2023 Inspection KPMG LLP

(Headquartered in Toronto, Canada)

December 19, 2024

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2023 INSPECTION

In the 2023 inspection of KPMG LLP, the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies. Our inspection was conducted in cooperation with the Canadian Public Accountability Board.

We selected for review 10 audits of issuers with fiscal years ending in 2022. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2023 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. In certain situations, we may select all of the firm's issuer audits for review.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not necessarily constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work or of all of the audit procedures performed for the audits reviewed.

View the details on the scope of our inspections and our inspections procedures.

OVERVIEW OF THE 2023 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2023 inspection as well as data from the previous inspection. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Selected for Review

	2023	2021
Firm data		
Total issuer audit clients in which the firm was the principal auditor	87	76
Total issuer audits in which the firm was not the principal auditor	38	30
Total engagement partners on issuer audit work[1]	71	67
Audits reviewed		
Total audits reviewed[2]	10	9
Audits in which the firm was the principal auditor	9	8
Audits in which the firm was not the principal auditor	1	1
Integrated audits of financial statements and internal control over financial reporting (ICFR)	10	9
Audits with Part I.A deficiencies	5	4
Percentage of audits with Part I.A deficiencies	50%	44%

[1] The number of engagement partners on issuer audit work represents the total number of firm personnel (not necessarily limited to personnel with an ownership interest) who had primary responsibility for an issuer audit (as defined in AS 1201, *Supervision of the Audit Engagement*) or for the firm's role in an issuer audit during the twelve-month period preceding the outset of the inspection.

[2] The population from which audits are selected for review includes both audits for which the firm was the principal auditor and those where the firm was not the principal auditor but played a role in the audit.

If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports.

Our inspection may include a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer's public disclosures. We do not have direct access to the issuer's management, underlying books and records, and other information.

Our 2023 inspection procedures involved one audit for which the issuer, unrelated to our review, filed a Form 8-K indicating that its previously issued financial statements and the firm's related audit reports should not be relied upon because of certain material misstatements contained in the financial statements. The issuer corrected the misstatements and reported that its ICFR was not effective. The firm also expressed an adverse opinion on the effectiveness of the issuer's ICFR.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2023 inspection and the previous inspection. For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2023		2021	
Audit area	**Audits reviewed**	**Audit area**	**Audits reviewed**
Revenue and related accounts	8	**Long-lived assets**	6
Long-lived assets	4	**Revenue and related accounts**	5
Business combinations	3	**Goodwill and intangible assets**	3
Use of other auditors	3	**Income taxes**	2
Goodwill and intangible assets	2	**Use of other auditors**	2

PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies, if any, that were of such significance that we believe the firm, (1) at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR or (2) in audit(s) in which it was not the principal auditor, had not obtained sufficient appropriate audit evidence to fulfill the objectives of its role in the audit.

Part I.B discusses certain deficiencies, if any, that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s) or fulfill the objectives of its role in the audit(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Part I.C discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules, if any, related to maintaining independence.

Consistent with the Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR.

This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion(s) on the issuer's financial statements and/or ICFR.

We identify each issuer by a letter (e.g., Issuer A). Each deficiency could relate to several auditing standards, but we reference the PCAOB standard that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies, taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue**, **Accruals and Other Liabilities**, **Other Investments**, **Goodwill**, and **Debt**.

Description of the deficiencies identified

With respect to **Revenue**, for which the firm identified a significant risk:

The issuer used an information technology (IT) system at one component to initiate, process, and record certain revenue transactions. In its testing of controls over this revenue, the firm tested various automated and IT-dependent manual controls that used data and reports generated or maintained by this IT system. The accuracy and completeness of these data and reports depended on effective IT general controls (ITGCs). As a result of the following deficiencies in the firm's testing of change management ITGCs, the firm's testing of these automated and IT-dependent manual controls was not sufficient. (AS 2201.46)

The firm selected for testing two change management controls over this IT system that consisted of the (1) restricting of access to deploy system changes into the production environment to authorized personnel and (2) documentation, review, testing, and approval of system changes prior to their migration into the production environment. The issuer documented the system changes in tickets that were entered into a change ticket tracking system. The following deficiencies were identified:

