

**Parliamentary Joint Committee on Corporations and Financial Services**  
**Inquiry into the regulation of auditing in Australia**  
**KPMG responses to Questions on Notice, received 23 December 2019**

**B. ASIC audit inspections**

**In respect of key audit areas and associated files where ASIC forms the view that a KPMG auditor did not obtain reasonable assurance about whether the financial report as a whole is free from material misstatement:**

***Question 1:***

Are the auditors involved penalised financially, including through the withholding of performance payments? Could you please provide data on the frequency and value of such penalties over the last five years?

***Response:***

ASIC inspection findings, our analysis of those findings, as well as the findings of our own quality performance review programme, are inputs into our performance management process. Our performance management process ensures that performance not meeting the standard we expect over the course of a year is not rewarded, not promoted or in some circumstances results in demotion. We have a process of reducing or, if appropriate, entirely removing the bonuses of partners and directors where issues with their work are identified. If necessary, partners or employees can also be exited from the firm.

***Question 2:***

Are the auditors involved counselled?

***Response:***

The views of ASIC are communicated throughout the inspection process and discussed thoroughly with the audit engagement team.

***Question 3:***

Are the auditors removed from the file?

***Response:***

We have no instance where a finding necessitated such action or where ASIC has suggested that such an action is appropriate. If the identified issue was that serious we would consider that action.

***Question 4:***

Are the partners managing the file penalised financially, including through the withholding of performance payments? Could you please provide data on the frequency and value of such penalties over the last five years?

***Response:***

See our response to question 1 above.

**Question 5:**

Are the partners managing the file counselled?

**Response:**

See our response to question 2 above.

**Question 6:**

Are the partners managing the file removed from the file?

**Response:**

See our response to question 3 above.

**Question 7:**

Are there any other actions that KPMG takes in response?

**Response:**

We take findings from ASIC's inspection process seriously and believe that process provides valuable insights to improve the quality of our audits. We conduct an evaluation of all matters identified by ASIC, including through a process of root cause analysis. We take action to address the findings in an appropriate manner, consistent with auditing standards and our policies and procedures. This includes timely and appropriate remediation of audit files, where inspection findings indicate concerns.