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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of KPMG (Australia),

Respondent.

PCAOB Release No. 105-2025-016

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 (“KPMG Australia,” the “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$225,000 upon the Firm; and
- (3) requiring the Firm to undertake certain remedial actions as described in Section IV 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 audit committee of an issuer client in two separate audits, in violation of AS 1301.10d, *Communications with Audit Committees*; (b) filed four inaccurate Form APs in connection with its audits of two issuer clients, in violation of PCAOB Rule 3211(a), *Auditor Reporting of Certain Audit Participants*; and (c) 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 Australia 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** is a public accounting firm headquartered in Sydney, Australia. It is a member firm of the KPMG International Limited network of firms ("KPMG International"). At all relevant times, KPMG Australia was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. During the period covered by this Order, the Firm reported that it annually served as the principal auditor for one or two issuer clients.

B. Issuers

2. **BHP Group Limited** ("BHP Group") is headquartered in Melbourne, Australia. Its public filings disclose that it is a mining company that, with UK-based BHP Group Plc, operated as a combined group known as "BHP." BHP Group was, at all relevant times, an "issuer" as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). KPMG Australia issued joint audit reports that BHP Group included in its Form 20-F filed with the Commission for the fiscal year ended June 30, 2019 (the "2019 BHP Audit").

3. **Rio Tinto Limited** ("Rio Tinto") is headquartered in Melbourne, Australia. Its public filings disclose that it is a metal and mining corporation. Rio Tinto was, at all relevant times, an "issuer" as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). KPMG Australia issued audit reports that Rio Tinto included in its Form 20-Fs filed with the Commission for the fiscal years ended December 31, 2021 and 2022 (the "Rio Tinto Audits").

C. Other Relevant Entities

4. **KPMG LLP** ("KPMG UK") is a public accounting firm headquartered in London, United Kingdom. KPMG UK performed audit work for and jointly issued (with KPMG Australia) audit reports in connection with the 2019 BHP Audit. At all relevant times, KPMG UK was

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.

registered with the Board pursuant to Section 102 of the Act and PCAOB rules, was a member firm of KPMG International and participated in one or more of KPMG Australia’s issuer audits.

D. Summary

5. This matter concerns KPMG Australia’s violations of PCAOB rules and standards in connection with its failure to disclose, or accurately disclose, the participation of other accounting firms in issuer audits. Specifically, KPMG Australia failed to make certain required communications to Rio Tinto’s audit committee in the Rio Tinto Audits, in violation of AS 1301.10d. In addition, KPMG Australia filed four inaccurate Form APs from 2020 through 2023 in connection with the 2019 BHP Audit and the Rio Tinto Audits, in violation of PCAOB Rule 3211(a).

6. Finally, between 2020 and 2023, KPMG Australia violated PCAOB quality control standards by failing to establish appropriate policies and procedures, including monitoring procedures, to provide reasonable assurance that the Firm’s audit professionals would accurately identify in required Form AP filings the accounting firms that participated in KPMG Australia audits and the percentage of their participation.

E. KPMG Australia Failed to Make Required Audit Committee Communications in Violation of AS 1301.10d

7. 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

8. PCAOB standards specify that each auditor, as part of communicating the overall audit strategy, should communicate with the audit committee the names, locations, and planned responsibilities of other independent public accounting firms⁴ or other persons, who

² See AS 1301.01.

³ *Id.* at .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”).

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

were not employed by the auditor, that performed audit procedures in the current period audit.⁵

9. In connection with KPMG Australia’s Rio Tinto Audits, KPMG Australia used another KPMG International member firm to perform certain audit procedures as an other independent accounting firm. However, with respect to the Rio Tinto Audits, KPMG Australia failed to communicate the other accounting firm’s name, location, and planned responsibilities to Rio Tinto’s audit committee.

10. Accordingly, KPMG Australia violated AS 1301.10d in connection with each of the Rio Tinto Audits.

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

11. 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, *Auditor Reporting of Certain Audit Participants*, for each audit report issued by the firm for an issuer.⁶

12. 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.”