- The firm did not perform sufficient procedures to test, or test any controls over, the completeness of the population of changes from which it made its selections for testing these controls, because it limited its procedures to obtaining listings of change tickets from the change ticket tracking system without contemplating potential changes that were not captured in that system. (AS 1105.10)

- The firm did not test an aspect of the first control related to the segregation of duties between system change developers and deployers. (AS 2201.42 and .44)

The sample sizes the firm used in certain of its substantive procedures to test certain revenue was too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported due to the deficiencies in the firm's control testing discussed above. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

The issuer used a different IT system at another component, which was an outsourced application, to initiate, process, and record revenue transactions. The firm inspected the related service auditor's report for this system and noted that the accuracy and completeness of standard reports generated from this system were addressed through certain ITGCs over the system that were tested by the service auditor. The service auditor's report, however, did not specifically identify the standard reports that were addressed through these ITGC's. For certain revenue transactions, invoices were generated and revenue was recognized once the order fulfillment status in the system indicated that the orders had been fulfilled. The following deficiencies were identified:

- The firm selected for testing controls over this revenue that consisted of (1) management's review and approval of sales orders created in this IT system and (2) management's review of new prices and changes to existing prices before those prices and changes were uploaded into this IT system. The firm identified deficiencies in the design and operating effectiveness of these controls. The firm identified and tested compensating controls that it believed would mitigate the deficiencies. The firm did not identify that these compensating controls did not address the risks of material misstatement related to inaccurate and unauthorized sales orders and prices related to this revenue. (AS 2201.68)

- The firm did not identify and test any controls that would address risks associated with improper revenue recognition from certain sales. (AS 2201.39)

- The firm did not identify and test any controls over the accuracy of the fulfillment status in this IT system. (AS 2201.39)

- The firm selected for testing a control that consisted of management's review of a sales discounts/rebates analysis workbook and the related journal entry to record the sales discounts/rebates. The firm did not perform sufficient procedures to test the accuracy and completeness of the revenue report, which was used in the operation of this control, because it did not perform procedures to verify that it was a standard report within the scope of the service auditor's report beyond inquires of management. (AS 2201.42)

- The firm did not perform sufficient procedures to evaluate whether certain revenue was recognized in conformity with FASB ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), because at the time revenue was recognized for certain transactions, the firm did not obtain any evidence that a legally enforceable contract existed or that the performance obligation was satisfied. (AS 2301.08 and .11)

- The firm did not identify and evaluate a departure from GAAP related to the issuer's recognition of certain revenue. In this instance, the issuer's recognition of revenue appears not to have been in conformity with ASC 606. (AS 2810.30)

  Unrelated to our review, the issuer filed a Form 8-K indicating that its previously issued financial statements and the firm's related audit reports should not be relied upon because of certain material misstatements contained in the financial statements. The issuer corrected the misstatements and reported that its ICFR was not effective. The firm also expressed an adverse opinion on the effectiveness of the issuer's ICFR.

With respect to **Accruals and Other Liabilities**, for which the firm identified a significant risk:

The issuer engaged an external specialist to assist in determining the fair value of a liability. The company's specialist used various inputs and assumptions, some of which the engagement team considered to be significant, to prepare the various valuation models included in its report ("liability valuation report"). The firm used an auditor-employed specialist to assist it with testing the valuation of this liability. The following deficiencies were identified:

- The firm selected for testing a control that consisted of management's review of the fair value of the liability, as determined by the company's specialist. The firm did not evaluate the specific review procedures that the control owner performed to assess the reasonableness of certain significant assumptions the company's specialist used to determine the fair value of the liability. Further, for one quarter tested, the firm did not test an aspect of the control related to the control owner's review of the formulas used in the valuation models prepared by the company's specialist. (AS 2201.42 and .44)

- The firm did not sufficiently evaluate the work of the auditor-employed specialist and identify that the auditor-employed specialist's work did not provide sufficient appropriate audit evidence regarding the valuation of the liability, because the auditor-employed specialist did not perform sufficient procedures to evaluate the reasonableness of certain significant assumptions used by the company’s specialist to determine the fair value of the liability, as described below. (AS 1201.C6 and .C7)

