2025 Inspection
KPMG LLP

(Headquartered in Toronto, Canada)

October 7, 2026

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

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PCAOB RELEASE NO. 104-2026-105

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2025 INSPECTION

In the 2025 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 issuers. Our inspection was conducted in cooperation with the Canadian Public Accountability Board.

We selected for review eight 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.

2025 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 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 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

	2025	2023
Firm data		
Total issuer audit clients in which the firm was the lead/principal auditor	73	87
Total issuer audits in which the firm was not the lead/principal auditor	44	38
Total engagement partners on issuer audit work[1]	68	71
Audits reviewed		
Total audits reviewed[2]	8	10
Audits in which the firm was the lead/principal auditor	7	9
Audits in which the firm was not the lead/principal auditor	1	1
Integrated audits of financial statements and internal control over financial reporting (ICFR)	8	10
Audits with Part I.A deficiencies	5	5
Percentage of audits with Part I.A deficiencies	63%	50%

[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 lead/principal auditor and those where the firm was not the lead/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 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 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.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2025 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.

2025		2023	
Audit area	**Audits reviewed**	**Audit area**	**Audits reviewed**
Revenue and related accounts	5	**Revenue and related accounts**	8
Long-lived assets	4	**Long-lived assets**	4
Business combinations	3	**Business combinations**	3
Use of other auditors	2	**Use of other auditors**	3
Inventory	2	**Goodwill and intangible assets**	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 lead/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 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 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 – Materials

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Inventory** and **Long-Lived Assets**.

Description of the deficiencies identified

With respect to **Inventory** and **Long-Lived Assets**:

The issuer used an information technology (IT) system to process and record certain inventory and long-lived asset transactions. In its testing of controls over this inventory and long-lived assets, the firm

tested various IT application controls ("ITACs") and IT-Dependent manual controls ("ITDMs") 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 ITGCs, the firm's testing of these ITACs and ITDMs was not sufficient. (AS 2201.46)

The issuer's IT system had both test and production environments. Changes to the IT system were typically tested in the test environment prior to their migration to the production environment. Changes could, however, be made directly in the production environment in certain situations by personnel with privileged access rights. The issuer created change tickets in a tracking application for any changes to the IT system. The following deficiencies were identified:

- The firm did not identify and test any controls over the monitoring of changes implemented by users with privileged access rights within the IT system. (AS 2201.39)

- The firm selected for testing a change management control in which access to deploy changes to the production environment was restricted to IT personnel and segregated from the development function. The firm did not perform sufficient procedures to test the design of this control because it did not evaluate the effect of users with privileged access rights on the control's ability to effectively prevent or detect unauthorized changes to the production environment. (AS 2201.42)

- The firm selected for testing another change management control in which changes to the IT system were tested and approved prior to their migration to the production environment and the IT system was configured to prevent certain changes directly in the production environment. The firm did not perform sufficient procedures to test, or test controls over, the completeness of the change ticket listing from which it made its selections to test this control because it limited its procedures to (1) inspecting the parameters used to generate the listing from the tracking application and (2) comparing the row count quantity and one line item from the change ticket listing to the tracking application, without contemplating potential changes that may not have been captured in the tracking application. (AS 1105.10)

The firm also selected for testing certain ITACs that consisted of the configuration of the IT system to perform certain functions or prevent certain activities. The firm performed procedures to test the design and operating effectiveness of these ITACs within the test environment of the IT system. The firm did not identify and test any controls that would address the risk associated with the test environment in which the ITAC testing was performed, not being identical to the production environment. (AS 2201.39)

With respect to **Long-Lived Assets**, which was affected by the audit deficiencies discussed above related to the testing of ITGCs, ITACs, and ITDMs, the following additional deficiencies were identified:

- The firm did not perform procedures to test, or test controls over, the accuracy and completeness of certain system-generated reports that the firm used in its substantive testing of long-lived assets. (AS 1105.10)

- The sample sizes that the firm used in certain of its substantive procedures to test long-lived assets were 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 testing of ITGCs, ITACs, and ITDMs discussed above. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

