2025 Inspection

KPMG LLP

(Headquartered in New York, New York)

May 21, 2026

<u>**THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT**</u>

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM THIS DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)(2) AND 105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002

PCAOB

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

PCAOB RELEASE NO. 104-2026-087

EXECUTIVE SUMMARY

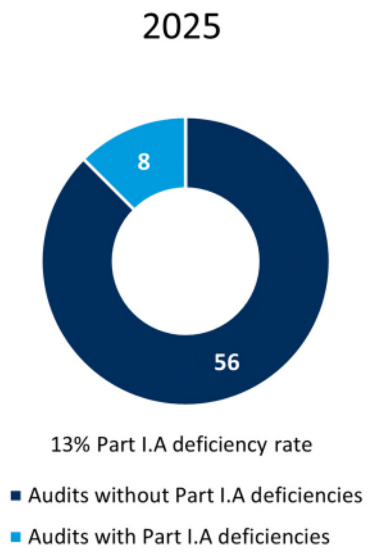
Our 2025 inspection report on KPMG LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of what is included in this report:

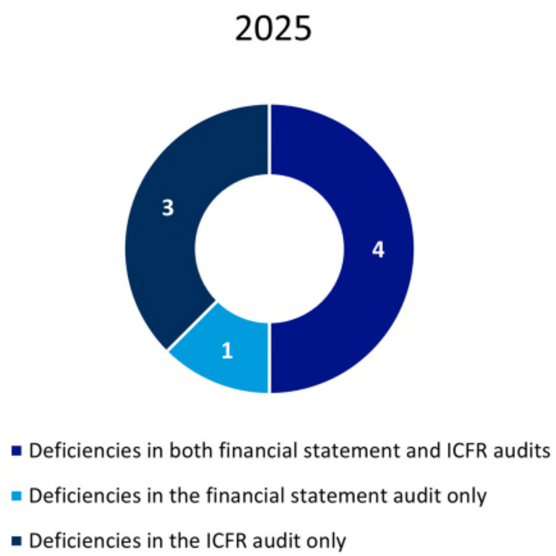
- Part I.A of the report discusses deficiencies ("Part I.A deficiencies") in certain issuer audits that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or internal control over financial reporting (ICFR).
- Part I.B of the report discusses certain deficiencies ("Part I.B 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). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.
- Part I.C of the report discusses instances of apparent non-compliance with rules related to maintaining independence ("Part I.C deficiencies").

If we include a Part I.A or Part I.B deficiency in this 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. If we include a Part I.C deficiency in this report, it does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. If we include a deficiency in Part I.A, Part I.B, or Part I.C of this report, it does not necessarily mean that the firm has not addressed the deficiency.

Overview of the 2025 Deficiencies Included in Part I

Eight of the 64 audits we reviewed in 2025 are included in Part I.A of this report due to the significance of the deficiencies identified. The identified deficiencies primarily related to the firm's testing of controls over and/or substantive testing of inventory and other assets.





The most common Part I.A deficiencies in 2025 related to identifying controls related to a significant account or relevant assertion, testing the design or operating effectiveness of controls selected for testing, and performing substantive testing to address a risk of material misstatement.

The Part I.B deficiencies in 2025 related to retention of audit documentation, audit committee communications, audit planning, risk assessment, critical audit matters, the firm's audit report, and Form AP.

The most common Part I.C deficiencies in 2025 related to audit committee pre-approval, financial relationships, and business relationships.

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2025 INSPECTION

In the 2025 inspection of KPMG LLP, the PCAOB assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of issuers.

We selected for review 64 audits of issuers with fiscal years generally ending in 2024. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

What's Included in this Inspection Report

This report includes the following sections:

- **Overview of the 2025 Inspection and Historical Data by Inspection Year:** Information on our inspection, historical data, and common deficiencies.
- **Part I – Inspection Observations:**
  - **Part I.A:** Deficiencies that were of such significance that we believe the firm, 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.
  - **Part I.B:** 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). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.
  - **Part I.C:** Instances of apparent non-compliance with rules 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.
- **Part II – Observations Related to Quality Control:** Criticisms of, or potential defects in, the firm's system of quality control. 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.
- **Appendix A – Firm's Response to the Draft Inspection Report:** The firm's response to a draft of this report, excluding any portion granted confidential treatment.

2025 Inspection Approach

In selecting issuer audits for review, we use both risk-based and random methods of selection. We make the majority of our 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. We also select audits randomly to provide an element of unpredictability.

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 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 nor of all of the audit procedures performed for the audits reviewed.

Our target team performs inspection procedures in areas of current audit risk and emerging topics and focuses its reviews primarily on evaluating the firm's procedures related to that risk or topic. In 2025, our target team focused primarily on audit areas in which the firm outsourced certain audit procedures to offshore shared service centers; on audits in which the firm played a role but was not the lead/principal auditor; and on the firm's procedures to test the statement of cash flows, segment reporting, and supplier financing arrangement disclosures.

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

OVERVIEW OF THE 2025 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2025 inspection as well as data from the previous two inspections. We use a combination of risk-based and random methods 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 year to year and firm to firm. As a result of this variation, we caution that our inspection results are not necessarily comparable over time or among firms.

