



Our continued focus on quality

Transparency Report 2021
KPMG Incorporated
www.home.kpmg.com/za



About this report

This is KPMG Incorporated's Transparency Report for the financial year ended 30 September 2021. This report focusses on how we drive audit quality, our systems of quality control, and the initiatives we are continuously pursuing to improve it. We see audit quality as fundamental to maintaining public trust in the capital markets and the financial reports issued by audited entities. We aim to lead the profession in audit quality.

Our report covers the activities for the financial year to 30 September 2021, and all information disclosed in this report is for the year ended 30 September each financial year, unless otherwise stated.



Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands. We define “audit quality” as the outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality controls. All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

Our commitment to audit quality

When we talk about how we are striving to maintain and improve quality, it is not an abstract aspiration. Quality is fundamental to our purpose, and we constantly monitor and evaluate it.

We recognise that greater transparency is needed for the public to gain insight into audit services. This report outlines KPMG's approach and commitment to audit quality, including actions taken to enhance audit quality during the year.

This report aligns with our Global Quality Framework. The framework describes how our commitment to integrity and quality lies at the heart of the way we do things at KPMG.

Global People Survey

Annually, KPMG personnel are invited to participate in KPMG's Global People Survey (GPS) to share their perception about their experience of working for KPMG. The GPS provides a measure of our people's engagement and insights into areas driving engagement. Results can be analysed by several factors, for example functional or geographic area, grade and gender to provide additional focus for action. Through the GPS, KPMG gains additional insight on how we are faring on categories known to impact employee engagement.

The survey also provides KPMG leadership with results related to quality and risk behaviours, audit quality, upholding the KPMG Values, employee and partner attitudes to quality, leadership and tone at the top.

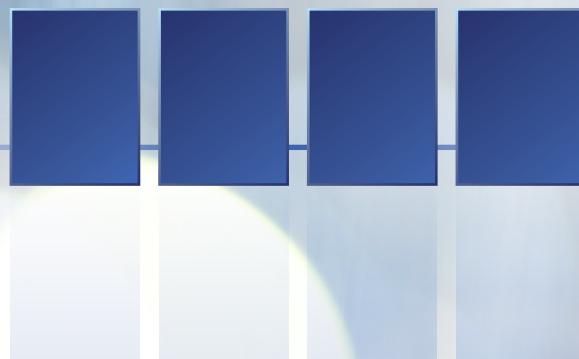
Throughout this report we have highlighted results of our GPS as they relate to the elements of the Global Quality Framework. These results indicate favourable responses from the participants.

References to KPMG

Throughout this document, "KPMG", "we", "our" and "us" refers to the global organisation or to one or more of the member firms of KPMG International Limited, each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients.

No member firm has any authority to obligate or bind KPMG International Limited or any other member firm vis-à-vis third parties, nor does KPMG International Limited have any such authority to obligate or bind any member firm.

Throughout this document, references to "Firm", "KPMG firm", "member firm" and "KPMG member firm" refer to firms which are either: members of KPMG International Limited; sublicensee firms of KPMG International Limited; or entities that are wholly or dominantly owned and controlled by an entity that is a member or a licensee. The overall governance structure of KPMG International Limited is provided in the 'Governance and leadership' section of the [2021 KPMG International Transparency Report](#).



Contents

5 Foreword	7 Who we are	8 Introduction	11 Our governance and leadership
14 Living our culture and values	16 Applying expertise and knowledge	18 Embracing digital technology	21 Nurturing diverse skilled teams
25 Associating with the right clients and engagements	27 Being independent and ethical	32 Performing quality engagements	35 Communicating effectively
36 Monitoring and remediation	42 Partner remuneration	43 Statement by the Policy Board on the effectiveness of system of quality controls and independence	44 Appendix A: Key legal entities and areas of operation

KPMG Values

Our Values represent what we believe in, and what's important to us as an organisation. They guide our behaviours day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all our stakeholders.

Our Values are:

❖ **Integrity** We do what is right.

❖ **Excellence** We never stop learning and improving.

❖ **Courage** We think and act boldly.

❖ **Together** We respect each other and draw strengths from our differences.

❖ **For Better** We do what matters.

KPMG's Values express the organisation's long-standing core beliefs, and the language was updated in the previous year to make them bolder, simpler and more memorable to help each of us bring them to life every day.

Foreword

In a changing and increasingly complicated world, transparency is more important than ever. That is why over the past year, while dealing with the impact of the global pandemic, we have worked hard to innovate, enhance audit quality and advance the profession.

We have consistently rolled out new technology and better ways of working – some forced by the pandemic and others in-line with our Audit Quality Plan. We continued to deploy our new global cloud-based audit platform, KPMG Clara, which is digitally enabled and provides an incredible opportunity for driving collaboration, quality and innovation on the audit.

We are working towards full implementation of the new International Standards on Quality Management (ISQM 1) which requires firms to design, implement and operate a system of quality management to consistently deliver quality audits, and to evaluate the effectiveness of the system annually. We are on track to meet its requirements when it comes into effect on 15 December 2022. The implementation of ISQM 1, together with our continued investment in quality initiatives and identifying additional opportunities to learn and improve contributes to our continuous focus on audit quality.

Driving improvements in audit quality relies heavily on exceptional people always doing the right thing, not taking shortcuts and being able to speak up without fear of repercussions. Our people are at the heart of our business and supporting their wellbeing remains a priority through challenging times. Our wellbeing strategy was launched on 1 February 2021 and focusses on the importance of providing our people with the support and resources to care for their wellbeing to support both their physical and emotional / mental health as well as financial wellness.

We want to thank our partners and colleagues - who despite the challenges posed by the pandemic, live our Values and deliver on our ambition.

“Our ambition is simple but bold: to become the most trusted and trustworthy professional service firm in South Africa. Achieving that aim is not possible without delivering quality audits.”

We continue to pioneer the change we wish to see in the audit profession, and we are pleased to have contributed beyond the firm through the following reforms:

- On 17 March 2021 we entered into a Memorandum of Understanding with the Association for the Advancement of Black Accountants of Southern Africa (ABASA) to develop a unique program to accelerate transformation in the industry and support empowerment by providing audit experience in public interest entities to SME black owned auditing firms.
- We were the first firm to announce that we will cease all future non-audit related services for our JSE listed audit clients effective 31 March 2021. We have taken this step with the primary aim to improve the perception of auditor independence and protecting the interests of the public. For existing, contracted non-audit-related services at the effective date, that would no longer be permissible in terms of our new policy, such as tax and consulting services, sensible transition arrangements were agreed with our clients.