With respect to certain other long-lived assets, the firm did not perform procedures to test, or test controls over, the accuracy and completeness of various issuer-prepared reports or schedules that the firm used in its substantive testing of these long-lived assets. (AS 1105.10)

With respect to **Inventory**:

The issuer used models, which relied on various inputs and assumptions, to determine the value of certain inventory. The issuer also used a specialist to assist in determining the classification of inventory as short-term and long-term. The firm's approach for substantively testing this inventory was to test the issuer's process. The following deficiencies were identified:

- The firm identified deficiencies in the design and operating effectiveness of two controls related to certain inventory for various months of the year ("deficient period"). The issuer took steps to remediate these deficiencies, and the firm performed additional procedures to test the remediated controls. The firm did not perform sufficient procedures to test the design and operating effectiveness of the remediated controls because it included a selection from the deficient period when testing these controls. (AS 2201.44) In addition, for one of these controls, the firm did not identify and test any controls over the accuracy of the ratios used to determine the short-term and long-term portions of certain inventory that were used in the operation of the control. (AS 2201.39)

- The firm did not perform procedures to evaluate the reasonableness of the ratios used to determine the short-term and long-term portions of certain inventory beyond (1) agreeing the ratios to correspondence provided by the company's specialist and (2) comparing the ratios to the ratios used in previous quarters. Further, the firm did not perform procedures to evaluate the work of the company's specialist used as audit evidence. (AS 1105.A6 – .A10; AS 2501.16)

With respect to **Long-Lived Assets**, for which the firm identified a significant risk:

The issuer reclassified certain capitalized costs between long-lived asset categories and periodically assessed whether there was any indication that any of its cash generating units ("CGUs") were potentially impaired. If indicators of potential impairment were identified at any of the issuer's CGUs, the issuer would perform an impairment test for that CGU. The following deficiencies were identified:

- The firm selected for testing a control that consisted of management's review of an internally generated memo regarding the assessment of potential impairment indicators for the issuer's CGUs. The firm did not identify and test any controls over the (1) completeness and/or accuracy of certain data and reports and (2) reliability of certain data, used in the operation of this control. (AS 2201.39)

- The firm selected for testing another control that consisted of management's review of certain significant assumptions used to determine the recoverable amount of a CGU in which indicators of potential impairment were identified. The firm did not sufficiently test the design of this control because it did not evaluate the effect of the control owner's use of certain averages to assess the reasonableness of these assumptions on the control's ability to effectively prevent or

detect a material misstatement. (AS 2201.42) In addition, 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)

- The firm did not perform procedures to test, or test controls over, the accuracy and completeness of certain issuer prepared data and reports that the firm used in its substantive testing of the reclassification of certain capitalized costs and its evaluation of management's assessment of an impairment indicator for the issuer's CGUs. (AS 1105.10)

- The firm did not perform procedures to evaluate the issuer's assessment of another impairment indicator related to long-lived assets beyond reading the issuer's internally generated memo. (AS 2301.08)

- The firm did not perform sufficient procedures to evaluate the issuer's assessment of another impairment indicator for the issuer's CGUs because it did not perform any procedures to evaluate the reasonableness of certain data the issuer used to assess this indicator. (AS 2301.08)

Issuer B – Information Technology

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Revenue**:

The issuer recognized revenue from multiple revenue sources and used multiple IT systems to process and record certain revenue transactions. For one of these IT systems, the issuer classified changes to the IT system as either standard or normal. Standard changes were pre-approved and normal changes required approval before they were implemented. The following deficiencies were identified:

- The firm selected for testing change management controls related to an IT system that consisted of management's (1) review of all changes made to the IT system and approval of normal change requests and (2) approval of the IT and user acceptance testing results. The firm did not perform sufficient procedures to test the design and operating effectiveness of these controls because it (1) did not evaluate the specific review procedures that the control owner performed to classify the change types between standard and normal and (2) limited its testing to standard changes. (AS 2201.42 and .44)

- The firm selected for testing a change management control related to another IT system in which management reviewed all changes made to the IT system during the year to evaluate whether unauthorized changes were made by developers. The firm did not evaluate the specific review procedures that the control owner performed to determine whether unauthorized changes were made by developers. (AS 2201.42 and .44)

