



KPMG
International
Annual Review
2005

Section 10
Our commitment to
quality and integrity

KPMG INTERNATIONAL

Our commitment to quality and integrity

The quality and integrity of our people and our work is paramount to everything we do at KPMG. We recognize that the quality and integrity of the accounting profession is vital to confidence in the global capital markets.

Above all, we recognize that we operate in the public interest and we must be open and transparent in our operations and policies.

We welcome effective, independent oversight and will continue to collaborate with our regulators, governments, clients and the investor community to continuously improve quality and promote confidence in the capital markets.

We believe quality and integrity start with culture.

That's why we place so much emphasis on bringing our shared values alive within member firms, and helping to ensure that everyone follows our Global Code of Conduct. The code sets out the minimum requirements for people in each member firm, and local requirements are added where relevant. It is not just the tone from the top which is critical,

but also the words and actions of individuals throughout the network, in every member firm, at all levels.

Our processes and methodologies support our commitments.

For example, we have one services policy for all member firms, and this defines exactly which services a member firm can provide and those it cannot provide. This reflects our values and policies, where we have capabilities and what different markets expect of us, helping people to understand exactly what we do. Our performance management and remuneration policies also reinforce our values.

Member firms must meet the minimum requirements set out in the policies and regulations of KPMG International, and are solely responsible for their actions. Membership of KPMG can be



terminated if a firm has acted contrary to the objectives of the KPMG International cooperative, or the policies and regulations, or has otherwise violated their obligations.

Independence, integrity, ethics, and objectivity—these are all vital to the way we work.

It is the responsibility of each person working within a member firm to maintain their integrity and objectivity, to exercise a high standard of professional judgment, and to comply with professional ethics and independence policies and requirements. Their actions are guided and monitored through a set of consistent standards, processes and procedures.

A comprehensive set of global safeguards is in place to help us meet our commitment to independence.

These include pre-approval checks for every new client or assignment, systems for avoiding conflicts of interest, and the rotation of audit partners when necessary.

Member firms have established policies and procedures for deciding whether to accept or continue a client relationship.

There are also policies and procedures related to whether to perform a specific engagement for a current or prospective client.

In all cases, the decision to accept or continue a client relationship is documented and approved by the appropriate risk management and business leaders within each member firm.

The KPMG Audit Methodology has been developed to comply with the requirements of the International Standards on Auditing. It is consistent within all member firms worldwide, and is supported by globally consistent training for auditors at KPMG. The methodology is enhanced by an established set of supervision, review and consultation standards supported by leading technology. KPMG was an early adopter of the principles and procedures set forth in revised ISA 240, The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements.

Risk management is a very important issue in our profession and has a high profile within KPMG.

The Global Risk Management Steering Group establishes and promulgates policies, procedures and guidance with a view to enhancing member firms' risk management and quality control processes.

We have established principles and policies relating to the people working within member firms.

The Global HR Guiding Principles help attract, retain and develop the talent necessary to service clients and grow. Member firm professionals are required to meet their continuing professional education requirements through professional development.

KPMG member firms pledge to keep pace with the evolution of business and markets

by continuing their substantial investment in the research and development needed to maintain audit and other engagement quality, and by keeping abreast of the changes in the profession resulting from changing public expectations and regulatory oversight.

Monitoring and compliance

Member firms' compliance with policies is monitored through vigorous independent activities including reviews of independence, quality performance and risk management.

For further information refer to our full transparency report at:

www.kpmg.com/review2005

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