Ireland. Working on projects in the Developing World is something that helps us reach out to people living in extreme poverty and dire health conditions. KPMG Ireland funded a project with Concern called Pathway to a better life. The programme is targeted at the poor in Haiti. The beneficiaries of the project are 'ultra-poor' female-headed households, selected through a rigorous and participatory process, and are directly benefiting from this project. Those families without land to farm, with very limited living accommodation and those lacking funds to educate their children are prioritised under this scheme. KPMG Ireland's project funding directly assisted 80 people in 2015.

## Workplace/Marketplace

We have a range of Workplace and Marketplace policies and practices in the CSR area. As part of a Workplace CSR initiative, KPMG Ireland has a workplace entrepreneurial programme to encourage staff to address local social and environmental needs. Project Bright is an innovative workplace initiative aimed at encouraging staff to be social entrepreneurs. Staff participated in a competition to identify social issues and then developed unique solutions that would make a real difference to the associated community organisation, utilising the skill-set of our own employees. Through this initiative KPMG Ireland is:

- directly engaging with staff;
- encouraging them to be innovative;
- getting the winning team to project manage the winning idea;
- empowering them to engage with a broad cross-section of their peers; and
- giving the winning team a tremendous development opportunity to attend the annual One Young World Summit for young leaders which was held in Bangkok in November 2015.

KPMG Ireland is also delighted to work with Social Entrepreneurs Ireland ("SEI"). SEI supports people who have big, new solutions to Ireland's social and environmental problems. They provide funding and a range of in-depth supports to significantly increase the impact of these solutions. In order to increase the impact of leading early stage social entrepreneurs, they provide a range of in-depth support, training, mentoring, useful connections and significant growth funding. The support focuses on increasing the capacity and sustainability of the social entrepreneur and scaling the impact of their work.

# 9. Financial information

The EU 8th Directive (locally S.I. No. 220 of 2010) requires disclosure of financial information that shows the importance of statutory audit work to the overall firm's results. The results set out below for the year to 31 December 2015 have been extracted from the draft partnership accounts which have not as of yet been finalised and approved by the partners. The amounts in respect of 2014 and 2013 have been extracted from the partnership accounts for those years.

Total fee income for the year to 31 December 2015 was €329m (2014: €300m, 2013: €270m) analysed as follows:

	2015	2014	2013
	€m	€m	€m
Audit	107	100	96
Tax	112	101	83
Advisory	110	99	91
<b>Total</b>	<b>329</b>	<b>300</b>	<b>270</b>

The classification above for audit work includes a small proportion of revenues derived from other assurance services which are directly related to audit.

The firm's Head of Finance and Administration is responsible for the preparation of financial information. Financial Performance is reviewed on a monthly basis by the Executive Team and is circulated to all partners on a monthly basis and is discussed at partner meetings.

The Executive Team has a reasonable expectation that the firm has adequate resources to continue in operational existence for the foreseeable future and therefore considers that the firm is a going concern.

The identification, evaluation, management and monitoring of the most significant risks that face our firm and could threaten the achievement of our strategic objectives are responsibility of the Executive Team.

# 10. Partner remuneration

Partners are remunerated out of the distributable profits of the firm as set out in the partnership accounts and as approved by the partnership. The determination of the profits available for distribution is based on the results of the firm as a whole and is not dependent directly on the performance of any particular line of business or function. The final allocation of profits to partners is made after assessing each partner's contribution for the year. This assessment is considered on an individual basis by the Remuneration Committee.

Each partner submits a written appraisal to the Remuneration Committee detailing his/her own view of performance against objectives over the previous year. The Committee hears a report from each partner's Counselling Partner on his/her individual performance for the year. Finally, as part of its deliberations, the Remuneration Committee also receives and considers presentations from the Heads of Audit, Tax and Legal Services, Advisory, Markets, Risk Management, and People and Operations setting out an assessment of the quality of work performed by partners during the year under review.

The Remuneration Committee details its findings and its recommendations in relation to profit allocations in a report at the end of the review process which is then circulated to all partners for their approval before the profit allocations for the year are finalised. Partner remuneration comprises primarily a

predetermined proportion of the profits arising which reflects the seniority and experience of each partner.

In addition to the profit share as described above, certain partners also receive a bonus payment, or special award, based on a number of criteria.

Our policies for all elements 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 supporting the firm's values.