- The firm identified a deficiency in the design and operating effectiveness of another change management control related to another IT system and the issuer took steps to remediate the deficiency. The firm did not perform sufficient procedures to test the design and operating effectiveness of the remediated control because the number of changes selected for testing did not provide sufficient appropriate audit evidence given the frequency with which the control operated. (AS 2201.46)

The firm selected for testing various ITACs and ITDMs over certain revenue that used data entered into and maintained by certain IT systems. These controls were dependent on the effectiveness of the change management controls discussed above. The firm used a "test of one" approach to test these ITACs and certain ITDMs. The following deficiencies were identified:

- The firm did not identify and test any controls over the accuracy and completeness of certain data entered into various IT systems and used in the operation of these ITDMs and certain ITACs. (AS 2201.39)

- The firm's testing of these ITACs and certain ITDMs using a sample of only one instance was not sufficient because (1) of the deficiencies in the firm's testing of the change management controls discussed above and (2) the firm did not test the configuration or programming of the underlying applications or perform other procedures that would have provided sufficient appropriate audit evidence that these controls were designed and operating effectively. (AS 2201.46)

- The firm did not test an aspect of one of these ITDMs related to the reformatting of certain billing data from a system-generated report to a document that was uploaded to the IT system and used in the operation of this control. (AS 2201.42 and .44)

The firm did not identify and test any controls over the transfer of billing data between various IT systems for certain revenue. (AS 2201.39)

The firm did not perform procedures to test, or (as discussed above) test controls over, the accuracy and completeness of certain data contained in system-generated reports that the firm used in its substantive testing of certain revenue. (AS 1105.10)

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

The firm selected for testing a control over business combinations that consisted of management's review of presentations to the Board of Directors, which contained certain data and assumptions related to proposed business combinations. The firm did not identify and test any controls over the accuracy or reliability of certain data used in the operation of this control. (AS 2201.39) In addition, the firm did not evaluate the specific review procedures that the control owner performed to assess the reasonableness of the data and assumptions reflected in these presentations related to the proposed business combinations. (AS 2201.42 and .44)

The issuer engaged an external specialist to assist in determining the fair values of intangible assets acquired in business combinations. The firm's approach for substantively testing business combinations was to test the issuer's process. The following deficiencies were identified:

- The firm did not perform procedures to test, or (as discussed above) test controls over, the accuracy of certain issuer-prepared data that the firm used in its substantive testing of the intangible assets acquired in a business combination. (AS 1105.10)

- The firm did not perform sufficient procedures to evaluate the reasonableness of certain significant assumptions used by the issuer to determine the fair values of intangible assets acquired in a business combination because it did not evaluate whether the issuer had a reasonable basis for using certain data to develop the assumptions. (AS 2501.16)

- The firm did not perform procedures to evaluate the reliability of certain data from sources external to the issuer that the company's specialist used to determine the fair values of the intangible assets acquired in a business combination. (AS 1105.A8a)

With respect to **Journal Entries**, for which the firm identified a fraud risk:

The firm selected for testing a control that consisted of management's review of manual journal entries, including its review of the population of journal entries subject to review for completeness, as filtered by a specific document type. The firm did not perform sufficient procedures to test the design of this control because it did not evaluate the effect of the control owner's focus on a specific document type when reviewing the population of journal entries subject to review for completeness, on the control's ability to effectively prevent or detect a material misstatement. (AS 2201.42)

Issuer C

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Revenue and Related Accounts**:

The issuer recognized revenue from multiple revenue sources and used multiple IT systems to initiate, process, and/or record certain transactions related to revenue and related accounts. The following deficiencies were identified:

- The firm selected for testing two ITDMs that consisted of the review and approval of changes to customer pricing data and other data that would affect a customer's invoice by authorized individuals. The firm did not perform procedures to test, or test controls over, the completeness of the listing of price changes from which the firm made its selections to test these controls. (AS 1105.10) In addition, the firm did not identify and test any controls over the accuracy of certain data used in the operation of these controls. (AS 2201.39)

- The firm selected for testing an ITAC that consisted of the configuration of an IT system to automatically update the IT system for changes in the billing status of customers as they occur.