- The auditor-employed specialist did not perform sufficient procedures to evaluate the reasonableness of a significant assumption developed and used by the company’s specialist, because it limited its procedures to (1) reading the liability valuation report, (2) reading certain analysts’ reports, (3) inquiries of management, and (4) performing a sensitivity analysis without evaluating the appropriateness of certain assumptions used in the analysis. (AS 1105.A8b)

- The auditor-employed specialist did not perform procedures to evaluate the reasonableness of another significant assumption developed and used by the company’s specialist beyond (1) reading the liability valuation report and publicly available information and (2) inquiries of management, the company’s specialist, and the issuer’s largest shareholder. (AS 1105.A8b)

With respect to **Other Investments**:

The issuer engaged an external specialist to assist in determining the fair value of certain other investments. The company’s specialist used various inputs and assumptions, some of which the engagement team considered to be significant, to prepare the various valuation models included in its reports (“investment valuation reports”). The firm used an auditor-employed specialist to assist in testing the valuation of these other investments. The firm’s approach to test the valuation of these other investments was to test the issuer’s process. For one such investment, the auditor-employed specialist also developed an expectation of the fair value of an aspect of the investment. The following deficiencies were identified:

- The firm selected for testing a control that consisted of management’s review of the other investments, as presented in a reconciliation schedule, including a comparison of the fair value of these investments to the related investment valuation report and/or other supporting documentation. The firm did not test aspects of the control related to (1) the mathematical accuracy of the supporting documentation used in the operation of the control and (2) agreeing an input used in the investment valuation report to the supporting documentation for one of the other investments. Further, for certain other investments, the firm did not evaluate the specific review procedures that the control owner performed to assess the reasonableness of certain assumptions used by the company’s specialist to determine the fair value of the investments. (AS 2201.42 and .44)

- The firm did not perform any procedures to evaluate the reliability of external historical financial information for the investee it used to evaluate the reasonableness of an assumption used by the auditor-employed specialist to develop an expectation of the fair value of an aspect of one of the other investments. (AS 1105.04 and .06)

- When testing the issuer’s process, the firm did not perform procedures to evaluate the reasonableness of a significant assumption used by the company’s specialist to determine the fair value of an aspect of one of the other investments at the inception date. (AS 2501.16)

- When testing the issuer’s process, the firm did not sufficiently evaluate the work of the auditor-employed specialist and identify that the auditor-employed specialist’s work did not provide sufficient appropriate audit evidence regarding the reasonableness of a significant assumption developed and used by the company's specialist to determine the fair value of certain other investments. (AS 1105.A8b; AS 1201.C6 and .C7)

With respect to **Goodwill**:

The issuer reported goodwill at several reporting units and evaluated certain reporting units for impairment using a discounted cash flow model ("DCF model"), which relied on various assumptions. The firm's approach to substantively test the issuer's goodwill impairment analysis for one reporting unit was to test the issuer's process. The firm also developed an independent expectation of the issuer's annual revenue growth rates for this reporting unit and compared those expectations to the annual revenue growth rate assumptions used by the issuer in the DCF model. The following deficiencies were identified:

- The firm selected for testing a control that consisted of management's review of the goodwill impairment analysis for each reporting unit. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of certain assumptions used in the goodwill impairment analysis for certain reporting units. (AS 2201.42 and .44)

- For the one reporting unit referred to above, the firm did not perform sufficient procedures to evaluate the reasonableness of the annual revenue growth assumptions, which the firm considered to be significant assumptions, used by the issuer in its goodwill impairment analysis, because the firm did not demonstrate that it had a reasonable basis for (1) selecting the comparable companies it used to develop its independent expectation of the average annual revenue growth rate over a six-year period and (2) assuming that the ratio of advertising expenses to revenue ("advertising ratio") generated would be predictive of the revenue growth rate for 2023. Further, the firm did not perform procedures to evaluate differences between the (1) annual revenue growth rate assumptions used by the issuer and the compound annual revenue growth rates for the industry beyond determining the market share the issuer would need to capture to achieve its revenue growth rate for 2023 and (2) industry advertising ratio and the advertising ratio used by the issuer. (AS 2501.16)

With respect to **Debt**:

The issuer engaged an external specialist to assist in determining the fair value of certain of the issuer's debt. The company's specialist prepared a valuation model using inputs determined by the specialist, and the issuer used the information provided by the specialist to estimate the changes to the fair value of the debt. The firm selected for testing a control that consisted of management's review of the inputs used by the company's specialist in the valuation model for reasonableness. The following deficiencies were identified:

- The firm did not test aspects of the control related to management's review of (1) one of the inputs used in the valuation model and (2) the mathematical accuracy of the changes to the fair value of the debt. (AS 2201.42 and .44)

- The firm did not evaluate the specific review procedures that the control owner performed to assess the reasonableness of certain other inputs used in the valuation model. (AS 2201.42 and .44)

- For one of the quarters tested, the firm did not (1) agree the inputs used in the valuation model to the inputs provided by the company's specialist and (2) evaluate the specific review procedures that the control owner performed to assess the reasonableness of one such input. (AS 2201.42 and .44)

Issuer B – Materials

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Long-Lived Assets**, for which the firm identified a significant risk, and **Accruals and Other Liabilities**.

Description of the deficiencies identified

The issuer identified an indicator of potential impairment for certain long-lived assets and performed an impairment analysis to evaluate the assets for impairment. As part of its impairment analysis, the issuer estimated the recoverable amount of the cash-generating unit using a DCF model, which included cash flows from another model ("budget model") that were derived from the issuer's financial budget and adjusted using certain other information. The issuer used a post-tax discount rate to estimate the present value of the future cash flows in the DCF model. The issuer also used the financial budget to estimate the valuation of certain other liabilities. The following deficiencies were identified:

- The firm selected for testing a control that included management's review of (1) the cost assumptions used in the financial budget and (2) adjustments made to the financial budget to derive the budget model. The firm did not (1) evaluate the criteria that the control owners used to identify matters for follow-up when evaluating the reasonableness of certain cost assumptions used in the financial budget and (2) test an aspect of the control related to the adjustments made to the financial budget when deriving the budget model. (AS 2201.42 and .44)

- The firm selected for testing a control that consisted of management's review of certain inputs used in the DCF model. The firm did not identify and test any controls over the accuracy and completeness of certain data used in the operation of this control. (AS 2201.39) In addition, the firm did not assess the effect of the issuer not evaluating certain risk factors applied to the inputs on the control's ability to effectively prevent or detect a material misstatement. (AS 2201.42)

- The firm did not identify and evaluate a departure from IFRS related to the issuer incorrectly disclosing that it used a pre-tax discount rate to estimate the present value of the future cash flows in the DCF model. (AS 2810.30 and .31)

- The firm used the financial budget to substantively test certain other liabilities but did not test, or (as discussed above) sufficiently test controls over, the accuracy and completeness of the financial budget. (AS 1105.10)

Issuer C – Information Technology

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Business Combinations** and **Cash Flows**.

Description of the deficiencies identified

With respect to **Business Combinations**, for which the firm identified a significant risk:

The issuer engaged an external specialist to assist in determining the fair value of certain intangible assets acquired in a business combination. The following deficiencies were identified:

- The firm selected for testing controls that consisted of management's review of certain information prepared by the issuer and other data inputs, all of which were used by the company's specialist to determine the fair value of certain intangible assets acquired in the business combination. The firm did not test an aspect of the controls related to the accuracy of certain data that the issuer provided to the company's specialist. Further, with respect to certain assumptions in the information used by the company's specialist, the firm did not (1) evaluate whether the thresholds used by the control owners to evaluate the reasonableness of certain assumptions were sufficiently precise to detect misstatements that could be material, (2) evaluate the specific review procedures that the control owners performed to assess the reasonableness of those assumptions, and (3) evaluate the criteria that the control owners used to identify matters for follow-up when evaluating the reasonableness of another assumption. (AS 2201.42 and .44)

- The firm did not perform any procedures to test, or (as discussed above) test any controls over, the accuracy of certain data that the issuer provided to the company's specialist and used by the specialist to develop an assumption that was then used by the specialist to determine the fair value of certain intangible assets acquired in the business combination. (AS 1105.A8a)

- The firm did not perform procedures, beyond documenting that certain disclosures were not material, to evaluate whether the issuer made all required disclosures related to the business combination in conformity with FASB ASC Topic 805, *Business Combinations*. (AS 2301.08)

With respect to **Cash Flows**:

The firm selected for testing a control that consisted of management's review of the statement of cash flows. The firm did not assess the effect of the issuer not evaluating the accuracy and completeness of certain data used in the operation of the control on the control's ability to effectively prevent or detect a material misstatement. (AS 2201.42)

Issuer D – Financials

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Allowance for Credit Losses**, for which the firm identified a significant risk.