All of our actions are guided by our Values. They drive our daily behaviours, guide our decisions and shape our ethical culture. Integrity is our core Value – we do what is right, in the right way, at the right time. We embody our values of integrity and excellence in our commitment to quality. Together, we are making incredible strides for the better.

We share the common goal of improving audit quality and maintaining the public trust with all our stakeholders. We fully support the responsibility of regulators and constantly welcome their independent assessment of our system of quality control.

We remain deeply committed to all of our stakeholders as we continually monitor and improve our system of quality control and invest in the future of audit.

Thank you for the trust you have in us.



Ignatius Sehoole

Chief Executive Officer:
KPMG Southern Africa



Devon Duffield

Head of Audit:
KPMG Southern Africa

Who we are

Our business

KPMG South Africa is a professional services firm that delivers Audit, Tax and Advisory services.

Headquartered in Parktown, Gauteng, we operate from four offices in Johannesburg, Cape Town, Durban and Gqeberha, serving all nine provinces in our country. KPMG South Africa had an average of 134 partners and 1 888 colleagues across all businesses in the year to 30 September 2021 (2020: an average of 125 partners and 1 941 colleagues).

Our audit services in South Africa are delivered through KPMG Incorporated (KPMG SA), a JSE accredited firm. Full details of the services offered by KPMG South Africa can be found on our website www.home.kpmg.com/za



Our strategy

Our strategy is set by the KPMG South Africa Policy Board in cooperation with the Executive Committee and it demonstrates a commitment to quality and trust. KPMG South Africa has a clear ambition of being the most trusted and trustworthy professional services firm in the market.

Legal structure

KPMG South Africa refers to two distinct legal entities:

- **KPMG Incorporated**, a South African company with registration number 1999/021543/21, provides assurance and attestation services. The shareholders and directors of KPMG Incorporated are all Registered Auditors as defined by the Auditing and Profession Act 26 of 2005.
- **KPMG Services Proprietary Limited**, a South African company with registration number 1999/012876/07, provides taxation and advisory services. The shareholders and directors of KPMG Services Proprietary Limited include all the directors of KPMG Incorporated together with other directors who are not Registered Auditors.

Effective 1 October 2020, KPMG South Africa and all other KPMG member firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organisation become members in, or have other legal connections to KPMG International Limited, an English private company limited by guarantee. KPMG International acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by the member firms. Further details on the revised legal and governance arrangements for the KPMG global organisation from 1 October 2020 can be found in the section "Governance and leadership" of the [2021 KPMG International Transparency Report](#).

Introduction

Audit is the cornerstone of the KPMG brand – it is who we have always been – and it is our business of highest calling in serving the public interest and capital markets alike. At KPMG SA, we truly understand the privilege and responsibility entrusted to us in serving the markets as auditors.

A clear ambition, values and priorities

Our ambition is to become the most trusted and trustworthy professional services firm in South Africa. Everything we do and everything we are is shaped by that ambition and executed by every single professional through our priorities and values, through our audit quality mantra of “I OWN IT”.

Put simply, KPMG SA has 1 ambition, 4 priorities, 5 values – and the equation only works if every single person owns the embodiment and execution of each these elements of who we are and what we do.



Trust – the oxygen that gives life to our economy

The audit profession exists to serve all those stakeholders who rely upon the work we do. But the audit profession can ONLY serve well if it earns and retains the public trust in our ability to do that work with integrity and to the highest quality. We have lived the experience of having the public question whether we are trustworthy – and we are doing and will continue to do everything necessary to never be in that position again.

In short – the audit profession plays a critical role in whether or not there is trust in our economic and market system and in our country. As a firm, we invest heavily in driving and living this message – from the top, in our conversations and in everything we do. We have been so humbled to see the way in which our clients, the market, our people and even future generations of auditors have responded to what the firm has done to formally recognise and honour this higher calling. This makes KPMG SA a special place to be for our current and future generations of auditors – a place with clear purpose and ambition – and a clear set of our values to guide our behaviour and decisions. This is who we are, and what you can expect from us.

Audit Quality – the fuel that drives Trust in the audit profession

For the audit business, the single most important driver in earning and maintaining public trust is audit quality. Audit quality is the ultimate measure of whether the firm is delivering audits that fully meet the standards of auditing set for the audit profession. Audit regulators around the world have been calling on the audit profession to make a marked difference in achieving audit quality – and at KPMG SA – we have acknowledged and accepted this challenge!

Driving audit quality has been a key area of focus over the last four years. Since 2018, the firm has dealt with this with a focus that is unprecedented in our history. Through our comprehensive Audit Quality Plan (AQ Plan), the firm has implemented a number of ground-breaking and market-leading changes – including market first initiatives such as:

- Fully independent non-executive leadership of the Policy Board of KPMG South Africa, with Prof Wiseman Nkuhlu as our independent chairman, and two other fully independent non-executive members leading all our Policy Board committees.
- A dedicated Audit Quality Committee of the Policy Board chaired by Prof Ben Marx, that monitors the implementation of every aspect of our audit quality Plan as this evolves to incorporate all findings from internal and regulatory quality reviews of the firm, and the implementation of the new International Standards on Quality Management (ISQM 1 and ISQM 2) which are effective by 15 December 2022.
- A dedicated Second Line of Defence (2LoD) program performing pre-issuance reviews of a selection of public interest audits performed by the firm.
- We were the first firm to announce that we will cease all future non-audit related services for our JSE listed audit clients effective 31 March 2021.

We have taken this step with the primary aim to improve the perception of auditor independence and protecting the interests of the public. For existing, contracted non-audit-related services at the effective date, that would no longer be permissible in terms of our new policy, such as tax and consulting services, sensible transition arrangements were agreed with our clients.

While the commitment to audit quality is a continuous journey with ever increasing external standards, regulations and expectations, we are pleased to see the steady improvement in our quality outcomes over the last four years, both on our internal and external regulatory reviews.

Growth – the outcome not the goal!