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)

- The firm selected for testing an ITDM that consisted of management's (1) review of a product parts catalog reconciliation and (2) investigation of unexpected differences. 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)

- The firm selected for testing an ITDM that consisted of management's review of a selection of customer invoices to validate their accuracy. The firm did not perform sufficient procedures to test the design of this control because it did not evaluate whether the parameters used by management to identify invoices for review would effectively prevent or detect a material misstatement. (AS 2201.42) In addition, the firm did not identify and test any controls over the sampling tool used by the control owner to identify invoices for review. (AS 2201.39) Finally, the firm did not perform procedures to test, or test controls over, the completeness of the population of invoices from which the firm made its selections to test this control. (AS 1105.10)

- The firm selected for testing an ITDM that consisted of management's review and validation of certain data used for customer billing related to projects. The firm did not identify and test any controls over the completeness of certain reports used in the operation of this control. (AS 2201.39) In addition, the firm did not perform procedures to test, or test controls over, the completeness of the population of projects from which the firm made its selections to test this control. (AS 1105.10)

- The firm selected for testing various ITACs over the accuracy and completeness of certain data and reports that were used in the operation of other controls. These ITACs consisted of the configuration of certain applications and/or the use of custom scripts, queries, macros, and tables to produce this data and these reports. The firm used a "test of one" approach to test certain of these ITACs. The firm's testing of these ITACs using a sample of only one instance for each control was not sufficient because the firm did not test the configuration or programming of the underlying applications, scripts, queries, and macros or perform other procedures that would have provided sufficient appropriate audit evidence that these controls were designed and operating effectively. (AS 2201.46) In addition, for certain ITACs, the firm did not identify and test any controls over the accuracy and completeness of certain data that was used in the operation of the controls. (AS 2201.39)

- The firm selected for testing an ITDM that consisted of management's review of the performance of periodic tests over the functionality of an IT system used to process certain revenue transactions. The firm did not evaluate the review procedures that the control owner performed, including the procedures to identify items for follow-up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)

- The firm selected for testing two ITACs that consisted of the configuration of various microflows within another IT system to automatically calculate, allocate, and validate certain data within the IT system. The firm did not perform sufficient procedures to test the design and operating effectiveness of these ITACs because the firm limited its procedures to testing the microflows

provided by management without evaluating whether there were other significant microflows. (AS 2201.42 and .44)

- The firm selected for testing various ITACs that consisted of the configuration of certain IT systems to (1) perform specific functions, (2) prevent certain activities, and (3) process, record, and transfer data between IT systems. The firm used a "test of one" approach to test these ITACs. The firm's testing of these ITACs using a sample of only one instance for each control was not sufficient because the firm did not test the configuration of these ITACs or perform other procedures that would have provided sufficient appropriate audit evidence that these controls were designed and operating effectively. (AS 2201.46)

- The firm did not perform procedures to test, or test controls over, the accuracy and completeness of certain system-generated reports that the firm used in its substantive testing of certain revenue. (AS 1105.10)

- The firm did not perform procedures to test, or (as discussed above) sufficiently test controls over, the accuracy and completeness of certain system-generated data and/or reports that the firm used in its substantive testing of certain revenue and related accounts. (AS 1105.10)

- The sample sizes that the firm used in certain of its substantive procedures to test certain revenue and related accounts were 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, including the ITACs and ITDMs discussed above. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

With respect to **Journal Entries**, for which the firm identified a fraud risk:

The issuer used multiple IT systems to record journal entries. The following deficiencies were identified:

- For one of the issuer's IT systems, the firm did not identify and test any controls over journal entries that would address the identified fraud risks. (AS 2201.39)

- For another of the issuer's IT systems, the firm selected for testing a control over journal entries that consisted of the configuration of the IT system to only allow journal entries to be posted that have been approved by an appropriate individual, other than certain journal entries that were set-up as pre-approved. The firm did not perform sufficient procedures to test the design and operating effectiveness of this control because it did not (1) evaluate whether certain journal entry source codes that did not require approval (and were not pre-approved) were not able to be posted and (2) with the exception of certain journal entry source codes, evaluate whether the journal entry source codes that required approval were approved prior to posting. (AS 2201.42 and .44) In addition, the firm did not perform procedures to evaluate whether the control was appropriately designed to prevent changes to certain manual journal entry source codes that were pre-approved. (AS 2201.42)