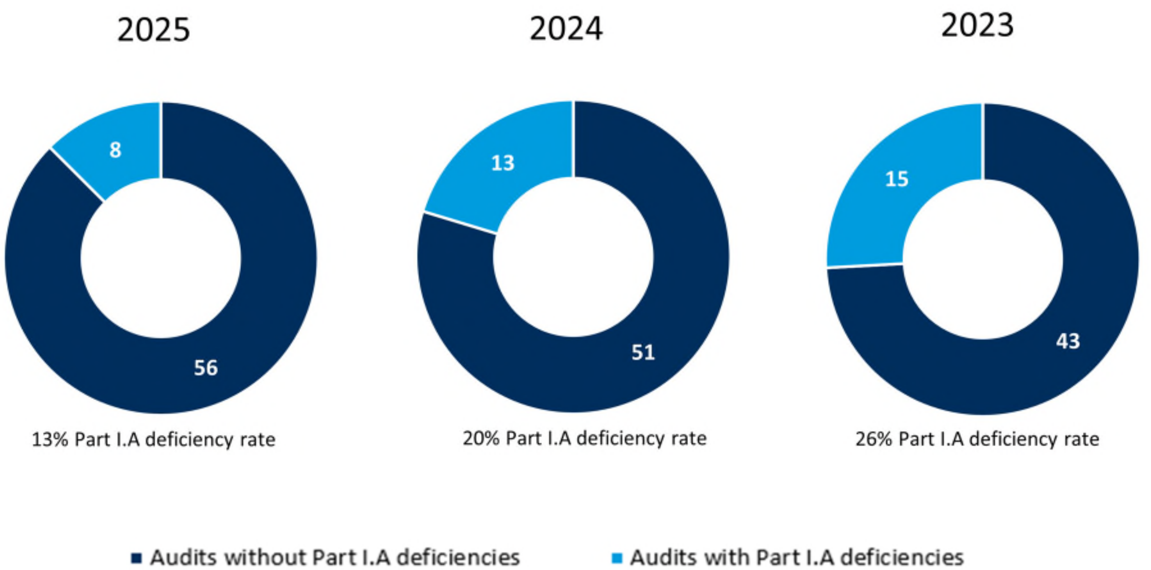
Audits Selected for Review

	2025	2024	2023
Total audits reviewed			
Total audits reviewed	64	64	58
Selection method			
Risk-based selections	48	48	43
Random selections	12	12	10
Target team selections[1]	4	4	5
Total audits reviewed	**64**	**64**	**58**
Lead/Principal auditor			
Audits in which the firm was the lead/principal auditor	62	63	57
Audits in which the firm was not the lead/principal auditor	2	1	1
Total audits reviewed	**64**	**64**	**58**
Audit type			
Integrated audits of financial statements and ICFR	56	58	52
Financial statement audits only	8	6	6
Total audits reviewed	**64**	**64**	**58**

[1] For further information on the target team's activities in 2024 and 2023, refer to those inspection reports.

Part I.A Deficiencies in Audits Reviewed

In 2025, all audits appearing in Part I.A were selected for review using risk-based criteria. In 2024, 12 of the 13 audits appearing in Part I.A were selected for review using risk-based criteria. In 2023, 11 of the 15 audits appearing in Part I.A were selected for review using risk-based criteria.

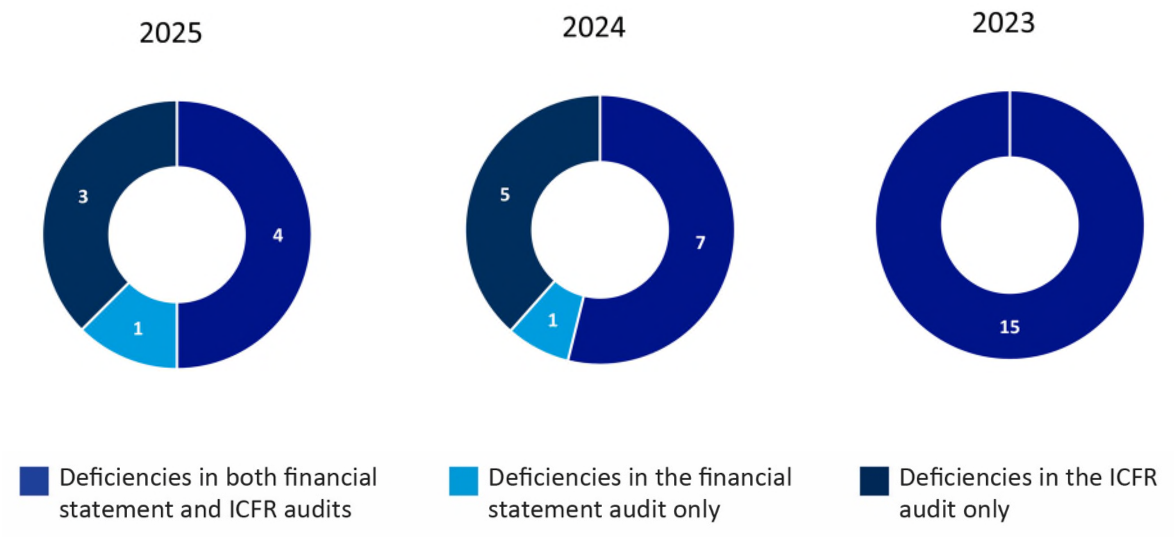


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In certain cases, the firm may have performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing 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 Part I.A or Part I.B 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.

Audits Affected by the Deficiencies Identified in Part I.A



In connection with our 2024 inspection procedures for one audit, the issuer corrected a misstatement in a subsequent filing by adjusting the prior-period amounts.

In connection with our 2023 inspection procedures for one audit, the issuer corrected a misstatement in a subsequent filing by adjusting the prior-period amounts.

The following tables and graphs summarize inspection-related information, by inspection year, for 2025 and the previous two inspections. We caution against making any comparison of the data provided without reading the descriptions of the underlying deficiencies in each respective inspection report.

