



Transparency Report

Supplement

Assisting audit committees in meeting
NYSE rules on auditor communications

January 2019

kpmg.com/us/audit



1. Quality control

KPMG LLP (KPMG or "the firm") maintains a system of audit quality control that is designed to meet or exceed the requirements of applicable professional standards issued by the Public Company Accounting Oversight Board (PCAOB) and the American Institute of Certified Public Accountants (AICPA). The accompanying document, "[Transparency Report](#)," describes that system in more detail and encompasses:

- Tone at the top, including leadership responsibilities and ethics and integrity
- Association with the right clients
- Clear standards and robust audit tools, including independence, objectivity, and confidentiality
- Recruitment, development, and assignment of appropriately qualified personnel
- Commitment to technical excellence and quality service delivery
- Performance of effective and efficient audits
- Commitment to continuous improvement, including internal and external reviews

KPMG periodically reviews its policies and practices to respond to changes in regulatory and professional requirements.

2. Review action plans

As part of our continuous improvement and quality control efforts, KPMG has dedicated audit quality functions that determine root causes for audit quality deficiencies, participate in the development of remedial action plans, and monitor the timely implementation, execution, and effectiveness of those plans.

3. Internal and external inspections and other inquiries or investigations of audits carried out by the firm

Currently, we are not aware of any matter arising out of an internal or external inspection or any

inquiry or investigation by governmental or regulatory authorities against KPMG or any of its partners that might have a material adverse effect on KPMG's operations or our ability to fulfill our obligations as independent auditor to the entities we audit, nor were any such issues raised within the last five years. However, in resolving certain investigations, the firm agreed to enhance specific areas of its controls and policies. Accordingly, KPMG notes the following:

On August 15, 2017, the U.S. Securities and Exchange Commission (SEC or Commission) announced a settlement with the firm and one of its partners with respect to the firm's audit of the fiscal year 2011 financial statements of former client Miller Energy Resources, Inc. (Miller Energy) and the firm's review of Miller Energy's financial statements for the third quarter of fiscal year 2011. As part of the settlement, the firm agreed to the entry of an administrative order censuring it and obligating it to complete a number of undertakings. The undertakings included, among other things, conducting a firmwide internal review of the adequacy of the firm's policies and procedures with respect to the audit areas in which the SEC found deficiencies, and providing the SEC with a detailed report (the "KPMG Report") summarizing both the review itself and any changes that the firm made in those areas between 2011 and 2017, as well as any additional changes that the firm determined to make as a result of the review. In addition, as required by the settlement, KPMG hired an independent consultant, to whom the firm provided the KPMG Report, and who conducted his own review of the same areas. At the conclusion of his engagement, the independent consultant provided KPMG and the SEC with a report summarizing the review, noting that he concurred with the firm's finding that relevant policies, procedures, and training programs are adequate and sufficient to provide reasonable assurance of compliance with all relevant SEC regulations and PCAOB standards and rules. The consultant did not make any recommendations for additional changes.

In January 2014, KPMG and the SEC entered into a settlement of an administrative proceeding against the firm relating to alleged violations by the firm of the auditor independence rules with respect to three public company audit clients, between 2007 and 2011. As part of the settlement, KPMG consented to the entry of an administrative order by the SEC censuring the firm and requiring the payment of disgorgement and a civil monetary penalty totaling approximately \$8.2 million. In the years since these matters occurred, KPMG has undertaken, and the settlement obligates the firm to make, certain enhancements to its internal policies and procedures that are designed to enhance the firm's ability to educate, and monitor compliance by, its personnel with respect to applicable independence rules relating to the

provision of nonaudit services to SEC audit clients. As a part of the settlement, KPMG agreed to retain an independent consultant not unacceptable to the staff of the SEC, who determined that the changes have been designed and implemented in a manner reasonably sufficient to achieve the goals summarized above concerning the provision of nonaudit services to SEC audit clients. This settlement is a final resolution of the matter between the SEC and the firm.

As is typical in SEC settlements, KPMG neither admitted nor denied the allegations against it in either matter. KPMG remains fully committed to helping ensure it maintains a system of audit quality control that meets or exceeds all applicable standards, including those related to independence.



© 2019 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. NDPPS 734095