13. The instructions to Item 4.1 of Form AP “Part IV - Responsibility for the *Audit Is Not Divided*” require that an auditor who uses an “other accounting firm”⁷ that incurs more

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, p. A4-15.

⁶ Form APs must be filed by the 35th day after the date the audit report is first included in a document filed with Commission, see PCAOB Rule 3211(b)(1), subject to a shorter filing deadline that applies when the audit report is first included in a registration statement filed under the Securities Act of 1933, as amended, see PCAOB Rule 3211(b)(2).

⁷ See General Instruction No. 2 of Form AP (“‘[O]ther accounting firm’ means (i) a *registered public accounting firm* other than the Firm; or (ii) any other *person* or entity that opines on the compliance of any entity’s financial statements with an applicable financial reporting framework”).

than 5% of the total audit hours “[s]tate the legal name of *other accounting firms* and the extent of participation in the *audit*” in its Form AP.⁸

14. The instructions to Item 4.2 of Form AP “Part IV – Responsibility for the *Audit Is Not Divided*” require an auditor to “[s]tate the number of *other accounting firm(s)* individually representing less than 5% of total audit hours” and “[i]ndicate the aggregate percentage of participation” by those other accounting firms.⁹

15. Form AP Item 3.2 explains that an other accounting firm participated in the audit if “the Firm assume[d] responsibility for the work and report of the *other accounting firm* as described in . . . AS 1205, *Part of the Audit Performed by Other Independent Auditors*,” or “the *other accounting firm* or any of its principals or professional employees was subject to supervision under AS 1201, *Supervision of the Audit Engagement*.”¹⁰

16. In connection with the 2019 BHP Audit and the Rio Tinto Audits, KPMG Australia filed Form APs that failed to accurately report information concerning the Firm’s use and reporting of component auditors.¹¹

i. KPMG Australia Failed to Accurately Report in Form AP the Participation of Other Accounting Firms in its 2019 BHP Audit

17. In connection with KPMG Australia’s 2019 BHP Audit, KPMG Australia and KPMG UK both performed audit work and jointly issued audit reports on BHP’s consolidated June 30, 2019 financial statements and the effectiveness of BHP’s internal controls over financial reporting as of June 30, 2019.

18. KPMG Australia utilized 10 other accounting firms to perform audit work on the 2019 BHP Audit.

⁸ In the adopting release for PCAOB Rule 3211, the Board explained 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).

⁹ See Item 4.2 and Part IV of Form AP.

¹⁰ See Note to Item 3.2 of Form AP.

¹¹ Each of the other accounting firm participants in the Order meet the definition of an “other accounting firm” requiring reporting on Form AP in accordance with the instructions of Form AP. *See* Rule 3211(a) and *supra* note 7.

19. On October 23, 2020, KPMG Australia filed a Form AP for the 2019 BHP Audit that reported the participation of three other accounting firms representing less than 5% of total audit hours, but failed to report the participation of seven other accounting firms, despite knowing of those firms' participation in the 2019 BHP Audit.¹²

20. KPMG Australia filed an amended Form AP for the 2019 BHP Audit on October 13, 2021. The October 13, 2021 amended Form AP made certain changes, but only reported five additional (of the seven) other accounting firms representing less than 5% of total audit hours (and accordingly increased the number of firms individually participating in less than 5% of total audit hours by five, from three to eight).

21. Accordingly, KPMG Australia violated PCAOB Rule 3211(a) in connection with the Form AP and the amended Form AP filed for the 2019 BHP Audit.

22. On November 23, 2023, KPMG Australia filed a second amended Form AP for the 2019 BHP Audit, which reported two additional other accounting firms representing less than 5% of total audit hours, increasing the number of firms individually participating in less than 5% of total audit hours from eight to 10.

ii. KPMG Australia Failed to Report the Participation of a Component Auditor

23. In connection with the Rio Tinto Audits, KPMG Australia directly engaged another KPMG International member firm in India to perform audit procedures to support a component auditor.