- For two of the issuer's IT systems, the firm selected for testing controls over journal entries that consisted of the (1) review and approval of manual journal entries by an authorized individual or (2) segregation of the responsibilities for the preparation and approval of manual journal

entries. The firm did not perform procedures to test, or test controls over, the completeness of the population of manual journal entries from which the firm made its selections to test these controls. (AS 1105.10)

- For one of the issuer's IT systems referred to above, the firm selected for testing two other controls over journal entries that consisted of the configuration of the IT system to ensure that manual journal entries were approved by authorized individuals based on pre-established approval limits. The firm did not perform sufficient procedures to test the design and operating effectiveness of these controls because it did not evaluate whether the IT system configuration applied to certain journal entry source codes. (AS 2201.42 and .44)

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 ("ACL")**, for which the firm identified a significant risk.

Description of the deficiencies identified

The issuer's ACL was comprised of various components, including allowances for individually assessed loans and certain overlays, and the issuer used various models and significant assumptions to determine certain individual components of the ACL. The issuer used multiple IT systems to process and record ACL transactions. The following deficiencies were identified:

- The firm selected for testing certain ITACs over the ACL, including interface controls and controls over the generation of reports and data used in the determination of the ACL. The firm did not test the design and operating effectiveness of two of these ITACs and did not test the design and operating effectiveness of certain elements of other ITACs selected for testing. (AS 2201.42 and .44)

- The firm selected for testing certain controls that consisted of the issuer's monitoring of the models used to determine a component of the ACL, including management's follow-up on any triggering breaches based on the monitoring results. The firm did not perform sufficient procedures to test the design of these controls because it did not identify that the timing in which these controls operated did not allow the issuer to evaluate whether certain factors would affect the performance of the models. (AS 2201.42)

- The firm selected for testing certain other controls that consisted of management's review of various overlays. The firm did not evaluate the specific review procedures that the control owners performed to assess the appropriateness of the methods and the reasonableness of the significant assumptions, used to determine the overlays. (AS 2201.42 and .44)

- The firm did not identify and test any controls over the methods and significant assumptions used to develop certain forecasts that were used to determine various overlays. (AS 2201.39)

The issuer engaged various external specialists to assist in determining the value of the underlying collateral for certain individually assessed loans. The firm's approach for substantively testing the ACL was to test the issuer's process. The following deficiencies were identified:

- The firm did not perform procedures to evaluate the reasonableness of the significant assumptions used to determine certain overlays beyond (1) inquiries of management, (2) inspecting quantifications performed that were outside of pre-established thresholds, (3) reviewing certain slide decks and meeting minutes prepared by the issuer, and (4) comparing the overlays, by portfolio, at year end to those having similar credit risks and to those reported in previous periods. (AS 2501.16)

- The firm did not perform procedures to evaluate the reasonableness of the significant assumptions used to determine the allowance for certain in-scope individually assessed loans beyond inquiries of management and reading the credit files for the borrowers. (AS 2501.16)

- The firm did not perform procedures to evaluate the reasonableness of the significant assumptions used to determine the allowance for certain other in-scope individually assessed loans beyond (1) inquiries of management, (2) reading the credit files for the borrowers, and (3) reading the valuation reports prepared by the company's specialists regarding the related loan collateral. Further, the firm did not perform procedures to evaluate the work of the company's specialists used as audit evidence. (AS 1105.A6 – .A10; AS 2501.16)

Issuer E – Industrials

Type of audit and related area affected

In our review, we identified deficiencies in the ICFR audit related to **Revenue**.

