PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of KPMG Auditores Independentes Ltda. (Brazil),

Respondent.

PCAOB Release No. 105-2025-008

March 11, 2025

By this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order"), the Public Company Accounting Oversight Board ("Board" or "PCAOB") is:

(1) censuring KPMG Auditores Independentes Ltda. ("KPMG Brazil," the "Firm," or "Respondent");

(2) imposing a civil money penalty in the amount of $700,000 upon the Firm; and

(3) requiring the Firm to undertake certain remedial actions as described in Section V of this Order.

The Board is imposing these sanctions on the basis of its findings that, between 2020 and 2023, the Firm: (a) failed to make certain required communications to the relevant audit committee or audit committee equivalent in connection with 38 issuer audits, in violation of AS 1301.10d, *Communications with Audit Committees*; (b) failed to report on PCAOB Form 2 the audit reports or consents issued by the Firm in connection with six issuer audits, in violation of PCAOB Rule 2200, *Annual Report*; (c) filed two inaccurate Form APs, in violation of PCAOB Rule 3211(a), *Auditor Reporting of Certain Audit Participants*; and (d) violated PCAOB quality control standards.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the "Act"), and PCAOB Rule 5200(a)(1) against Respondent.

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, KPMG Brazil has submitted an Offer of Settlement ("Offer") that the Board has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board's jurisdiction over Respondent and the subject matter of these proceedings, which is admitted, Respondent consents to the entry of this Order as set forth below.[1]

III.

On the basis of Respondent's Offer, the Board finds that:

A. Respondent

1. **KPMG Auditores Independentes Ltda.** is a public accounting firm headquartered in São Paulo, Brazil. The Firm is a member of the KPMG International Limited network of firms. KPMG Brazil is registered with the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários) and issues audit reports in Brazil. KPMG Brazil is licensed to practice public accounting by the Conselho Regional de Contabilidade do Estado de São Paulo (license no. 2SP014428/06). At all relevant times, KPMG Brazil was registered with the Board pursuant to Section 102 of the Act and PCAOB rules, and was a "registered public accounting firm," as that term is defined in Section 2(a)(12) of the Act and PCAOB Rule 1001(r)(i). During the period covered by this Order, the Firm annually served as the principal auditor for between 10 and 14 issuer clients.

B. Other Relevant Entity

2. **KPMG Assurance Services Ltda.** ("KPMG Assurance") is a public accounting firm headquartered in São Paulo, Brazil. At all relevant times, KPMG Assurance was not registered with the Board. KPMG Assurance is licensed to practice public accounting by the Conselho Regional de Contabilidade do Estado de São Paulo (license no. 2SP-023228/0), and issues audit reports in Brazil. During the period covered by this Order, KPMG Assurance performed audit procedures in connection with numerous issuer audits KPMG Brazil performed. At all relevant times, KPMG Assurance was a "public accounting firm," as that term is defined in Section 2(a)(11) of the Act and PCAOB Rule 1001(p)(iii).

[1] The findings herein are made pursuant to Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

C. Summary

3. This matter concerns KPMG Brazil's repeated violations of PCAOB rules and standards in connection with (a) its failure to make certain required communications to the relevant audit committee or audit committee equivalent in connection with 38 issuer audits the Firm performed for fiscal years between 2019 and 2022, in violation of AS 1301.10d; (b) its failure to report on PCAOB Form 2 audit reports or consents that the Firm issued in connection with six issuer audits, in violation of PCAOB Rule 2200; and (c) its filing of two inaccurate Form APs, in violation of PCAOB Rule 3211(a).

4. This matter also concerns KPMG Brazil's violation of PCAOB quality control standards related to engagement performance and monitoring. Specifically, from 2020 through 2023, KPMG Brazil failed to establish and implement adequate policies and procedures, including monitoring procedures, to provide reasonable assurance that the Firm would make required audit committee communications and file accurate Form 2s and Form APs.

