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**Inspection of  
KPMG Limited**  
(Headquartered in Moscow, Russian Federation)

Issued by the  
**Public Company Accounting Oversight Board**

**December 5, 2011**

PCAOB RELEASE NO. 104-2012-017

**Notes Concerning this Report**

1. Portions of this report may describe deficiencies or potential deficiencies in the systems, policies, procedures, practices, or conduct of the firm that is the subject of this report. The express inclusion of certain deficiencies and potential deficiencies, however, should not be construed to support any negative inference that any other aspect of the firm's systems, policies, procedures, practices, or conduct is approved or condoned by the Board or judged by the Board to comply with laws, rules, and professional standards.
2. Any references in this report to violations or potential violations of law, rules, or professional standards should be understood in the supervisory context in which this report was prepared. Any such references are not a result of an adversarial adjudicative process and do not constitute conclusive findings of fact or of violations for purposes of imposing legal liability. Similarly, any description herein of a firm's cooperation in addressing issues constructively should not be construed, and is not construed by the Board, as an admission, for purposes of potential legal liability, of any violation.
3. Board inspections encompass, among other things, whether the firm has failed to identify financial statement misstatements, including failures to comply with Securities and Exchange Commission ("SEC" or "Commission") disclosure requirements, in its audits of financial statements. This report's descriptions of any such auditing failures necessarily involve descriptions of the apparent misstatements or disclosure departures. The Board, however, has no authority to prescribe the form or content of an issuer's financial statements. That authority, and the authority to make binding determinations concerning whether an issuer's financial statements are misstated or fail to comply with Commission disclosure requirements, rests with the Commission. Any description, in this report, of financial statement misstatements or failures to comply with Commission disclosure requirements should not be understood as an indication that the Commission has considered or made any determination regarding these issues unless otherwise expressly stated.

## **INSPECTION OF KPMG LIMITED**

The Public Company Accounting Oversight Board ("PCAOB" or "the Board") conducted an inspection of the registered public accounting firm KPMG Limited ("the Firm"). The Board is issuing this report of that inspection in accordance with the requirements of the Sarbanes-Oxley Act of 2002 ("the Act").

The Act restricts the Board from publicly disclosing portions of an inspection report that discuss certain types of deficiencies or certain other nonpublic information.<sup>1/</sup> Because the inspection did not identify instances of such deficiencies, and because the report does not otherwise disclose protected information, the Board is making the entire report available to the public.

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<sup>1/</sup> The Board has elsewhere described in detail its approach to making inspection-related information publicly available consistent with legal restrictions. See Statement Concerning the Issuance of Inspection Reports, PCAOB Release No. 104-2004-001 (August 26, 2004).

## PART I

### INSPECTION PROCEDURES AND CERTAIN OBSERVATIONS

Members of the Board's inspection staff ("the inspection team") conducted primary procedures for the inspection from October 5, 2009 to October 15, 2009. These procedures were tailored to the nature of the Firm, certain aspects of which the inspection team understood at the outset of the inspection to be as follows:

Number of offices	1 (Moscow, Russian Federation)
Ownership structure	Limited liability company
Number of partners	12
Number of professional staff <sup>2/</sup>	86
Number of issuer audit clients <sup>3/</sup>	1
Number of other issuer audits in which the Firm plays a role <sup>4/</sup>	2

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<sup>2/</sup> "Professional staff" includes all personnel of the Firm, except partners or shareholders and administrative support personnel. The number of partners and professional staff is provided here as an indication of the size of the Firm, and does not necessarily represent the number of the Firm's professionals who participate in audits of issuers or are "associated persons" (as defined in the Act) of the Firm.

<sup>3/</sup> The number of issuer audit clients shown here is based on the Firm's self-reporting and the inspection team's review of certain information for inspection planning purposes. It does not reflect any Board determination concerning which, or how many, of the Firm's audit clients are "issuers" as defined in the Act. In some circumstances, a Board inspection may include a review of a firm's audit of financial statements of an issuer that ceased to be an audit client before the inspection, and any such former clients are not included in the number shown here.