KPMG SA has started to see the fruits of the hard work done by every one of our people over the last four years – not only in our quality outcomes, and in our relationships with our regulators, but also in the market recognition of our efforts. We have noted with gratitude the recognition given to the firm by our clients and industry bodies such as Business Leadership South Africa, and the Institute of Directors – for the changes the firm had made since 2017.

For us, growth is not the goal but the outcome of earning trust through audit quality, and the way our exceptional people deliver on our promises in everything that we do. But growth is vital if we are to attract and retain the incredible talent we need to serve the market with distinction. The growth we are now seeing stands us in good stead to create exciting, purposeful careers for our people – and to create increased opportunities to improve the transformation of the firm, as we move towards being more representative of the demographics of the profession and the country.

The firm has carefully managed its retention of, and the upfront investment in, the capacity and capabilities needed to serve the South African market throughout the Mandatory Audit Firm Rotation (MAFR) cycle. The continued support of KPMG International has been instrumental in our ability to retain and attract the best talent in South Africa now and into the future.

Operational excellence – an exciting imperative

Achieving a globally consistent audit experience, ensuring quality, enabling growth and effectively managing costs of delivery – is imperative for us to enable us to provide our clients with the type of audit they need, today and into the future.

The development and utilisation of market-leading technology is critical in how we deliver audits and how we produce valuable insights for our clients in our key markets. We continue to deploy KPMG Clara, our cloud-based audit methodology and technology tool. KPMG Clara provides the most up-to-date means of planning, executing and monitoring to enable every audit team to deliver their audits in full compliance with the auditing standards. KPMG Clara also provides a platform for sharing the latest technology-enabled data analytics, artificial intelligence and robotic process automation in audit routines specific to our clients' industries. In short, it is a complete revolution in how we drive and deliver on audit quality, innovation and efficiency – driving real insights for our clients!

Standards through a system of quality control

Tone at the top, leadership, and a clear set of Values and conduct are essential to set the framework for quality. However, these are required to be backed up by a system of quality control that holds us accountable to meet the highest professional standards.

KPMG continues to invest significantly in audit quality across the global organisation and in South Africa. We are building on our sound audit quality foundations, both in terms of how we manage the firm and how we execute audit engagements.

KPMG's global audit quality program supports consistent deployment of investments to enhance and drive a common approach.

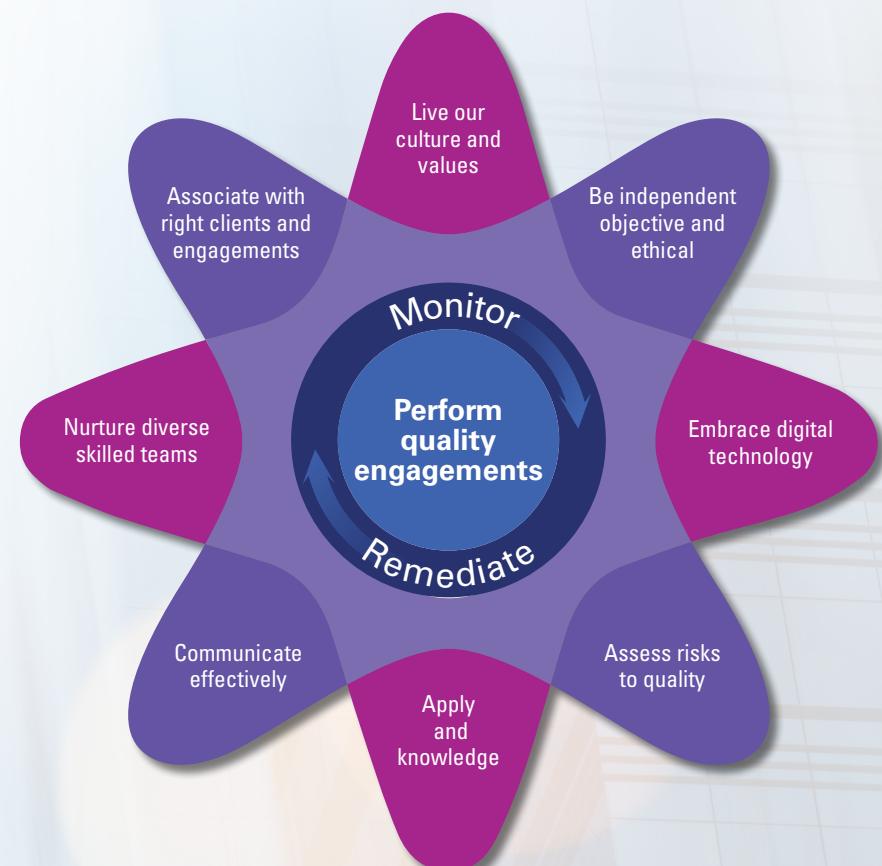
A robust and consistent system of quality control is essential to deliver quality services. KPMG International has quality control policies that apply to all KPMG member firms. These are included in KPMG Global Quality and Risk Management Manual (GQRMM), which applies to all KPMG personnel. KPMG SA has also adopted additional local policies and procedures that are designed to address rules and standards applicable to the Independent Regulatory Board for Auditors (IRBA) and applicable local legal and regulatory requirements.

To adopt the new international standard on quality management (ISQM 1) which was approved by the IAASB and will be effective from December 2022, KPMG International initiated a program to redesign the network-wide requirements for member firms' system of quality management. ISQM 1 requires each KPMG firm to design, implement and operate a system of quality management to consistently deliver quality audits, and to evaluate the effectiveness of the system on an annual basis.

As we prepare for ISQM 1, we have adopted a new Global Quality Framework to better outline how we deliver quality at KPMG, and how everyone at KPMG is accountable for its delivery. The principle of 'Perform quality engagements' sits at the core along with our commitment to continually monitor and remediate our processes as necessary.

The Global Quality Framework also meets the requirements of the current International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

While this Transparency Report summarises KPMG's approach to audit quality, it may also be useful to stakeholders interested in our Tax and Advisory services, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered.



Our governance and leadership

KPMG SA demonstrates commitment to quality, objectivity, independence, ethics, and integrity, and communicates our focus on quality to clients, stakeholders, and society. Our leadership plays a critical role in setting the right tone and leading by example – demonstrating unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.