Description of the deficiencies identified

The issuer used multiple IT systems to initiate, process, and/or record certain revenue transactions. The firm selected for testing certain controls, including ITACs and ITDMs, that consisted of (1) the automated validation of certain data and recorded revenue, (2) the automated assignment of certain rates to shipping documents and the calculation of certain revenue, and (3) management's review of certain shipping documents. The following deficiencies were identified:

- The firm did not identify and test any controls over the accuracy of certain rates entered into one of these IT systems that was used in the operation of certain of these controls. (AS 2201.39)

- With respect to one of these ITACs, the firm did not test an aspect of the control related to the accuracy of certain rates used in the operation of this control and the calculation of certain revenue. (AS 2201.42 and .44)

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 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 seven audits reviewed, the firm did not communicate to the audit committee the reason for a significant change to a significant risk that had initially been identified and communicated to the audit committee. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In two of seven audits reviewed, the firm did not make certain required communications to the audit committee related to critical accounting policies and practices or certain critical accounting estimates. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In four of seven audits reviewed, the firm did not make, or make timely, certain required communications to the audit committee related to the name, planned responsibilities, and/or location of 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 two of seven audits reviewed, the firm did not perform (or sufficiently 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 one of eight audits reviewed, the firm did not communicate to management, in writing, all control deficiencies identified during the audit. 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*.

- In three of seven audits reviewed, the firm did not make certain required communications to the audit committee related to its evaluation of the issuer's identification of, accounting for, and

disclosure of its relationships and transactions with related parties. In these instances, the firm was non-compliant with AS 2410, *Related Parties*.

- In one of seven 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 certain matters that were 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.

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 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 did not identify any instances of apparent non-compliance with PCAOB Rule 3520.

Firm-Identified

During the inspection, the firm brought to our attention that it had identified, through its independence monitoring activities, nine instances across eight issuers,[3] in which the firm or its personnel may not have complied with Rule 2-01(c) related to maintaining independence. One of these instances of apparent non-compliance involved an associated firm.

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 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,

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

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.

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

- The firm reported eight 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, six related to investments in audit clients and two 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. Five of these instances related to a senior associate, a manager, a senior manager, and directors who were members of audit engagement teams and one of these instances related to a manager who provided more than 10 hours of non-audit services to an audit client.

- The firm reported one instance of apparent non-compliance with Rule 2-01(c)(7) regarding audit committee pre-approval. This instance related to non-audit services provided without the engagement having been pre-approved by the audit committee.

The firm has reported to us that it has evaluated the instances of apparent non-compliance for issuer audit clients in which the firm was the principal/lead auditor and determined in all instances that its objectivity and impartiality were not impaired. The firm also reported to us that it communicated these instances to the issuers' audit committees as required by PCAOB Rule 3526. In addition, the firm reported to us that it has communicated the remaining instances of apparent non-compliance to the respective principal/lead auditor for the principal/lead auditor to evaluate its objectivity and impartiality.

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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Response to Part I of the Public Company Accounting Oversight Board (PCAOB) Draft Report on the 2025 Inspection of KPMG LLP

July 13, 2026

Dear Ms. Gunia,

We are pleased to provide you with our response to Part I of the Public Company Accounting Oversight Board's (PCAOB) Draft 2025 Inspection Report (Report) of KPMG LLP (KPMG Canada or the firm).

Consistently executing high-quality audits is our top priority. Quality and trust form the foundation of everything we do, and we remain fully committed to ensuring the highest standards in our work. 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.

We take the findings from the PCAOB inspection process seriously as they help us identify areas for improvement and strengthen our system of quality management. We learn from every inspection and respect and appreciate the commitment and professionalism of the PCAOB staff throughout the process.

We have reviewed the observations identified in Part I of the Report and are addressing them in a manner that is consistent with the applicable auditing standards, as well as our own policies and procedures. We remain fully committed to cooperating with the PCAOB and value its important role in advancing audit quality.

We are also making substantial investments and taking important actions to ensure we are set up to drive sustainable quality and improvement. We remain dedicated to strengthening our firm to meet the PCAOB's and our own high expectations by continuously improving our system of quality control, monitoring audit quality, enhancing the skillset of our people, and implementing advanced technology.

We believe our actions will address the observations identified in your Report, and, over time, will drive progress and lead to sustained levels of high audit quality.

Yours sincerely,

Benjie Thomas
Chief Executive Officer and Senior Partner

Sebastian Distefano
Canadian Managing Partner, Audit

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Document classification: KPMG Public