D. KPMG Brazil Failed to Make Required Audit Committee Communications in Violation of AS 1301.10d

5. Pursuant to PCAOB auditing standards, an auditor should communicate with a company's audit committee regarding certain matters related to the conduct of an audit and obtain certain information from the audit committee relevant to the audit.[2] The auditor should communicate to the audit committee an overview of the overall audit strategy, including the timing of the audit, and discuss with the audit committee the significant risks identified during the auditor's risk assessment.[3]

6. PCAOB standards specify that each auditor, as part of communicating the overall audit strategy, should communicate with the audit committee the names, locations, and

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[2] AS 1301.01. For purposes of AS 1301, "audit committee" is defined as "[a] committee (or equivalent body) established by and among the board of directors of a company for the purpose of overseeing the accounting and financial reporting processes of the company and audits of the financial statements of the company; if no such committee exists with respect to the company, the entire board of directors of the company." AS 1301, Appendix A ¶ A2.

[3] AS 1301.09. In the adopting release for Auditing Standard No. 16 (now known as AS 1301), the Board indicated that "[c]ommunications between the auditor and the audit committee allow the audit committee to be well-informed about accounting and disclosure matters, including the auditor's evaluation of matters that are significant to the financial statements, and to be better able to carry out its oversight role." *See Auditing Standard No. 16—Communications With Audit Committees; Related Amendments to PCAOB Standards; and Transitional Amendments to AU Sec. 380*, PCAOB Rel. No. 2012-004, at 2 (Aug. 15, 2012) ("AS 1301 Adopting Release").

planned responsibilities of other independent public accounting firms[4] or other persons, who were not employed by the auditor, that performed audit procedures in the current period audit.[5]

7. In connection with the 38 audits identified with "X" below, KPMG Brazil used KPMG Assurance to perform certain audit procedures as an other independent public accounting firm.[6] With respect to each of the 38 audits, KPMG Brazil failed to communicate KPMG Assurance's name, location, and planned responsibilities to the relevant issuer's audit committee or audit committee equivalent.

Issuer[7]	**Year Ended December 31, 2019**	**Year Ended December 31, 2020**	**Year Ended December 31, 2021**	**Year Ended December 31, 2022**
Bank Bradesco S.A.	X	X	X	X
Braskem S.A.	X	X		
BRF S.A.	X	X	X	X
CI&T Inc		X	X	X
Companhia de Saneamento Básico do Estado de São Paulo-SABESP	X			
Energy Co of Minas Gerais				X

4 The term "other independent public accounting firms" in the context of communications with audit committees pursuant to AS 1301 includes "firms that perform audit procedures in the current period audit regardless of whether they otherwise have any relationship with the auditor." AS 1301.10d, Note.

5 AS 1301.10d. In the AS 1301 Adopting Release, the Board explained the rationale for identifying other independent public accounting firms for the audit committee as follows: "The audit committee should be aware of all the participants in the audit. This communication regarding other participants in the audit would enable the audit committee to inquire or otherwise determine, for example, whether the other participants are registered with the Board and are subject to PCAOB inspections and whether they have disciplinary history with the Board or other regulators." AS 1301 Adopting Release at Appendix 4, A4-15.

6 KPMG Brazil also failed to make the required audit committee communications in connection with the Firm's audit of Petróleo Brasileiro S.A. Petrobras for the year ended December 31, 2021 (the "2021 Petrobras Audit"), which the Board addressed in a previous disciplinary order. *See KPMG Auditores Independentes Ltda.*, PCAOB Rel. No. 105-2023-034 (Nov. 14, 2023) ("November 2023 Order").

7 Each of the issuers referenced in the table was an "issuer," as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii), at the time that the Firm issued the relevant audit report(s).

Issuer[7]	**Year Ended December 31, 2019**	**Year Ended December 31, 2020**	**Year Ended December 31, 2021**	**Year Ended December 31, 2022**
Cosan Ltd.	X			
CPFL Energy Inc ("CPFL")	X			
Gerdau S.A.		X	X	
Gol Intelligent Airlines Inc.	X			
Inter & Co, Inc.		X	X	X
JBS S.A.				X
Natura & Co Holding S.A.	X			
Nu Holdings Ltd.		X	X	X
Petróleo Brasileiro S.A. Petrobras ("Petrobras")	X	X		
Ultrapar Holdings Inc.	X	X	X	
Vasta Platform Limited			X	X
Zenvia Inc. ("Zenvia")		X	X	X

8. Accordingly, KPMG Brazil violated AS 1301.10d in connection with each of the 38 audits identified above.

E. KPMG Brazil Failed to Report on Form 2 Information Related to Issuer Audit Reports and Consents in Violation of PCAOB Rule 2200

9. PCAOB Rule 2200 requires that registered public accounting firms file annual reports with the Board on Form 2 "following the instructions to that form." The instructions to Form 2 require firms to identify and provide certain information relating to issuer or broker or dealer audit reports issued during the reporting period.[8] They also require that a firm representative certify, among other things, that the Form "does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading."[9]

10. With respect to six audits, KPMG Brazil failed to report on Form 2 the audit reports or consents that the Firm issued, as summarized below.