Governance structure

While everyone at KPMG SA is ultimately responsible for audit quality, our leadership team is committed to building a culture based on quality, objectivity, independence, integrity and ethics, demonstrated through their actions – written and video communications, presentations to the team and one-on-one discussions. Below is our governance and leadership structure together with the individuals and groups with primary responsibility to drive and monitor audit quality in the firm.

The Policy Board

The Policy Board is the governance and oversight body of KPMG South Africa. Key responsibilities of the Policy Board include independent oversight of strategy execution, protecting and enhancing the KPMG brand and overseeing the management of the firm. The Policy Board comprises three Independent Non-Executive Members, two Directors from the Executive Committee and eight Directors elected by the partnership body from their own number. The Policy Board is supported by a number of sub-committees that are focused on specific functional governance areas of the business:

- Audit Quality Committee;
- Public Interest, Social and Ethics Committee;
- Transformation Oversight Committee;
- Risk, Quality and Compliance Committee;
- Combined Assurance and Reporting Committee; and
- Nomination and Remuneration Committee.

The Policy Board often include invitees to ensure sufficient engagement and diverse input at a Policy Board level.

Leadership responsibilities for audit quality

Chief Executive Officer

In accordance with the principles of International Standard on Quality Control 1, our Chief Executive Officer, Ignatius Sehoole, has assumed ultimate responsibility for the system of quality control and performance at KPMG SA and is accountable to the Policy Board in this regard.



Audit Quality Committee

The Audit Quality Committee (AQC), sub-committee of the Policy Board, is chaired by Prof Ben Marx. Its principal role is to provide oversight on matters related to audit quality. As part of its role, the committee is responsible for ensuring that a culture of quality and integrity is maintained within the firm and providing direction to the Audit and Assurance Quality Council and monitoring its output. The committee also considers the impact of the key findings from our internal or external compliance quality monitoring programs and the adequacy of proposed remedial actions.

During the year, the AQC consisted primarily of three members – Prof Ben Marx, an Independent Non-Executive Member who chairs the committee, Prof Wiseman Nkuhlu (Independent Non-Executive Chairperson of the Policy Board) and Ignatius Schoole, in his role as Chief Executive Officer. The AQC meets every quarter.

The AQC does not function in isolation but in collaboration with the other committees of the Policy Board. This reflects our understanding that audit quality affects and is affected by matters such as risk, compliance, technology, transformation, ethics, public interest and talent management – matters which are the responsibilities of some of the other committees of the Policy Board. Therefore, effective oversight is ensured through cross membership between Independent Non-Executive Members serving on the AQC and other committees. Furthermore, responsibilities are assigned across committees so that a holistic system of checks and balances relating to all perspectives of audit quality is in place.



54.5% of our
Policy Board
is black



45.5% of our
Policy Board
is female



46.2% of our
Executive
Committee
is black



30.8% of our
Executive
Committee
is female

Executive and Audit Executive Committees

The Executive Committee (Exco) is responsible for management of the day-to-day activities of KPMG South Africa, recommending policy to the Policy Board, execution of strategy and developing the business plan of the firm and ensuring its subsequent implementation. The Exco deals with operational matters affecting the firm, including monitoring operating and financial performance, budgets, new business proposals, marketing, technology development, recruitment and retention, general remuneration, the prioritisation and allocation of resources, investment and managing the risk profile of the firm.

The Exco members are all partners of KPMG South Africa and are appointed by the Chief Executive Officer. The Exco meets at least monthly.

The Exco reports into the Policy Board through the two directors that serve on the Policy Board.

The Exco has delegated the day-to-day activities as they relate to the management of the audit function to the Audit Executive Committee (Audit Exco) under the leadership of the Head of Audit.

Audit and Assurance Quality Council

Our Audit and Assurance Quality Council (AAQC) is a council of senior partners which includes the Head of Audit, Head of the DPP, Head of DPP Audit and Assurance, Audit Risk Management Partner and Head of Audit Quality. The AAQC's objective is to:

- oversee the Firm's audit quality and audit related risk management and compliance activities;
- assess policies, projects and practices aimed at enhancing audit quality; and
- provide recommendation for change and improvement to the Audit Exco in relation to the quality of financial statement audits conducted by the member firms within the Southern Africa region.

The Council also serve as coordinating body for relationships with relevant regulators and professional bodies and has dual reporting lines. It reports to the Exco through the Audit Exco and to the AQC of the Policy Board.

Department of Professional Practice

The Department of Professional Practice (DPP) is the custodian of the accounting and audit technical knowledge, expertise and related tools and methodologies within KPMG SA. DPP has a deep understanding of accounting and auditing standards and the KPMG audit methodology and technology and plays a critical role in delivering on the AQ Plan. DPP assists our audit teams with the application of accounting, auditing and related standards. It provides updates on new or upcoming standards; the tools and guidance needed to correctly apply the standards and audit methodology and responds to technical queries and consultations. It also performs pre-issuance reviews of financial statements and audit reports and performs Second Line of Defence (2LoD) reviews. DPP participates in global and local networks and working groups to ensure that it has the most up to date information and communicates and can apply the most relevant and appropriate information to the benefit of our audit teams.

Audit Function

The Head of Audit is responsible for the effective management and control of the Audit Function. This includes:

- setting a strong tone and culture supporting audit communication, engagement support and commitment to the highest standards of professional excellence, including integrity, objectivity, professional competence and due care, confidentiality and professional behaviour;
- developing and implementing an audit strategy which is aligned with KPMG SA's audit quality requirements;
- developing and implementing parts of the AQ Plan; and
- working with the Head of Audit Quality and the Audit Risk Management Partner to monitor and address audit quality and risk matters, as these relate to the audit practice.

Quality and Risk Management

The Head of Quality and Risk Management is responsible for the direction and execution of risk, compliance and quality control within KPMG SA. The Head of Quality and Risk Management is a member of the Exco and has a direct reporting line to the Chief Executive Officer. The Head of Quality and Risk Management consults with the appointed Area Quality and Risk Management Leader.

The Head of Quality and Risk Management is supported by functional risk management partners (Audit, Tax and Advisory) and other professionals in each function. All functional risk management partners report directly to the Head of Quality and Risk Management.



Living our culture and values

It is not just what we do at KPMG that matters; we also pay attention to how we do it. Our Values are our core beliefs, guiding and unifying our actions and behaviours. Shared across every level and in every country, jurisdiction and territory in which we operate, they are the foundation of our unique culture.

