

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

C. General purpose financial statements

ATO Second Commissioner, Jeremy Hirschhorn, recently gave a speech on large market tax advisers and referred to the Big-4 as 'systemically important firms' <https://www.ato.gov.au/Media-centre/Speeches/Other/Reflections-on-being-a-large-market-tax-adviser/>.

Question 1:

Does KPMG agree that it is a systemically important firm?

The *Statement of Accounting Concepts 1 (SAC 1): Definition of the Reporting Entity* forms part of the accounting standards.

Response:

Firms such as KPMG play a crucial public role within society to engender confidence in capital markets, including through the provision of taxation services.

Question 2:

Does KPMG prepare its own accounts—undertake internal accounting—in accord with SAC 1?

Response:

As a partnership we prepare financial information to meet the needs of the owners (being our partners). We are not a Reporting Entity as defined by SAC 1.

SAC 1 establishes the concept of a reporting entity, and requires reporting entities to issue general purpose financial statements to provide for the information needs of dependent users.

Entities are defined as being:

any legal, administrative, or fiduciary arrangement, organisational structure or other party having the capacity to deploy scarce resources in order to achieve objectives.

The *Concept of the Reporting Entity* is defined as:

all entities (including economic entities) in respect of which it is reasonable to expect the existence of users dependent on general purpose financial reports for information....

Question 3:

Does KPMG meet the definition of a reporting entity?

Response:

See our response to question 1 above.

Question 4:

Does KPMG issue general purpose financial statements?

Response:

See our response to question 1 above.