Most Frequently Identified Part I.A Deficiencies

Deficiencies in audits of financial statements	Audits with Part I.A deficiencies		
	2025	2024	2023
Did not perform sufficient testing related to a significant account or disclosure or to address an identified risk	4	4	9
Did not sufficiently test an estimate	1	3	2

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2025	2024	2023
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	4	8	6
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	4	4	8
Did not identify and/or sufficiently test controls over the accuracy and completeness of data or reports that the issuer used in the operation of controls	3	5	8

Audit Areas Most Frequently Reviewed

This table reflects the five audit areas we have selected most frequently for review in each inspection year (and the related Part I.A deficiencies). 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.

2025			2024			2023		
Audit area	Audits reviewed	Audits with Part I.A deficiencies	Audit area	Audits reviewed	Audits with Part I.A deficiencies	Audit area	Audits reviewed	Audits with Part I.A deficiencies
Revenue and related accounts	43	1	**Revenue and related accounts**	45	4	**Revenue and related accounts**	40	6
Inventory	20	2	**Goodwill and intangible assets**	16	1	**Inventory**	20	2
Business combinations	11	0	**Business combinations**	13	2	**Investment securities**	13	7
Long-lived assets	10	1	**Inventory**	12	0	**Goodwill and intangible assets**	10	1
Investment securities	10	0	**Investment securities**	11	2	**Business combinations**	9	0

Audit Areas with Frequent Part I.A Deficiencies

This table reflects the audit areas with the most frequently identified Part I.A deficiencies in each inspection year with the corresponding results for the other two years presented.

Audit area	2025		2024		2023	
	Audits with Part I.A deficiencies	Audits reviewed	Audits with Part I.A deficiencies	Audits reviewed	Audits with Part I.A deficiencies	Audits reviewed
Inventory	2	20	0	12	2	20
Other assets	2	4	0	1	0	1
Revenue and related accounts	1	43	4	45	6	40
Allowance for credit losses	1	8	4	9	2	5
Investment securities	0	10	2	11	7	13

Inventory: The deficiencies in 2025 related to substantive testing of the valuation of inventory and/or testing controls over inventory. The deficiencies in 2023 primarily related to substantive testing of, and testing controls over, the valuation of inventory.

Other assets: The deficiencies in 2025 related to substantive testing of, and/or testing controls over, the capitalization and/or valuation of other assets.

Revenue and related accounts: The deficiencies in 2025 related to substantive testing of, and testing controls over, revenue recognition. The deficiencies in 2024 primarily related to testing controls over revenue. The deficiencies in 2023 primarily related to substantive testing, and testing controls over, revenue.

Allowance for credit losses: The deficiencies in 2025 related to testing controls over the allowance for credit losses. The deficiencies in 2024 related to substantive testing of, and/or testing controls over, the allowance for credit losses. The deficiencies in 2023 related to the substantive testing of, and/or testing controls over, the allowance for credit losses, including model validation controls.

Investment securities: The deficiencies in 2024 and 2023 related to substantive testing of, and/or testing controls over, the valuation and disclosures of investment securities.

Auditing Standards Associated with Identified Part I.A Deficiencies

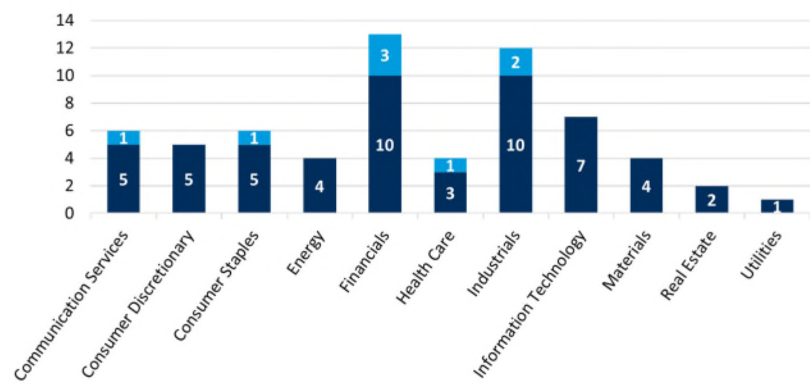
The following lists the auditing standards referenced in Part I.A of the 2025 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2025	2024	2023
AS 1105, *Audit Evidence*	1	10	7
AS 1201, *Supervision of the Audit Engagement*	0	1	1
AS 2101, *Audit Planning*	0	1	0
AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*	15	30	36
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	4	5	19
AS 2305, *Substantive Analytical Procedures*	0	1	3
AS 2315, *Audit Sampling*	0	1	4
AS 2415, *Consideration of an Entity's Ability to Continue as a Going Concern*	0	0	1
AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements*	1	3	2
AS 2810, *Evaluating Audit Results*	0	1	6

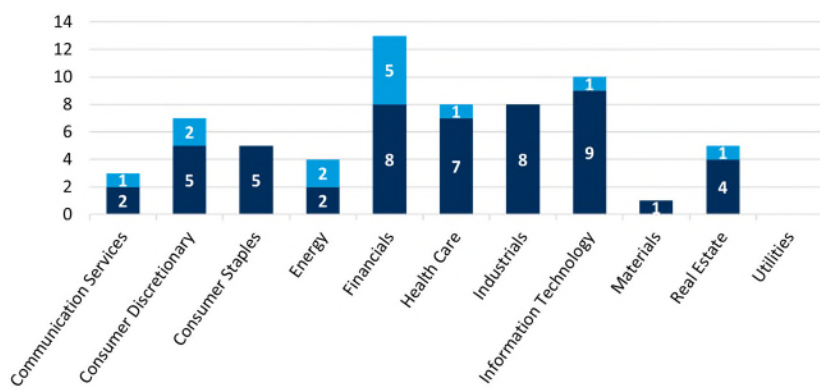
Inspection Results by Issuer Industry Sector

The majority of industry sector data is based on Global Industry Classification Standard (GICS) data obtained from Standard & Poor’s (S&P). In instances where GICS data for an issuer is not available from S&P, classifications are assigned based upon North American Industry Classification System data.