Fostering the right culture, starting with the tone at the top

Tone at the top

Our leadership plays a critical role in establishing our commitment to quality and the highest standards of professional excellence. A culture based on accountability, quality, objectivity, independence, integrity, and ethics is essential in an organisation that carries out audits and other services on which stakeholders rely.

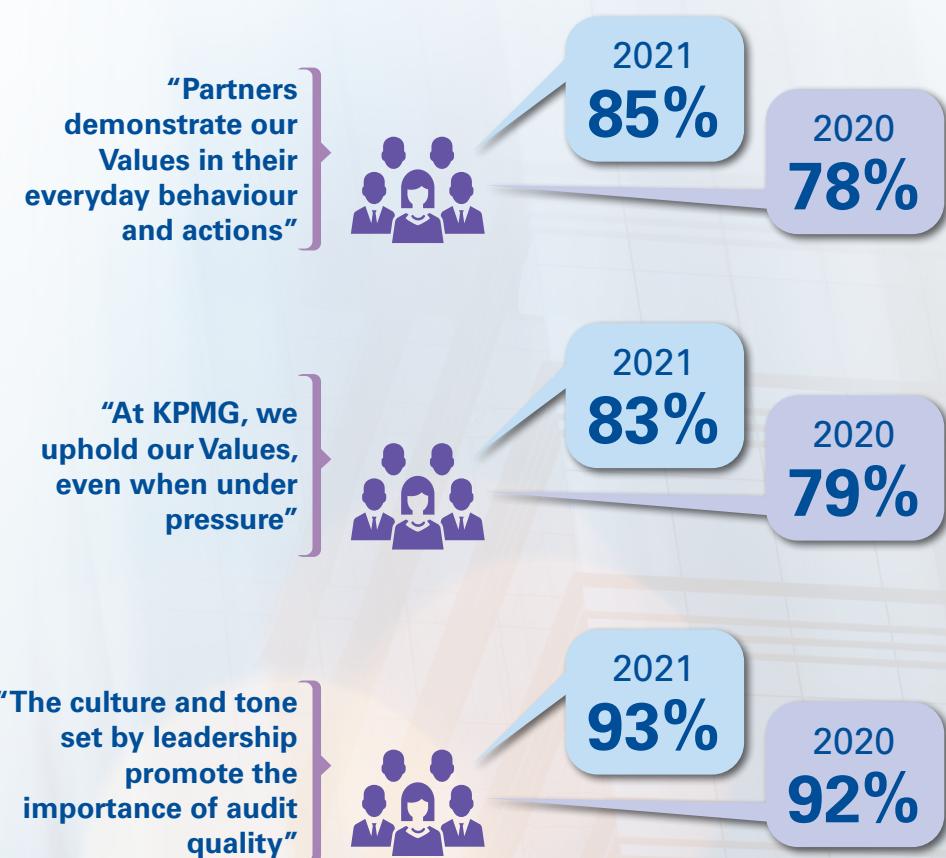
We communicate our commitment to clients, stakeholders, and society at large to earn the public's trust.

The KPMG Values are set [out here](#).

Our Values lie at the heart of the way we do things. To do the right thing, the right way, at the right time. Always. They drive our daily behaviours, guide our decisions, and shape our character. They form the foundation of a resilient culture ready to meet challenge with integrity, so we never lose sight of our principal responsibility to protect the public interest. And they propel us forward — through our work and the example we set — as we inspire confidence and empower change.

Outlined in the KPMG Southern Africa Code of Conduct (the Code) which is based on the [KPMG's Global Code of Conduct](#), are the responsibilities that all KPMG personnel have to each other, the public and our clients. It shows how our Values inspire our greatest aspirations and guide our behaviours and actions. It defines what it means to work at and be part of KPMG, as well as our individual and collective responsibilities.

Everyone at KPMG is held accountable to behave consistent with the Code and is required to confirm their compliance. All KPMG personnel are also required to take annual training covering the Code. We are committed to holding ourselves accountable for behaving in a way that is consistent with the Code.



Source: 2021 GPS - KPMG SA – Audit

Individuals are encouraged to speak up if they see something that makes them uncomfortable or that is not in compliance with the Code, or our Values.

Moreover, everyone at KPMG is expected to report any activity that could potentially be illegal or in violation of our Values, KPMG policies, applicable laws, regulations, or professional standards.

To safeguard this principle of holding each other accountable, each KPMG firm is required to establish, communicate and maintain clearly defined channels to allow KPMG personnel and third parties to make inquiries about, raise concerns in relation to, provide feedback on, and notify reportable matters, without fear of reprisal, in accordance with applicable law or regulation.

The [KPMG International hotline](#) is a further mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International, activities of KPMG firms or KPMG personnel.

In addition to the KPMG International Hotline, we maintain a local Ethics and Compliance Hotline (KPMG Faircall) that assists partners and employees with reporting concerns about possible illegal, unethical, or improper conduct. If they are unsure about where to go, are uncomfortable reporting up the traditional chain of command, or wish to raise the issue anonymously, they can call the KPMG Faircall, which is available 24 hours a day, 7 days a week.

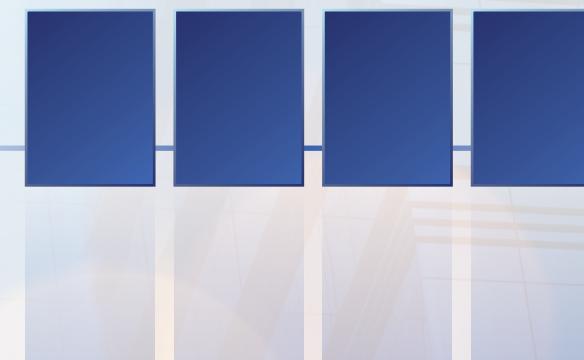
Reports filed through the hotlines are directed to the Head of Quality and Risk Management for review and, if necessary, assignment of appropriate firm resources for investigation and resolution. Reports are handled confidentially and anonymously to the extent allowable by law and consistent with the needs of a thorough investigation. Matters reported to all the hotlines are reported on a quarterly basis to the Risk, Quality and Compliance Committee as well as the AQC to the extent that reported matters impact audit quality.