Description of the deficiencies identified

For certain loans, the issuer estimated the allowance for credit losses ("ACL") by comparing the respective loan's outstanding balance to the output of a DCF model, which included various assumptions. One of the significant assumptions used in the DCF model was dependent on another significant assumption, which was the value of the underlying collateral for the respective loans, as determined by various external specialists engaged by the issuer. The firm's approach to test the ACL for these loans was to test the issuer's process. The following deficiencies were identified:

- The firm selected for testing a control that consisted of management's review of the appropriateness of the ACL for certain loans. The firm did not evaluate the specific review procedures that the control owner performed to assess the (1) appropriateness of the method(s) used by the company's specialists to determine the value of the collateral, (2) reasonableness of the assumptions used by the company's specialists to determine the value of the collateral, and (3) reasonableness of the collateral adjustment percentage used in the DCF model. (AS 2201.42 and .44)

- The firm did not perform procedures to evaluate the reasonableness of the value of the collateral, as determined by the company's specialists, beyond reading the valuation reports prepared by the company's specialists and assessing the knowledge, skills, and ability of the specialists. (AS 1105.A4 - .A10; AS 2501.16)

- The firm did not perform procedures to evaluate the reasonableness of the collateral adjustment percentage, which the firm considered to be a significant assumption, used in the DCF model, beyond comparing the collateral adjustment percentage to the issuer's policy of acceptable collateral ranges. (AS 2501.16)

Issuer E – Health Care

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement audit related to **Business Combinations**, for which the firm identified a significant risk.

Description of the deficiencies identified

The issuer engaged an external specialist to assist in determining the fair value of an intangible asset acquired in a business combination, and the firm used an auditor-employed specialist to assist it with testing the valuation of this intangible asset. The following deficiencies were identified:

- The firm did not sufficiently evaluate the work of the auditor-employed specialist as it did not identify that the auditor-employed specialist's work did not provide sufficient appropriate audit evidence regarding the valuation of the intangible asset, because the auditor-employed specialist did not perform sufficient procedures to evaluate the work of the company's specialist, as described below. (AS 1201.C6 and .C7)

- The auditor-employed specialist did not perform procedures to evaluate the relevance and reliability of data from external sources that the company's specialist used to develop an assumption that was then used to determine the fair value of the intangible asset. (AS 1105.A8a)

- The auditor-employed specialist did not perform procedures to evaluate the reasonableness of a significant assumption developed and used by the company's specialist to determine the fair value of the intangible asset, beyond reading the valuation report prepared by the company's specialist and identifying qualitative factors that could result in a significant difference between the assumption and the range for that assumption identified by the company's specialist. (AS 1105.A8b)

Audits with a Single Deficiency

None

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s) or fulfill the objectives of its role in the audit(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

When we review an audit, we do not review every aspect of the audit. As a result, the areas below were not necessarily reviewed on every audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

The deficiencies below are presented in numerical order based on the PCAOB standard or rule with which the firm did not comply. We identified the following deficiencies:

- In eight of nine audits reviewed, the firm did not make certain required communications to the audit committee related to the name, location, and planned responsibilities of an other accounting firm and/or other persons not employed by the firm that performed audit procedures in the audit. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In one of nine audits reviewed, the firm's audit report on the issuer's financial statements incorrectly stated that the firm expressed an unqualified opinion on the effectiveness of the issuer's ICFR. In this instance, the firm was non-compliant with AS 2201*, An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements,* and AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

- In one of nine audits reviewed, the year the firm began serving consecutively as the company's auditor that was included in the firm's audit report was incorrect. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion.*

- In two of nine audits reviewed, the firm's report on Form AP either included inaccurate information and/or omitted information related to the participation in the audit by certain other accounting firms. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

PART I.C: INDEPENDENCE

This section of our report discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. An instance of potential non-compliance with SEC rules or an instance of non-compliance with PCAOB rules does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. Although this section includes instances of potential non-compliance that we identified and the firm brought to our attention, there may be other instances of non-compliance with SEC or PCAOB rules related to independence that were not identified through our procedures or the firm's monitoring activities.