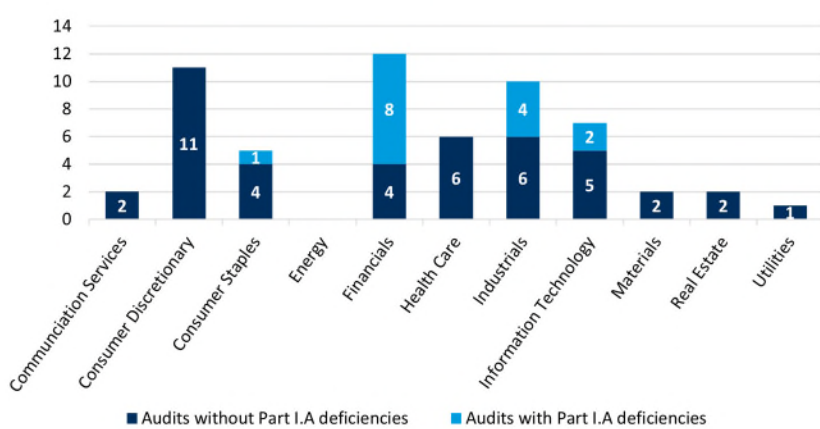
2025



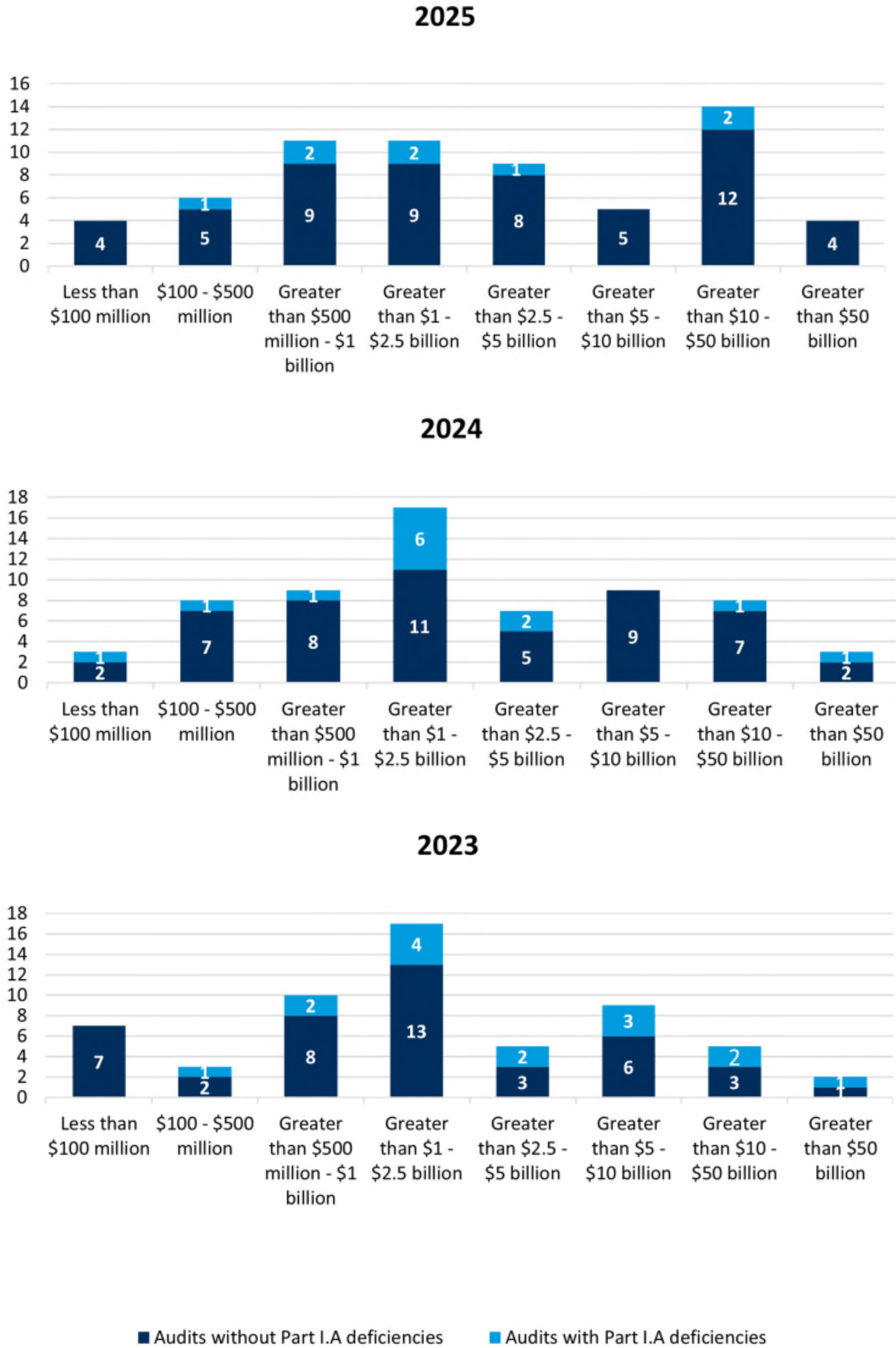
2024



2023

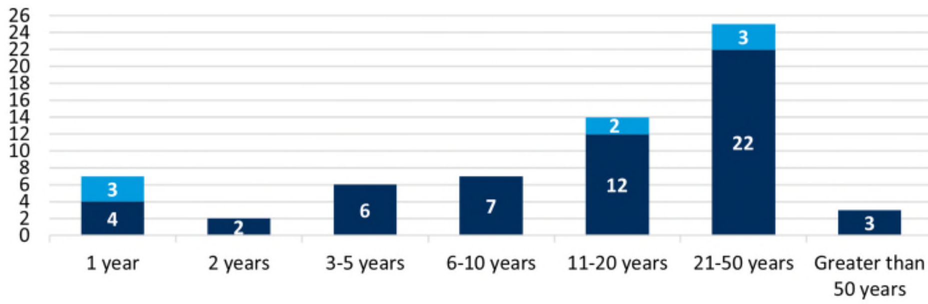


Inspection Results by Issuer Revenue Range

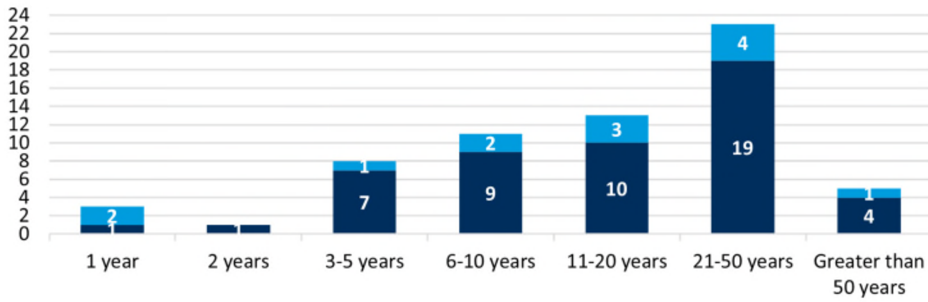


Inspection Results by the Firm’s Tenure on the Issuer

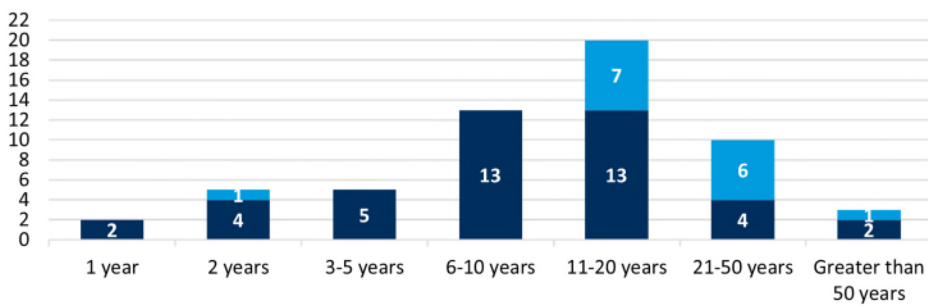
2025



2024