All member firms and personnel are prohibited from retaliating against individuals who have the courage to speak up in good faith. Retaliation is a serious violation of the Code, and any person who takes retaliatory action will be subject to the firm's disciplinary policy.

The Global People Survey provides KPMG SA leadership and KPMG International leadership with results related to upholding the KPMG Values. KPMG SA and KPMG International monitor the results and take appropriate actions to communicate and respond to any findings.



Source: 2021 GPS - KPMG SA – Audit



Applying expertise and knowledge

We are committed to continue to build our technical expertise and knowledge recognising its fundamental role in delivering quality audits

Methodology aligned with professional standards, laws and regulations

Consistent audit methodology and tools

The KPMG audit methodology, tools and guidance which enable a consistent approach to planning, performing and documenting audit procedures over key accounting processes:

- globally consistent and fully compliant with the applicable standards, including International Standards on Auditing (ISAs), Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) and are supplemented to comply with South African regulatory or statutory requirements
- inclusive of KPMG methodology interpretations that drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed
- centred on identifying risk and focusing on risks of material misstatements and the necessary audit response
- made available for use to all KPMG audit professionals
- focussed on international assurance methodology and the alignment of assurance products in response to growth of Environmental, Social and Governance (ESG) reporting.

The KPMG audit methodology is set out in the KPMG Audit Manual (for use with eAudit) and the KPMG Audit Execution Guide (for use with KPMG Clara workflow) and includes KPMG interpretation of how to apply ISAs, PCAOB and AICPA standards which we believe enhance audit quality. The methodology emphasises applying appropriate professional scepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence.

Enhancements to the audit methodology, guidance and tools are made regularly to maintain compliance with standards and address emerging auditing areas of focus and audit quality results (internal and external). For example, as a

result of the COVID-19 pandemic, many businesses are experiencing significant financial uncertainty. We have issued guidance to our teams on conducting audit procedures in a remote working environment and raising awareness of key audit risks such as going concern and impairments. We have provided reminders of the importance of exercising professional scepticism and taking appropriate actions if information is identified that is unexpected or unusual and may be indicative of potential management bias, or a fraud risk and fraud.

We have additional local requirements in the form of Professional Practice Letters and Technical Guidance documents to the KPMG Audit Manual and the KPMG Audit Execution Guide to comply with additional local professional, legal or regulatory requirements.

Deep technical expertise and knowledge

Access to specialist networks

Specialist expertise is an increasingly important part of the modern audit. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills. Our engagement teams have access to a network of local KPMG specialists, as well as specialists in other KPMG member firms. These specialists receive the training they need to ensure they have the competencies, capabilities and objectivity to appropriately fulfil their role on our audits. They also receive a global annual update on global quality performance issues.

The need for specialists (e.g. IT Audit, Data and Analytics, Tax, Treasury, Actuarial, Forensic, Valuation) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process and in some instances mandated. Specialists who are members of an audit team are required to complete specific training on audit concepts and are involved in the planning and execution of our audits.

KPMG's commitment to audit quality during the COVID-19 pandemic

The COVID-19 pandemic has forced us all to think differently, and we continue to respond to and embrace this challenge. Since the start of the pandemic we have maintained an online [COVID-19 | Financial reporting resource centre](#) to assist companies and other stakeholders in understanding potential accounting and disclosure implications.

KPMG has issued extensive guidance to assist our audit teams in addressing the various accounting, financial reporting and audit related matters arising from the impacts of the COVID-19 pandemic including going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, inventory, subsequent events, audit evidence, communications with Those Charged with Governance. Additionally, we have issued specific guidance for remote working environments which addresses how teams work together, communications with management and the design and performance of audit procedures.

KPMG's guidance has been continually updated throughout the pandemic as other significant auditing, accounting and reporting issues have been identified.

KPMG is a technology-enabled organisation, with technical accounting and auditing resources, guidance and audit platforms and tools all available electronically, which greatly enabled the conversion to a remote working environment.

Enhanced communication has been increasingly important to everyone during the COVID-19 pandemic. We have leveraged our investments in technology to provide our staff with more regular communications, including virtual meetings to share best practices and guidance.



Source: 2021 GPS - KPMG SA – Audit

Quality and risk management manual

KPMG International has quality control policies that apply to all member firms. These are included in the KPMG Global Quality and Risk Management Manual (GQRMM) which applies to all KPMG personnel. KPMG SA is required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls.



Embracing digital technology

At KPMG, we are committed to serving the public interest and create value through continuous innovation. By leveraging leading technologies, we are transforming the audit experience for our professionals and our clients – enabling us to provide an even higher quality audit by increasing our ability to focus on the issues that matter through the data and insights it provides.

Intelligent, standards-driven audit workflow

All KPMG professionals are expected to adhere to KPMG International and KPMG SA policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The KPMG SA policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical and quality control standards.



Source: 2021 GPS - KPMG SA - Audit

Evolving our audit workflow

We recognise that to deliver quality audits, we need to continually evolve and develop our technology solutions to keep pace with today's digital world.

That is why KPMG embarked on a process of reimaging our audit platform, workflow and methodology to provide enhanced consistency and support to our audit engagement teams, deliver detailed insights, and future-proof our systems for the expected continued development of new technologies.

The release of the KPMG Clara workflow and revised audit methodology is an important milestone in KPMG's journey to innovate, digitalise and transform the audit. It is a significant investment that underlines our commitment to audit quality, consistency and innovation.

KPMG Clara

KPMG Clara is KPMG's smart and intuitive technology platform that is driving globally consistent execution. As a fully integrated, scalable, cloud-based platform, it enables the enhanced audit methodology through a data-enabled workflow.