Audit partners, (plus other non-audit specialist partners who are members of the audit team) are not permitted to have any objectives related to, or receive any remuneration based on, selling non-audit services to the firm's audit clients.

# 11. Network arrangements

## 11.1 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. The KPMG network consists of approximately 174,000 personnel working in 156 countries. For the year ended 30 September 2015 the member firms comprising the network generated aggregate revenues of US\$24.44billion.

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 its member firms.

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

KPMG International is an entity which is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture 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.

Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities.

## 11.2 Responsibilities and obligations of member firms

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

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. This includes having a firm structure that ensures continuity and stability and being able to adopt global and regional strategies, share resources (incoming and outgoing), service multinational clients, manage risk, and deploy global methodologies and tools. Each member firm takes responsibility for its management and the quality of its work.

In accordance with the Global Code of Conduct, partners and professionals working within member firms are required to act with integrity at all times. Compliance with key quality standards (including key aspects of methodologies, tools and management of risk) are specifically assessed as part of the International Review Programmes described in Section 7.1.

The results of these programmes are reported to various governance and management bodies within KPMG International which can, at its discretion, take a number of actions against the member firm concerned – including ultimately removal from the KPMG International network for any member firm which fails to meet the required quality standards.

Member firms are also required to have the capability to provide certain types of core services and to refer work to other member firms where appropriate.

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global Board.

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

## 11.3 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.

## 11.4 Governance structure

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

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit that KPMG International has no share capital and, therefore, only has members, not shareholders). Among other things, the Global Council elects the Chairman for a term of up to four years (renewable once) and also approves the appointment of Global Board members. It includes Global representation from 56 member firms that are "members" of KPMG International.

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 and ratifies the Global Chairman's appointment of the Global Deputy Chairman and members of the Global Management Team.

The Global Board includes the Chairman, the Deputy Chairman, the Chairman of each of the three regions - the Americas; Asia Pacific ("ASPAC"); 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 Chairmen of each of the regions and a number of Global Board and Global Management Team members. One of the 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 Chairman and the "non-executive" Board members.

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

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing the 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 Deputy Chairman, the Global Chief Operations Officer, Global function and infrastructure heads and the General Counsel.

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, a 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 implementation of KPMG International's policies and processes within the region.

Further details about KPMG International including the governance arrangements, can be found in its Transparency Report, which is available at [www.kpmg.com](http://www.kpmg.com).

## 11.5 Area Quality & Risk Management Leaders

KPMG International has a network of Area Quality & Risk Management Leaders ("AQRMLs"), reporting to the Global Vice Chair–Quality and Risk Management. The AQRMLs are members of the Global Quality & Risk Management Steering Group and each AQRML is allocated an area which covers one or more member firms. Their role is to enhance the KPMG network's ability to proactively monitor quality and risk management across member firms.

# 12. Statement 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 Ireland 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.

Our Policy Committee has considered:

- the design and operation of the quality control systems as described in this report;
- the findings from the various compliance programs operated by our firm (including the KPMG International Review Programs as described in section 7 and our local compliance monitoring programs); and
- findings from regulatory inspections and subsequent follow up and/or remedial actions

Taking all of this evidence together, the Policy Committee confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 31 December 2015.

Further, the Policy Committee confirms that an internal review of independence compliance within our firm has been conducted in the year to 31 December 2015.

# Appendices

# Appendix 1 - Leadership roles



**Shaun Murphy**

Managing Partner  
Lead Director of Global Board,  
Member of Global Council and  
EMA Board



**Paul Toner**

Head of Markets: Strategic  
Pursuits



**Conall O'Halloran**

Head of Audit  
Member of EMA Audit Board



**Niall Campbell**

Head of Markets: Other Sectors  
& Innovation



**Conor O'Brien**

Head of Tax & Legal Services  
Member of EMA Tax Board



**Paul Dobey**

Head of Risk Management  
Member of Global Quality & Risk  
Management Steering Group



**David Wilkinson**

Head of Advisory  
Member of the Global and EMA  
Advisory Boards



**Colm Gorman**

Head of People & Operations  
Member of Global HR Steering  
Group



**Darina Barrett**

Head of Markets: Financial Services  
Member of Global Markets  
Steering Group



**Martin Dobey**

Head of Finance &  
Administration

# Appendix 2 - Public Interest Entities

This list includes those audit clients for whom KPMG Ireland issued an audit opinion between 1 January 2015 and 31 December 2015 who were public interest entities as defined in the European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010 (S.I. No. 220 of 2010).