24. Following the Rio Tinto Audits, KPMG Australia filed Form APs. In its Form AP filings, despite knowing of the other accounting firm's work on the Rio Tinto Audits, KPMG Australia failed to report the other KPMG International member firm as a participant in the audits.

25. Accordingly, KPMG Australia violated PCAOB Rule 3211(a) in connection with the Form APs for the Rio Tinto Audits.

26. On November 23, 2023, KPMG Australia filed amended Form APs for each of the Rio Tinto Audits to report the participation the KPMG International member firm as an other accounting firm representing less than 5% of total audit hours.

¹² In connection with its audit of BHP's June 30, 2019, financial statements, KPMG Australia and KPMG UK reissued (and dual-dated) their joint audit report on September 22, 2020, resulting in KPMG Australia filing a Form AP on October 23, 2020.

G. KPMG Australia Violated PCAOB Quality Control Standards

27. PCAOB rules require that a registered firm comply with PCAOB quality control standards.¹³ Those standards require a firm to “have a system of quality control for its accounting and auditing practice.”¹⁴ 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.”¹⁵

28. 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.”¹⁶ Under PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among other things, compliance with the firm’s policies and procedures.¹⁷

29. From 2020 through 2023, KPMG Australia failed to establish and implement adequate policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that the work performed by engagement personnel met applicable regulatory requirements related to accurately reporting on Form AP the participation, including the percentage of participation, of other accounting firms in issuer audits.

30. Although KPMG Australia had certain quality control policies and procedures relating to Form AP reporting in connection with the use of other accounting firms, the Firm failed to implement and monitor them in an adequate manner. As a result, the Firm filed four inaccurate Form APs between 2020 and 2023.

31. Accordingly, the Firm failed to comply with QC § 20 and QC § 30.

IV.

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:

¹³ PCAOB Rule 3400T, *Interim Quality Control Standards*.

¹⁴ QC § 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

¹⁵ QC § 20.17.

¹⁶ QC § 30.02, *Monitoring a CPA Firm’s Accounting and Auditing Practice*; see also QC § 20.20.

¹⁷ See QC § 20.20.d; QC § 30.02.d.

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), KPMG Australia 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 \$225,000 is imposed on KPMG Australia.
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. The Firm shall pay this civil money penalty within ten (10) days of the issuance of this Order by: (a) wire transfer in accordance with instructions furnished 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 Australia 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. Respondent understands that failure to pay the civil money penalty described above may result in summary suspension of its registration, pursuant to PCAOB Rule 5304(a), following written notice to Respondent at the address on file with the PCAOB at the time of the issuance of this Order.
- C. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), the Board orders that:
1. Review by KPMG Australia. Within three months of the date of this Order, KPMG Australia 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 comply with PCAOB Rule 3211; and that such policies and procedures, including monitoring procedures, provide the Firm with

reasonable assurance that Firm personnel will communicate to audit committees all matters required by AS 1301.

2. Reporting. Within three months of the date of this Order, KPMG Australia 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 C.1 above (“Report”). The Report shall describe any modified or additional policies or procedures adopted or to be adopted by KPMG Australia or, if KPMG Australia 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 Australia shall submit any additional information and evidence concerning the Report, the information in the Report, and KPMG Australia’s compliance with this Order as the staff of the Division of Enforcement and Investigations may reasonably request.
3. Certificate of Implementation. Within six months of the date of this Order, KPMG Australia’s Chief Executive Officer shall certify in writing (“Certificate of Implementation”) to the Director of the Division of Enforcement and Investigations that KPMG Australia 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 Australia’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 Australia shall also submit such additional evidence of, and information concerning, implementation as the staff of the Division of Enforcement and Investigations may reasonably request.
4. Noncompliance. KPMG Australia understands that a failure to satisfy all applicable undertakings may constitute a violation of PCAOB Rule 5000 and 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