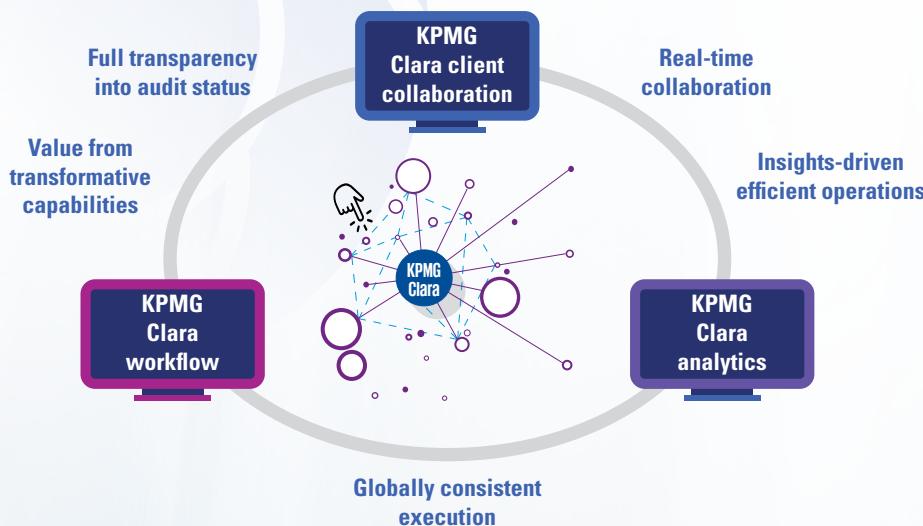
The platform integrates new and emerging technologies, with advanced capabilities that leverage data science, audit automation, and data visualisation.

The digital audit is increasingly integral to how KPMG member firms obtain audit evidence and interact with clients. Policies and guidance are in place to establish and maintain appropriate processes and controls regarding the development, evaluation and testing, deployment and support of technology in our audits.

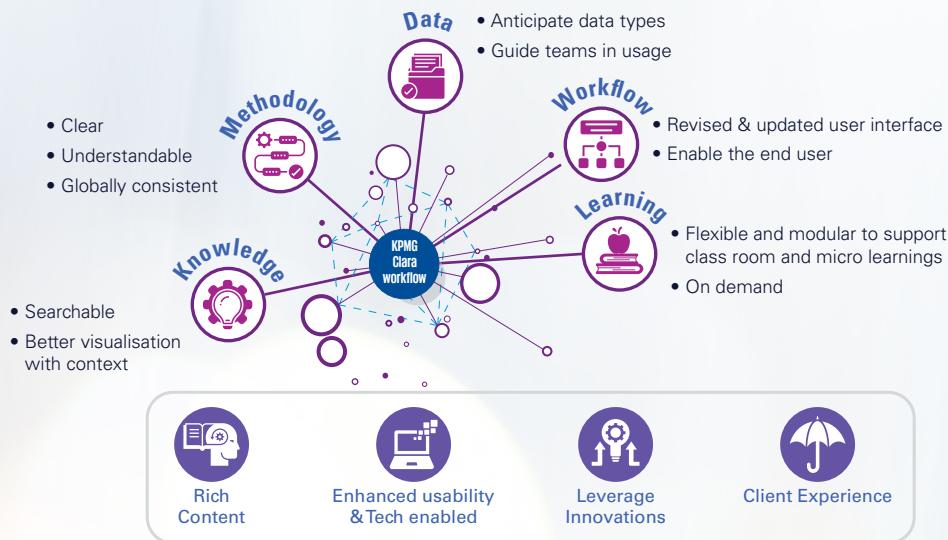
Our vision of the future

KPMG Clara was developed to be the KPMG's foundational technology platform to deliver audit quality. It delivers this by being the base technology delivering new capabilities in a globally consistent way, enabling the audit workflows and a fully digital experience for our audit professionals. We are already seeing enormous benefits from all of KPMG Clara's functionality on a number of our engagements in South Africa.

Learn more about KPMG Clara here:



The KPMG Clara platform evolves as technologies such as artificial intelligence, blockchain and cognitive capabilities transform how audits are delivered.



KPMG Clara workflow

We are replacing eAudit with a new workflow and revised audit methodology embedded into the KPMG Clara smart audit platform. Phased deployment of KPMG Clara workflow commenced globally in 2020 with planned completion of full global transition for the 2022 fiscal period-end audits. Enhanced scaling capability will be delivered for our least complex audits with global transition being completed by 2023.

The web-enabled KPMG Clara workflow guides audit teams through a series of steps in a logical sequence aligned to the applicable professional auditing standards with a clear display of information, visuals, and guidance available, and with embedded advanced digital audit and project management capabilities. The workflow and revised audit methodology are scalable – adjusting the requirements to the size and complexity of the audit engagement. KPMG Clara workflow significantly enhances the execution of an audit by KPMG professionals and clearly drives audit quality and global consistency.

Using data mining and tracking of relevant engagement level data indicators, the KPMG Clara workflow can also facilitate monitoring of audit execution at the engagement level.

We continue to enhance the KPMG Clara smart audit platform to accommodate accelerating security demands, integrate existing audit applications into a single platform, and develop new capabilities to digitise additional audit processes.

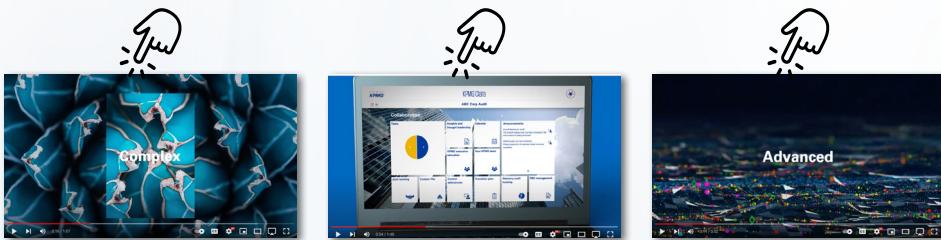
KPMG Clara Advanced Capabilities

We have also brought together our existing data enablement, analytics, automation and other technology capabilities with integration into KPMG Clara. This helps enhance audit quality by leveraging data, and technology to provide meaningful general ledger insights throughout the audit.

KPMG Clara is helping auditors see meaningful patterns across a business, whether conducting risk assessment, tracing every single transaction through a complex revenue process, or simply adding up the accounts. Current capabilities enables:

- the analysis of account balances and journal entry data
- automating ‘period on period’ balances comparison and ‘time series’ evolution information
- the analysis of sub-ledger, transactional data over certain business processes and accounts.

Learn more about the KPMG Clara Advanced Capabilities and other tools here:



These solutions will become increasingly integrated as they evolve, enhancing efficiencies across various aspects of the audit such as streamlined management and tracking of automated document request lists, report summaries and dynamic audit summary status and group reporting dashboards that enable real-time monitoring of the audit as it progresses and provide valuable insights to both our clients and engagement teams at the click of a button.