36 South Funds plc	Carador Income Fund PLC
Absolute Insight Funds plc	Carrefour Insurance Limited
Acorn Life Limited	Catalina Insurance Ireland Limited
adidas International Re Limited	Catalina Reinsurance Ireland Limited
Advance Umbrella Fund plc	CBOM Finance Plc
Aetna Health Insurance Company of Europe Limited	Citibank Europe plc
Alexandria Capital Plc	Coriolanus Limited
Allianz p.l.c.	Corsair Finance (Ireland) Limited
Allianz Global Life Limited	Corsair Finance (Ireland) No.2 Limited
Allianz Re Dublin Limited	Corsair Finance (Ireland) No.6 Limited
AMG Funds plc	Cramer Rosenthal McGlynn UCITS plc
Aminex plc	Da Vinci Synthetic Plc
Anthracite Investments (Ireland) plc	Darta Saving Life Assurance Limited
Aphex Capital plc	dbInvestor Solutions 2 plc
Aphex Europe CPP Plc	dbInvestor Solutions plc
Aria CDO II (Ireland) Public Limited Company	De Lage Landen Re Limited
ARP Halkin Mortgage Funds plc	Deco 10 - Pan Europe 4 plc
Atlantes Mortgage No. 1 Public Limited Company	Deco 2012-MHILL Limited
Aurum Funds plc	Deco 7 - Pan Europe 2 plc
Azor Mortgages Public Limited Company	Deco 9 - Pan Europe 3 plc
Babson Capital Global Investment Funds 2 plc	Delta Spark Limited
Babson Capital Global Investment Funds Plc	DEPFA ACS Bank
Babson Capital Global Umbrella Fund Plc	DEPFA Bank plc
Babson Capital Master Funding Public Limited Company	Devonshire Assets Managed Funds plc
Bank of Montreal Ireland plc	Diversification Strategy Fund plc
Beazley Re Limited	Diversified Macro Solutions Plc
Benteler Reinsurance Company Limited	E.I. Sturdza Funds plc
C&C Group plc	EDM Investment Funds plc
CABEI Central American Fund plc	Eirles One Limited
Camber 3 Plc	Eirles Three Limited

Eirles Two Limited	Ingenious Funds plc
Electric Insurance Ireland Limited	Insight Global Funds II Plc
Elva Funding Public Limited Company	Insight Global Funds III Plc
Ennismore Smaller Companies plc	Insight LDI Solutions Plus plc
Equinox CA Europe Ltd	Insight Liquidity Funds plc
Equinox Credit Funding PLC	Intesa Sanpaolo Bank Ireland plc
ESB Finance Limited	Intesa Sanpaolo Life Limited
Espirito Santo Investment plc	Iron Hill CLO Limited
Eurocredit CDO V Plc	IVI Umbrella Fund plc
Eurocredit CDO VII Plc	Ixion Public Limited Company
Euromax V ABS PLC	Kalvebod plc
Euromax VI ABS Limited	Kingspan Group plc
European Wealth Investment Fund plc	Lagoon Finance Limited
Forest Finance Plc	Laguna Life Limited
Freshwater Finance plc	Leo Capital Growth SPC plc
Fugu Credit plc	Leo Invest Plc
GE Capital European Funding	Lightpoint Pan-European CLO 2007-1 plc
GE Capital UK Funding	Lion I Re Limited
German Postal Pensions Securitisation 2 Public Limited Company	Lusitano Mortgages No. 1 Plc
German Postal Pensions Securitisation Public Limited Company	Lusitano Mortgages No. 2 Plc
Global Insurance Settlements Funds plc	Lusitano Mortgages No. 3 Plc
Go UCITS ETF Solutions plc	Lusitano Mortgages No. 4 Plc
Grafton Group plc	Lusitano Mortgages No. 5 Plc
Green Effects Investment plc	Lusitano Mortgages No. 6 Limited
Green Fields II Capital Limited	Lusitano Mortgages No. 7 Limited
Green REIT plc	Lusitano SME No. 1 Plc
Greencore Group plc	MAEXIM Secured Funding Limited
GS Secured Funding Public Limited Company	Magellan Mortgages No. 1 Public Limited Company
Guggenheim Global Investments Plc	Magellan Mortgages No. 2 Public Limited Company
Guggenheim Qualifying Investor Fund plc	Magellan Mortgages No. 3 Public Limited Company
Hannover Re (Ireland) Limited	Magellan Mortgages No. 4 Public Limited Company
Housing Finance Agency plc	Magna Umbrella Fund plc
HSBC Global Liquidity Funds plc	Magnolia Finance I Public Limited Company
Hypo Public Finance Bank	Magnolia Finance II Public Limited Company
Imagine International Reinsurance Limited	Magnolia Finance III Limited
Independent News & Media plc	Magnolia Finance IV Public Limited Company