PCAOB-Identified

We identified the following instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence:

Under Rule 2-01(c)(1) of Regulation S-X, certain financial relationships impair an accountant's independence. In ten audits reviewed and in two other audits, we identified 10 instances across three issuers in which this circumstance appears to have occurred. Of these instances, nine related to investments in audit clients and one related to an other financial relationship with an audit client. Four of these financial relationships were instances where a partner in the firm's chain of command had a financial relationship with an audit client, and three of these financial relationships were instances where a partner in the same office as the engagement partner for an issuer had a financial relationship with that issuer. Three of these instances related to a member of an engagement team.

Firm-Identified

During the inspection, the firm brought to our attention that it had identified, through its independence monitoring activities, 32 instances across 14 issuers,[3] in which the firm or its personnel appeared to have impaired the firm's independence because it may not have complied with Rule 2-01(c) of Regulation S-X related to maintaining independence. Approximately 63% of these instances of potential non-compliance involved associated firms.

While we have not evaluated the underlying reasons for the instances of potential non-compliance, the number, large or small, of firm-identified instances of potential non-compliance may be reflective of the size of the firm, including any associated firms; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of those issuers. Therefore, we caution against making any comparison of these firm-identified instances of potential non-compliance across firms.

The instances of potential non-compliance related to financial relationships, employment relationships, and audit committee pre-approval:

- The firm reported seven instances of potential non-compliance with Rule 2-01(c)(1) of Regulation S-X regarding financial relationships, all but two of which occurred at the firm or involved its personnel. Of these instances, four related to investments in audit clients and three related to other financial relationships with audit clients. Two of these financial relationships were instances where a partner in the same office as the engagement partner for an issuer had a financial relationship with that issuer. Three of these instances related to a member of an engagement team. Of the total four instances related to investments in audit clients, three instances related to investments in broad-based funds.

- The firm reported one instance of potential non-compliance with Rule 2-01(c)(2) of Regulation S-X regarding an employment relationship, which involved an employee of the firm.

- The firm reported 24 instances of potential non-compliance with Rule 2-01(c)(7) of Regulation S-X regarding audit committee pre-approval. The majority of these instances related to services provided by associated firms without those engagements having been pre-approved by the audit committee.

The firm has reported to us that it has evaluated these instances of potential non-compliance and determined in all instances that its objectivity and impartiality were not impaired. The firm also reported to us that, where applicable, it has communicated, or will communicate, all of these instances to the issuers' audit committees in accordance with PCAOB Rule 3526.

[3] The firm-identified instances of potential non-compliance do not necessarily relate to the issuer audits that we selected for review.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.

APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to Section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

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Ms. Christine Gunia
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United States of America

December 6, 2024

Re: Response to Part I of the Public Company Accounting Oversight Board (PCAOB) Draft Report on the 2023 Inspection of KPMG LLP

Dear Ms. Gunia:

We are pleased to provide our response to Part I of the Public Company Accounting Oversight Board's ("PCAOB") Draft Report on the 2023 Inspection of KPMG LLP ("Report").

Consistently executing high-quality audits is our top priority. We take findings from the PCAOB inspection process seriously and believe the inspection process serves to assist us in identifying areas where we can continue to improve our performance and strengthen our system of quality control. We learn from every inspection and respect and appreciate the commitment and professionalism of the PCAOB staff throughout the inspection process. We remain committed to full cooperation with the PCAOB and value the important role the PCAOB plays in improving audit quality.

We have reviewed the observations identified in Part I of the Report and have taken appropriate actions to address the engagement-specific findings in a manner consistent with PCAOB standards, SEC and PCAOB rules, as well as our own policies and procedures.

We remain dedicated to evaluating and improving our system of quality control, including monitoring audit quality, enhancing the skillset of our people, and implementing advanced technology. We understand our responsibility to investors and other participants in the capital markets and are committed to continuing to work constructively with the PCAOB to improve audit quality and build confidence in the auditing profession.

Very truly yours,

KPMG LLP

Benjie Thomas, FCPA, FCA
Chief Executive Officer & Senior Partner

Kristen Carscallen, FCPA, FCA
Canadian Managing Partner, Audit