<sup>4/</sup> The number of other issuer audits encompasses audit work performed by the Firm in engagements for which the Firm was not the principal auditor, including

Board inspections are designed to identify and address weaknesses and deficiencies related to how a firm conducts audit work.<sup>5/</sup> To achieve that goal, Board inspections include reviews of certain aspects of selected audit work performed by the firm and reviews of other matters related to the firm's quality control system.

In the course of reviewing aspects of selected audit work, an inspection may identify ways in which a particular audit is deficient, including failures by the firm to identify, or to address appropriately, departures from U.S. Generally Accepted Accounting Principles ("GAAP"), or, as applicable, International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").<sup>6/</sup> It is not the purpose of an inspection, however, to review all of a firm's audit work or to identify every respect in which a reviewed audit performed by the firm, or in which the firm played a role, is deficient. Accordingly, a Board inspection report should not be understood to provide any assurance that the firm's audit work, or the relevant issuer financial statements are free of any deficiencies not specifically described in an inspection report.

#### A. Review of Audit Engagement

The inspection procedures included a review of aspects of the Firm's auditing of the financial statements of one issuer. The scope of this review was determined according to the Board's criteria, and the Firm was not allowed an opportunity to limit or influence the scope. This review did not identify any audit performance issues that, in the inspection team's view, resulted in the Firm failing to obtain sufficient competent evidential matter to support its opinion on the issuer's financial statements.

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audits, if any, in which the Firm plays a substantial role as defined in PCAOB Rule 1001(p)(ii).

<sup>5/</sup> This focus necessarily carries through to reports on inspections and, accordingly, Board inspection reports are not intended to serve as balanced report cards or overall rating tools.

<sup>6/</sup> When it comes to the Board's attention that an issuer's financial statements appear not to present fairly, in a material respect, the financial position, results of operations, or cash flows of the issuer in conformity with GAAP or IFRS, the Board's practice is to report that information to the SEC, which has jurisdiction to determine proper accounting in issuers' financial statements.

B. Review of Quality Control System

In addition to evaluating the quality of the audit work performed, the inspection included review of certain of the Firm's practices, policies, and procedures related to audit quality. This review addressed practices, policies, and procedures concerning audit performance and the following eight functional areas (1) tone at the top; (2) practices for partner evaluation, compensation, admission, assignment of responsibilities, and disciplinary actions; (3) independence implications of non-audit services; business ventures, alliances, and arrangements; personal financial interests; and commissions and contingent fees; (4) practices for client acceptance and retention; (5) practices for consultations on accounting, auditing, and SEC matters; (6) the Firm's internal inspection program; (7) practices for establishment and communication of audit policies, procedures, and methodologies, including training; and (8) the supervision by the Firm's audit engagement teams of the work performed by foreign affiliates. The inspection team did not identify anything that it considered to be a quality control defect that warrants discussion in a Board inspection report.

END OF PART I

**PART II**

**RESPONSE OF THE FIRM TO 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, minus any portion granted confidential treatment, is attached hereto and made part of this final inspection report.



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Ms Helen A. Munter  
Director  
Division of Regulation and Inspections  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
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United States

5 October 2011

Dear Ms. Munter

**Draft Public Company Accounting Oversight Board (PCAOB) report on 2009 inspection of KPMG Limited, Russia**

We appreciate the opportunity to review and comment on the PCAOB's Draft Report on its 2009 inspection of KPMG Limited, Russia, dated 19 September 2011. We confirm that we have no comments on the draft report.

As independent auditors, KPMG is committed to conducting quality audits. We pride ourselves of our high standard of quality and we are pleased that the inspection team did not identify any deficiencies in our audit engagements, our quality control systems and other internal processes.

Our Global Audit Quality Framework identifies continuous improvement as one of seven drivers of audit quality. The opportunity to receive feedback from the PCAOB is an important part of KPMG's objective to continue to uphold the highest standards of excellence in all that we do to ensure that our audit engagements, processes and quality control systems remain effective and that our professionals clearly understand that their priorities are integrity and professional excellence.

We wish to acknowledge the professionalism of the PCAOB inspection staff, the constructive manner in which their inspection was conducted and the role the PCAOB plays in improving audit quality.

Yours sincerely,

Johnny Guldborg Jensen  
Audit Quality & Risk Management Partner