11. KPMG Brazil failed to report on any Form 2 audit reports the Firm issued for the following five audits: (1) the Firm's audit of Gerdau S.A. for the year ended December 31, 2020 (audit report issued April 21, 2021); (2) the Firm's audit of PicS Ltd. for the year ended December 31, 2020 (audit report issued February 10, 2021); (3) the Firm's audit of Zenvia for

8 Form 2, *Annual Report Form*, Item 4.1 ("Form 2 Instructions").

9 Form 2 Instructions, Item 10.1(d).

the year ended December 31, 2020 (audit report issued March 24, 2021); (4) the Firm's audit of Inter & Co, Inc.'s predecessor Inter Platform Inc. for the year ended December 31, 2021 (audit report issued April 15, 2022); and (5) the Firm's audit of JBS S.A. for the year ended December 31, 2022 (audit report issued March 29, 2023).

12. KPMG Brazil also failed to identify Zenvia as an audit client on the Firm's Form 2 filed on June 30, 2023, even though during the reporting period for that Form 2, the Firm issued consents on July 7, 2022, and March 8, 2023. Those consents authorized Zenvia to use the audit report the Firm issued on March 31, 2022, in connection with its audit of Zenvia for the year ended December 31, 2021 (the "2021 Zenvia Audit").[10]

13. By failing to report on Form 2 the audit reports or consents issued by the Firm in connection with the six audits described above, KPMG Brazil violated PCAOB Rule 2200.

F. KPMG Brazil Filed Two Inaccurate Form APs in Violation of PCAOB Rule 3211(a)

14. PCAOB Rule 3211 provides that each registered public accounting firm must provide information about engagement partners and other accounting firms that participate in audits of issuers by filing a Form AP for each audit report issued by the firm for an issuer.

15. PCAOB Rule 3211(a) provides that, "[f]or each audit report it issues for an issuer, a registered public accounting firm must file with the Board a report on Form AP in accordance with the instructions to that form."[11]

16. The instructions to Item 4.1 of Form AP "Part IV – Responsibility for the *Audit* Is Not Divided" require that, where the extent of participation of an "other accounting firm"[12] in an audit constitutes 5% or greater of total audit hours, the auditor must state in the relevant

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[10] The instructions to Form 2 do not require Firms to provide the date of consents to an issuer's use of a previously-issued audit report, but note that "if such consents constitute the only instances of the Firm issuing audit reports for a particular issuer during the reporting period, the Firm should include that issuer in [the relevant Form 2] and include the dates of such consents and indicate whether the dates provided correspond to the issuance of a consent to the use of a previously-issued audit report." Form 2 Instructions, Item 4.1(b), Note.

[11] PCAOB Rule 3211(a).

[12] *See* Form AP, *Auditor Reporting of Certain Audit Participants*, General Instructions ¶ 2 ("'[O]ther accounting firm' means (i) a *registered public accounting firm* other than the Firm [filing the Form AP]; or (ii) any other *person* or entity that opines on the compliance of any entity's financial statements with an applicable financial reporting framework.").

Form AP the legal name of the other accounting firm and the extent of its participation in the audit.[13]

17. As described below, KPMG Brazil filed two inaccurate Form APs in connection with the Firm's audit of CPFL for the year ended December 31, 2019 (the "2019 CPFL Audit") and the 2021 Zenvia Audit, in violation of PCAOB Rule 3211(a).

i. The 2019 CPFL Audit

18. KPMG Brazil's Form AP for the 2019 CPFL Audit, filed on May 29, 2020, listed no participating other accounting firms in Part IV. However, KPMG Brazil had utilized KPMG Assurance to perform approximately 2,000 hours of work in connection with the 2019 CPFL Audit, accounting for over 5% of the total audit hours. As such, KPMG Brazil should have reported KPMG Assurance in its Form AP as a participating other accounting firm.