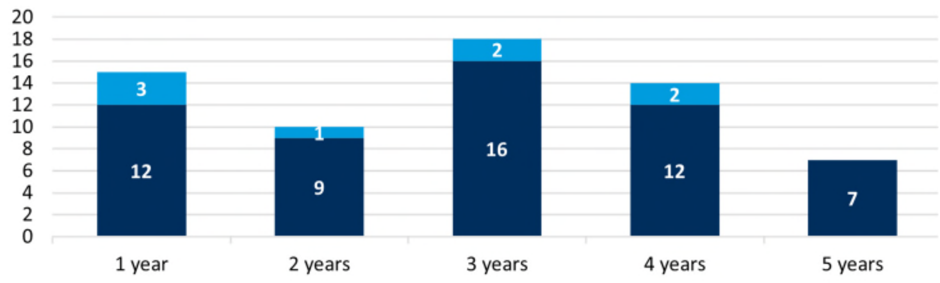
2023



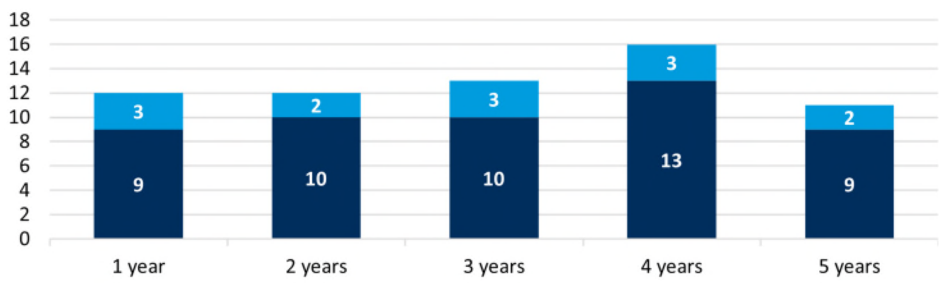
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by the Engagement Partner’s Tenure on the Issuer

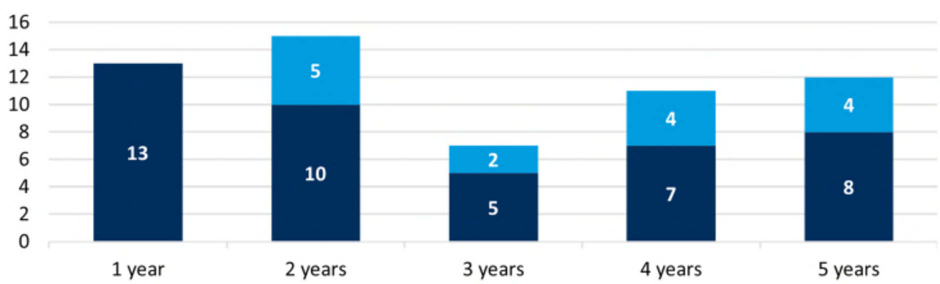
2025



2024



2023



■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

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.