Magnolia Finance IX Limited	Pelican Mortgages No. 2 Public Limited Company
Magnolia Finance V Public Limited Company	Petroswede Insurance Company Limited
Magnolia Finance VI Public Limited Company	Phoenix Natural Gas Finance plc
Magnolia Finance VII Public Limited Company	Phosagro Bond Funding Limited
Mainstay Medical International plc	Poalim Global Multi-Manager 20 plc
Majedie Asset Management (International) Investment Fund Company plc	Poalim Global Multi-Manager 50 plc
Maple-Brown Abbott Funds plc	Poalim Global Multi-Manager 70 plc
Markel Europe plc	Preps 2006-1 Public Limited Company
Market Vectors UCITS ETFs plc	Preps 2007-1 Public Limited Company
Marriott International Funds Plc	Prescient Global Funds plc
MBA Community Loans Plc	Prescient Global Qualified Investor Fund plc
MBDA Insurance Limited	Priestley Dublin Reinsurance Company Limited
Mercator CLO I Plc	Prime Edge Capital Public Limited Company
Mercator CLO II Plc	Prudential International Assurance plc
Mercator CLO III Limited	PSAE Re Limited
Mitsui Sumitomo Reinsurance Limited	PVE UCITS Funds plc
MMC Finance Limited	Rabobank Ireland plc
Montag & Caldwell Funds Plc	Rayo Finance Ireland (No. 1) Limited
Natinium Financial Products Plc	RMB Financial Services Limited
Navigator Mortgage Finance No. 1 Public Limited Company	RSA Insurance Ireland Limited
Newell Insurance Limited	Rubrika Finance Company Limited
Northern Bank Limited	Ryanair Holdings plc
Northern Trust Global Funds plc	Saturns Investments Europe Public Limited Company
Northern Trust Investment Funds plc	ScandiNotes Five Public Limited Company
Oak Hill European Credit Partners I PLC	Scotiabank (Ireland)Limited
Oak Hill European Credit Partners II PLC	Seamair Insurance Limited
Oaks Emerging Umbrella Fund plc	Slandia Finance (Ireland) Limited
Old Mutual International Ireland Limited	Société d'Assurances Générales Appliquées (SAGA) Limited
OMIGSA Alternative Assets plc	Squadron Reinsurance Limited
OMIGSA Alternative Strategies plc	Starts (Ireland) Plc
OneShare plc	Strategic Investment Funds UCITS plc
Ottam Mexican Capital Trust Limited	SVG Diamond Private Equity III plc
Paddy Power plc	Talanx Reinsurance (Ireland) Limited
Pan Insurance Limited	Talisman -4 Finance Plc
Paris Bertrand Sturdza Investments plc	Talisman -5 Finance plc
Pelican Mortgages No. 1 Public Limited Company	Talisman -6 Finance plc

Talisman -7 Finance Limited  
Tara Insurance Limited  
TCS Insurance Company of Ireland Limited  
TCS Reinsurance Company of Ireland Limited  
Tenax Credit Opportunities Fund Plc  
Tenax Financials Fund plc  
The World Markets Umbrella Fund plc  
Titian CDO Public Limited Company  
Tokio Marine Global Re Limited  
Triple Enhanced Rated Notes (TERN) Limited  
Tyre Reinsurance (Ireland) Limited  
UDG Healthcare plc  
UT2 Funding Plc  
Vallauris II CLO plc  
W&W Europe Life Limited  
Wagram Insurance Company Limited  
Wells Fargo Bank International  
Westwood Investment Funds plc  
Winchester Street Public Limited Company  
Windermere XIV CMBS Limited  
Xeron Insurance



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