19. Accordingly, KPMG Brazil violated PCAOB Rule 3211(a) in connection with the Form AP for the 2019 CPFL Audit.

20. KPMG Brazil filed an amended Form AP for the 2019 CPFL Audit on September 29, 2020, amending the previously-filed Form AP to list "KPMG Assurance Services Ltda" as a participating other accounting firm in Item 4.1, with a participation level of 5% to less than 10%.

ii. The 2021 Zenvia Audit

21. In KPMG Brazil's Form AP for the 2021 Zenvia Audit, filed on May 5, 2022, the Firm identified KPMG Assurance as a participating other accounting firm at a 20% to less than 30% level.

22. After being contacted by the Division of Enforcement and Investigations, KPMG Brazil realized that it had incorrectly attributed 138 hours from KPMG Assurance's work on a 2020 local statutory audit to the 2021 Zenvia Audit.

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13 In the adopting release for PCAOB Rule 3211, the Board indicated that information provided on Form AP was "intended to help investors understand how much of the audit was performed by the accounting firm signing the auditor's report and how much was performed by other accounting firms," and allow investors to "research publicly available information about the firms identified in the form, such as whether a participating firm is registered with the PCAOB, whether it has been inspected and, if so, what the results were and whether it has any publicly available disciplinary history." *See Improving the Transparency of Audits: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form and Related Amendments to Auditing Standards*, PCAOB Rel. No. 2015-008, at 4 (Dec. 15, 2015).

23. KPMG Brazil filed an amended Form AP on February 8, 2024, and adjusted the level of KPMG Assurance's participation to exclude the statutory audit hours, changing its reported participation to a 10% to less than 20% level.

24. Accordingly, KPMG Brazil violated PCAOB Rule 3211(a) in connection with the Form AP for the 2021 Zenvia Audit.

G. KPMG Brazil Violated PCAOB Quality Control Standards

25. PCAOB rules require that a registered firm comply with PCAOB quality control standards.[14] Those standards require a firm to "have a system of quality control for its accounting and auditing practice."[15] As part of this requirement, "[p]olicies and procedures should be established to provide the firm with reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality."[16]

26. PCAOB quality control standards also recognize that monitoring procedures are necessary "to provide the firm with reasonable assurance that the policies and procedures relating to each of the other elements of quality control are suitably designed and are being effectively applied," and that its system of quality control is effective.[17] Under PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among other things, compliance with the firm's policies and procedures.[18] Procedures that provide the firm with a means of identifying and communicating circumstances that may necessitate changes to or the need to improve compliance with the firm's policies and procedures contribute to the monitoring element.[19]

27. From 2020 through 2023, KPMG Brazil failed to establish and implement adequate policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that (1) the work performed by engagement personnel met applicable professional standards, regulatory requirements, and the firm's standards of quality related to communicating with audit committees and equivalent bodies, Form 2 reporting, and Form AP

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14 PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3400T, *Interim Quality Control Standards*.

15 QC § 20.01, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*; *see also* QC §§ 20.02-.03.

16 QC § 20.17.

17 QC §§ 30.02-.03, *Monitoring a CPA Firm's Accounting and Auditing Practice*; *see also* QC § 20.20.

18 *See* QC §§ 20.20.d, 30.02.d.

19 *See* QC § 30.03.

reporting; and (2) the Firm's relevant policies and procedures were suitably designed and were being effectively applied, and its system of quality control was effective.

28. Although KPMG Brazil had certain relevant quality control policies and procedures, the Firm failed to implement and monitor them in an adequate manner. As a result, KPMG Brazil failed to make required audit committee communications in connection with numerous issuer audits the Firm performed for fiscal years between 2019 and 2022 and filed inaccurate Form 2s and Form APs during that time frame.

29. Accordingly, KPMG Brazil failed to comply with QC § 20 and QC § 30.[20]

IV.