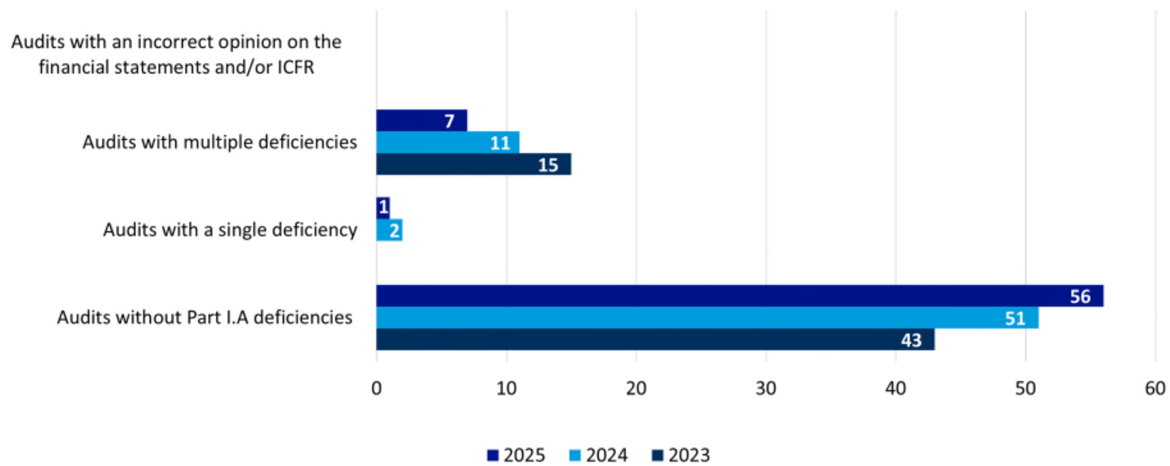
Audits with Multiple Deficiencies

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.

Number of Audits in Each Category



PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies that were of such significance that we believe the firm, 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.

Part I.B 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). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.

Part I.C discusses instances of apparent non-compliance with rules related to maintaining independence.

Consistent with the 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.

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) and industry sector. Each deficiency could relate to several auditing standards, but we reference the PCAOB standard(s) 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 – Industrials

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue**.

Description of the deficiencies identified

Certain of the issuer's revenue arrangements included multiple performance obligations. The issuer allocated the total transaction price for each of these arrangements to the separate performance obligations based on the issuer's estimate of the relative standalone selling prices. Certain contracts included an estimate of variable consideration in the transaction price. The following deficiencies were identified:

- The firm did not identify and test any controls over the issuer's (1) identification of the performance obligations; (2) determination of the transaction price, including any variable consideration; and (3) allocation of the transaction price to those performance obligations. (AS 2201.39)

- The firm did not perform any substantive procedures to evaluate the issuer's (1) identification of the performance obligations; (2) determination of any variable consideration in the transaction price; and (3) allocation of the transaction price to those performance obligations. (AS 2301.08)

Issuer B – Financials

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Certain Assets**, for which the firm identified a fraud risk. This was the firm's initial audit of this issuer.

Description of the deficiencies identified

The issuer used a service provider's software to manage certain assets it held for its customers, and the access and rights to these assets required passwords that were stored on various mobile devices. The issuer also received certain recovery information in the event these devices became inaccessible and secured this information. The following deficiencies were identified:

- The firm did not identify or test any controls that addressed the risk of misuse or loss of the mobile devices. (AS 2201.39)

- The firm selected for testing a control over access to the issuer's secured recovery information. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of the access granted, including the length of that access. (AS 2201.42 and .44) In addition, the firm did not identify and test any controls over the accuracy and completeness of the reports that the control owners used in the operation of this control. (AS 2201.39)

The firm selected for testing a control that consisted of the issuer's initiation and approval of transactions related to these assets using the mobile devices and related passwords and designed its procedures to address both the control and financial statement risks. The following deficiencies were identified:

- The firm's testing of this control did not provide sufficient appropriate audit evidence about the operating effectiveness as of year end because the issuer executed these transactions, and the firm performed its procedures to test this control, after year end. The firm did not perform any procedures to determine that there were no changes to this control between year end and the testing date and that the issuer had access to the mobile devices and related passwords at year end. (AS 2201.44)

- The firm did not perform substantive procedures, beyond the procedures performed after year end discussed above, to evaluate whether the issuer had access to the mobile devices and related passwords at year end. (AS 2301.08 and .13)

Issuer C – Communication Services

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Other Assets**.

Description of the deficiencies identified

The firm did not identify and test any controls over the issuer's evaluation of whether certain deferred costs represented costs incurred and whether the issuer's capitalization of these costs was appropriate. (AS 2201.39)

The firm did not perform any substantive procedures to evaluate whether these deferred costs represented costs incurred and whether the issuer's capitalization of these costs was appropriate. (AS 2301.08)

The issuer determined the amortization of its deferred costs related to completed projects, in part, based on customer usage data that it obtained from an external party. The issuer made certain adjustments to these data before uploading the data to one of its systems and then later extracted certain data from this system to evaluate customer usage. The following deficiencies were identified:

- The firm did not identify and test any controls over the reasonableness of the adjustments the issuer made to the external data. (AS 2201.39)
- The firm selected for testing automated controls over the upload and extraction of the customer usage data. In its testing of the accuracy and/or completeness of the data that were uploaded and extracted, the firm did not test the configuration or programming of the automated controls or perform other procedures that would have provided sufficient appropriate audit evidence that these automated controls were operating effectively. (AS 2201. 44)

Issuer D – Financials

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement audit related to **Other Assets**, for which the firm identified a significant risk. This was the firm's initial audit of this issuer.