30. The Board previously ordered KPMG Brazil to engage in remedial actions to establish, revise, or supplement, as necessary, policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that Firm personnel will communicate to audit committees all matters required by AS 1301.[21]

31. KPMG Brazil has represented that, following the November 2023 Order, it has established and implemented the following changes to its policies and procedures for the purpose of providing it with reasonable assurance of compliance with PCAOB standards for communications with audit committees and the documentation of those communications:

A. KPMG Brazil has implemented updated audit committee communications templates;

B. KPMG Brazil has communicated requirements related to audit committee communications, and the updated templates, to all personnel working on issuer audits;

C. KPMG Brazil has implemented a requirement that engagement partners and engagement quality reviewers on issuer audits submit confirmations regarding the use of the Firm's updated audit committee communication templates and compliance with audit committee communication requirements;

D. KPMG Brazil has assigned a member of the Firm's Risk Management department to track confirmations received via the procedure described in item (C) above, review each confirmation, and follow up on any concerns with respect to compliance with audit committee communication requirements; and

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20 *See* QC §§ 20.17, .20; QC §§ 30.02-.03.

21 *See* November 2023 Order at 5.

E. KPMG Brazil has provided training to issuer audit personnel at the manager level and above regarding audit committee communication requirements.

V.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), KPMG Brazil is hereby censured;

B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of $700,000 is imposed upon KPMG Brazil.

1. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act.

2. KPMG Brazil shall pay this civil money penalty within ten (10) days of the issuance of this Order by: (a) wire transfer pursuant to instructions provided by Board staff; or (b) United States Postal Service money order, bank money order, certified check, or bank cashier's check (i) made payable to the Public Company Accounting Oversight Board, (ii) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (iii) submitted under a cover letter, which identifies KPMG Brazil as a respondent in these proceedings, sets forth the title and PCAOB release number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006.

3. If timely payment is not made, interest shall accrue at the federal debt collection rate set for the current quarter pursuant to 31 U.S.C. § 3717. Payments shall be applied first to post-Order interest.

4. KPMG Brazil understands that failure to pay the civil money penalty described above may result in summary suspension of KPMG Brazil's registration, pursuant to PCAOB Rule 5304(a), following written notice to KPMG Brazil at the address on file with the PCAOB at the time of the issuance of this Order.

C. With respect to audit committee communications, pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), KPMG Brazil is required to comply with its revised policies and procedures, including those described in Section IV above, intended to provide reasonable assurance that Firm personnel will comply with PCAOB standards for communications with audit committees and the documentation of those communications.

D. With respect to Form 2s and Form APs, pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), the Board orders that:

1. Review by KPMG Brazil. Within ninety (90) days of the date of this Order, KPMG Brazil shall review and evaluate its quality control policies and procedures to assess whether those policies and procedures provide the Firm with reasonable assurance that its personnel and other associated persons (i) file accurate Form 2s in compliance with PCAOB Rule 2200 and (ii) file accurate Form APs in compliance with PCAOB Rule 3211;

2. Reporting. Within ninety (90) days of the date of this Order, KPMG Brazil shall submit a written report to the Director of the Division of Enforcement and Investigations summarizing the review and evaluation of the areas specified in paragraph D.1 above ("Report"). The Report shall describe any modified or additional policies or procedures adopted or to be adopted by KPMG Brazil or, if KPMG Brazil concludes no such modifications or additions should be adopted, a detailed and satisfactory explanation of why the Firm believes changes are not warranted. In addition, KPMG Brazil shall submit any additional information and evidence concerning the Report, the information in the Report, and KPMG Brazil's compliance with this Order as the staff of the Division of Enforcement and Investigations may reasonably request.

3. Certificate of Implementation. Within one hundred eighty (180) days of the date of this Order, KPMG Brazil's Chief Executive Officer shall certify in writing ("Certificate of Implementation") to the Director of the Division of Enforcement and Investigations that KPMG Brazil has implemented all of the modifications and additions, if any, to its policies and procedures that were described in the Report. The Certificate of Implementation shall provide written evidence of KPMG Brazil's adoption of such modifications and additions in narrative form, identify the actions taken to implement such modifications and additions, and be supported by exhibits sufficient to demonstrate implementation. KPMG Brazil shall also submit such additional evidence of, and information concerning, implementation as the staff of the Division of Enforcement and Investigations may reasonably request.

E. KPMG Brazil understands that a failure to satisfy all applicable undertakings may constitute a violation of PCAOB Rule 5000 that could provide a basis for the imposition of additional sanctions in a subsequent disciplinary proceeding.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

March 11, 2025