Description of the deficiencies identified

The issuer engaged a specialist to assist it in determining the fair value of certain assets using various assumptions. The firm's approach for substantively testing the fair value of these assets was to test the issuer's process. The firm did not perform procedures to evaluate the reasonableness of the significant assumptions developed by the issuer and used by the company's specialist, beyond reading the memorandum prepared by the company's specialist and comparing certain assumptions to the issuer's valuation policy. Further, the firm did not perform procedures, beyond assessing the knowledge, skill, and ability of the company's specialist and the specialist's relationship to the issuer, with respect to its use of the work of the company's specialist as audit evidence. (AS 1105.A6-.A10; AS 2501.16)

Issuer E – Health Care

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Inventory**. This was the firm's initial audit of this issuer.

Description of the deficiencies identified

The issuer recorded its inventory at standard costs and periodically adjusted its inventory to actual costs incurred by recording adjustments based on the differences between the actual costs incurred and the costs recorded at standard. The following deficiencies were identified:

- The firm selected for testing a control that included the issuer's review of the actual costs and variances between actual and standard costs. The firm did not evaluate the specific review procedures that the control owners performed to assess (1) the accuracy and completeness of the information used in the variance analysis and (2) whether the actual costs represented appropriate costs to capitalize to inventory. (AS 2201.42 and .44)

- The firm did not perform any procedures to test whether finished goods inventory, work-in-process inventory, and certain raw materials inventory were valued at actual cost. (AS 2301.08)

Issuer F – Industrials

Type of audit and related area affected

In our review, we identified deficiencies in the ICFR audit related to **Long-Lived Assets**.

Description of the deficiencies identified

The issuer used an information-technology (IT) system to initiate, process, and record transactions related to long-lived assets. The firm selected for testing a control that consisted of the issuer's testing and approval of system changes prior to implementation into the production environment. The firm did not evaluate the specific review procedures the control owner performed to assess whether the system changes were appropriately tested and approved prior to implementation. (AS 2201.42 and .44)

In its testing of controls over long-lived assets, the firm tested an automated control over purchases that used data maintained by this IT system. As a result of the deficiency in the firm's testing of the IT general control discussed above, the firm's testing of this control was not sufficient. (AS 2201.46)

The firm also selected for testing a control that consisted of the issuer's review of the costs capitalized to long-lived assets compared to budgeted amounts. The firm did not evaluate the specific review procedures that the control owner performed to investigate identified variances. (AS 2201.42 and .44) In addition, the firm selected for testing a change management control that addressed the accuracy and completeness of the reports that the control owner used in the operation of the budget-to-actual review control but did not perform procedures, beyond inquiry, to determine whether these reports were subject to this change management control. (AS 2201.42 and .44)

Issuer G – Financials

Type of audit and related area affected

In our review, we identified deficiencies in the ICFR audit related to the **Allowance for Credit Losses (ACL)**.

Description of the deficiencies identified

For its commercial loans, the issuer assigned each loan a loan risk rating, which was an important input in estimating the quantitative component of the ACL. The issuer uses an internal loan review function to independently review the loan risk ratings for a sample of loans across its various lending units on an annual basis and determined the specific lending units that needed to be reviewed to obtain appropriate coverage over the commercial loan portfolio in the current year. This plan was approved by the audit committee, which also monitors the results of the independent reviews and recommends changes to the issuer's ACL, as necessary. The firm selected for testing controls that included the independent review of the loan risk ratings and the related review and approval by the audit committee. In its testing of the operating effectiveness of these controls, the firm did not evaluate that the internal loan review function had not completed its entire review for all lending units included in the approved plan. (AS 2201.44)

Audits with a Single Deficiency

Issuer H – Consumer Staples

Type of audit and related area affected

In our review, we identified a deficiency in the ICFR audit related to **Inventory**.

Description of the deficiency identified

The firm did not identify and test any controls over the existence of certain inventory. (AS 2201.39)

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). This section does not discuss instances of apparent non-compliance with 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 one of 64 audits reviewed, the firm did not assemble a complete and final set of audit documentation for retention by the required documentation completion date. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In one of 64 audits reviewed, an other auditor used by the firm had obtained a letter of representation from management for one of the issuer's non-U.S. components, but the firm did not retain this letter. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In one of 61 audits reviewed, the firm did not make certain required communications to the audit committee related to uncorrected misstatements. In another audit reviewed, the firm did not make certain required communications to the audit committee related to certain critical accounting policies and practices and certain critical accounting estimates. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 61 audits reviewed, the firm did not provide a copy of the management representation letter to the audit committee. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*, and AS 2805, *Management Representations*.
- In four of 61 audits reviewed, the firm did not perform procedures to determine whether all individuals who participated in the audit were in compliance with independence requirements. In these instances, the firm was non-compliant with AS 2101, *Audit Planning*.
- In four of 48 audits reviewed, the firm, as the lead auditor, did not obtain and review (1) a written affirmation from one or more other auditors regarding those other auditors' policies and procedures for compliance with SEC and PCAOB independence and ethics requirements and (2) a written affirmation regarding whether one or more other auditors were in compliance with these requirements. In these instances, the firm was non-compliant with AS 2101, *Audit Planning*.

- In two of 64 audits reviewed, the firm did not evaluate certain factors when determining likely sources of potential misstatement related to a relevant assertion for a significant account. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In five of 61 audits reviewed, the firm reported in writing to the audit committee that no significant deficiencies were identified during the audit, even though an ICFR audit does not provide assurance that all deficiencies less severe than a material weakness have been identified. In one additional audit reviewed, the firm reported in writing to the audit committee that no control deficiencies were identified during the audit. In these instances, 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.*
- In one of 58 audits reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include a matter that was communicated to the audit committee and that related to accounts or disclosures that were material to the financial statements. 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*. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.
- In one of 58 audits reviewed, the firm's communication of certain critical audit matters in the audit report included a description of certain audit procedures that the firm did not perform. 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 one of eight audits reviewed, the firm's audit report did not include explanatory language about the firm's responsibilities with respect to ICFR in a non-integrated audit. In this instance, the firm was non-compliant with AS 3105, *Departures from Unqualified Opinions and Other Reporting Circumstances*.
- In two of 61 audits reviewed, the firm's report on Form AP included inaccurate information related to the participation in the audit by an other accounting firm. In this instance, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.
- In one of 61 audits reviewed, the firm did not describe, in writing to the audit committee, the fee structure for certain permissible tax services. In this instance, the firm was non-compliant with PCAOB Rule 3524, *Audit Committee Pre-approval of Certain Tax Services.*

PART I.C: INDEPENDENCE

PCAOB Rule 3520, *Auditor Independence*, requires a firm and its personnel to be independent of the firm's audit clients. This requirement encompasses not only an obligation to satisfy the independence criteria set out in PCAOB rules and standards but also an obligation to satisfy all other independence criteria applicable to an engagement, including the independence criteria set out by the SEC in Regulation S-X, 17 C.F.R. § 210.2-01, *Qualifications of Accountants* ("Rule 2-01").

This section of our report discusses identified instances of apparent non-compliance with PCAOB Rule 3520. An instance of apparent non-compliance with PCAOB Rule 3520 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 apparent non-compliance with PCAOB Rule 3520 that we identified and the firm brought to our attention, there may be other instances of non-compliance with rules related to independence that were not identified through our procedures or the firm's monitoring activities.

PCAOB-Identified

We identified the following instance of apparent non-compliance with PCAOB Rule 3520:

Under Rule 2-01(c)(7), an accountant is not independent if it is engaged to render audit or non-audit services to an issuer or its subsidiaries without that engagement having been pre-approved by the audit committee. In 61 audits reviewed, we identified one instance for one issuer in which certain services were not pre-approved by the audit committee as is necessary to satisfy the independence criteria.

Firm-Identified

During the inspection, the firm brought to our attention that it had identified, through its independence monitoring activities, for a 12-month period, 19 instances across 17 issuers,[2] representing approximately 2% of the firm's total reported issuer audits, in which the firm or its personnel may not have complied with Rule 2-01(c) or PCAOB Rule 3500T related to maintaining independence. Approximately 37% of these instances of apparent non-compliance involved non-U.S. associated firms.

While we have not evaluated the underlying reasons for the instances of apparent non-compliance with PCAOB Rule 3520, the number, large or small, of firm-identified instances of apparent non-compliance may be reflective of the size of the firm, including the number of non-U.S. associated firms in the global network; 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 apparent non-compliance across firms.

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

The most common instances of apparent non-compliance related to financial relationships and business relationships:

- The firm reported nine instances of apparent non-compliance with Rule 2-01(c)(1) regarding financial relationships, all but one of which occurred at the firm or involved its personnel. Of these instances, seven related to investments in audit clients and two related to other financial relationships with audit clients.

- The firm reported three instances of potential non-compliance with Rule 2-01(c)(3) of Regulation S-X regarding business relationships. All of these instances related to business relationships between non-U.S. associated firms and affiliates of issuer audit clients that the firm determined to be prohibited.

The firm has reported to us that it has evaluated these instances of apparent non-compliance and determined in all instances that its objectivity and impartiality were not impaired. The firm also reported to us that it communicated, or has plans to communicate, these instances to the issuers' audit committees as required by PCAOB Rule 3526.

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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February 12, 2026

Ms. Christine Gunia
Director - Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: Response to Part I of the Draft Report on the 2025 Inspection of KPMG LLP

Dear Ms. Gunia:

KPMG LLP ("KPMG") is pleased to submit our response to the Public Company Accounting Oversight Board's ("PCAOB") Draft Report on the 2025 Inspection of KPMG LLP (the "Report").

Our commitment to audit quality is unwavering, and we are dedicated to continuous learning and improvement. We value the insights provided by the PCAOB throughout the inspection process and hold a deep respect for the inspection process as well as the professionalism and dedication of your staff. The observations from the annual inspections are a critical component of our cycle of continuous learning and improvement and are invaluable to our efforts to enhance audit quality.

KPMG is focused on identifying the root causes of the matters presented in the inspection report and implementing sustainable solutions that will further strengthen our system of quality control. Such improvements often require significant and ongoing investments in our people, methodologies, and technologies. As the business environment evolves, particularly with the increasing use of technologies like artificial intelligence, we are committed to adapting our audit approach and enabling tools to effectively address new and emerging risks. We are confident that these investments will continue to enhance our ability to deliver high-quality audits that meet the expectations of the capital markets.

We have thoroughly reviewed the observations in Part I of the Report and have taken immediate and appropriate actions to address the engagement-specific findings. These actions are in full alignment with PCAOB auditing standards and our own firm policies.

KPMG and the PCAOB share the objective of protecting investors and the public interests by providing informative, accurate, and independent audit reports. We look forward to our continued and constructive dialogue with the PCAOB as we continue to advance our shared goal of enhancing trust and confidence in the capital markets. We are confident that our ongoing initiatives to improve audit quality will further strengthen our system of quality control and contribute to the reliability of financial reporting.

Thank you for the opportunity to provide our response. We remain steadfast in our commitment to audit quality and the continuous improvement of our practice.

Sincerely yours,

KPMG LLP

Timothy J. Walsh

Chair and CEO

Christian Peo

Vice Chair – Audit and Assurance

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