The KPMG Clara platform will also evolve as technologies such as artificial intelligence, blockchain and cognitive capabilities transform how audits are delivered.

Learn more about how we are shaping the future of audit here: [Global Innovation in Audit](#).

Client confidentiality, information security and data privacy

The importance of maintaining client confidentiality is emphasised through a variety of mechanisms including the Code.

We have policies on information security, confidentiality, personal information, and data privacy. We have a document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA requirements as well as other applicable laws, regulations, and professional standards.

We provide training on confidentiality, information protecting and data privacy requirements to all our personnel annually.



Nurturing diverse skilled teams

Our people make the real difference and are instrumental in shaping the future of audit at KPMG. We put quality and integrity at the core of our audit practice. Our people have diverse skills and capabilities to address complex problems.

Recruiting appropriately skilled people, including specialists, with diversity of perspective and experience

One of the key drivers of quality is ensuring that KPMG professionals have the appropriate skills and experience, motivation and purpose, to deliver high quality audits. This requires the right recruitment, development, reward, promotion and assignment of professionals.

Recruitment

KPMG SA has invested in understanding how we can attract the talent that we need across the organisation in the future. This requires the right recruitment, development, reward, promotion and assignment of professionals. This includes building an extraordinary people experience for all current and prospective partners and employees.

Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools, but also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age. We also recruit significant numbers at an experienced hire and partner level.

All candidates apply and are employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks. These leverage fair and job-related criteria to ensure that candidates possess the appropriate skills and experience to perform competently, are suitable and best placed for their roles.

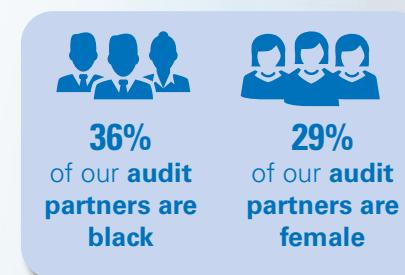
We recruited 245 new graduates in the year ended 30 September 2021 (2020: 258). Where individuals are recruited for senior grades, a formal independence discussion is conducted with them by the Ethics and Independence Partner or a delegate.

Inclusion, Diversity and Equity programs

We are committed to building a diverse and equitable firm that is inclusive to all.

Inclusion, diversity and equity is core to our very existence – helping us build great teams with diverse views that represent the world we live in. It leads to better decision making, drives greater creativity and innovation, and encourages us to stand up, live our Values, and do what is right.

At KPMG SA we strive to support and strengthen the societies we operate in, and the prospects of those who live within them, through work delivered to the highest ethical, professional and societal standards and expectations.



Reward and promotion

We have compensation and promotion policies that are clear, simple, fair and informed by market data, and linked to the performance review process. The policies help our people understand what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved by assessing relative performance across a peer group to inform reward decisions.

Reward decisions are based on consideration of both individual and firm performance.

Assigning an appropriate qualified team

We have procedures in place to assign both appropriate engagement partners and other professionals to an audit engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the engagement.

The Head of Audit together with business unit leaders are responsible for the partner assignment process. Key considerations include partner experience and capacity - based on an annual partner portfolio review - to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement).

Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies, training and capabilities, including time, to perform audit engagements in accordance with our audit methodology, professional standards, and applicable legal and regulatory requirements. This may include involving specialists from our own firm, other KPMG member firms or external experts.

When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner's considerations may include the following:

- an understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
- an understanding of professional standards and legal and regulatory requirements
- appropriate technical skills, including those related to relevant information technology and specialised areas of accounting or auditing
- knowledge of relevant industries in which the client operates
- ability to apply professional judgment
- an understanding of KPMG SA's quality control policies and procedures
- Quality Performance Reviews results and results of regulatory inspections.

Investing in data centric skills – including data mining, analysis and visualisation

KPMG is strategically investing in our talent pipeline by partnering with world-class institutions to sustain our strong leadership, while also looking forward to cultivating the skills and capabilities that will be needed in the future. We are recruiting and training professionals who specialise in software, cloud capabilities, and artificial intelligence and who can bring leading technology capabilities to our smart audit platform. We provide training on a wide range of technologies to ensure that field professionals not only meet the highest professional standards but are also upskilled in new technology. With this approach we are bringing together the right people with the right skills and the right technology to perform exceptional audits.



Average years' experience of an audit partner

13

Focussed learning and development on technical expertise, professional acumen and leadership skills

Commitment to technical excellence and quality service delivery

All KPMG SA professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and DPP for consultation. Where the right resource is not available within KPMG SA, the firm accesses a network of highly skilled KPMG professionals in other KPMG firms.

At the same time, audit policies require all KPMG audit professionals to have the appropriate knowledge and experience for their assigned engagements.

Lifetime learning strategy

Formal learning

Annual training priorities for development and delivery are identified by audit Learning & Development steering groups at the global, regional and at the South African member firm level. Our learning curriculum offers education programs to hone technical expertise, industry and sector knowledge, innovation and emerging technologies. Leadership and behavioural skills are also honed via our 'Everyone a Leader' framework. In addition, we offer transition pathways to support employees as they progress through career milestones.

Mandatory learning requirements for audit professionals across KPMG SA are established annually. Training is delivered using a blend of learning approaches and performance support. Partners and staff must complete mandatory technical learning and successfully complete a post-course assessment, if required. Penalties for non-completion by the deadline impacts the overall performance evaluation, which may directly impact their promotion, remuneration and/or result in disciplinary action.

Average hours of formal learning provided to audit partners and staff:

Level	2021	2020
Minimum number of hours of mandatory training	30 hours per person	30 hours per person
Average number of hours of formal learning undertaken	124 hours per person	107 hours per person

Mentoring and on-the-job coaching

Learning is not confined to a single approach — rich learning experiences are available when needed through coaching and just-in-time learning, available at the click of a button, and aligned with job-specific role profiles and learning paths.

Mentoring and on-the-job experience play key roles in developing the personal qualities important for a successful career in auditing, including professional judgment and scepticism, technical excellence, and instinct.

We support a coaching culture throughout KPMG as part of enabling KPMG professionals to achieve their full potential and instil that every team member is responsible for building the capacity of the team, coaching other team members, and sharing experiences.

Licensing and mandatory requirements

Licensing

We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience. We require our audit professionals to invest in continuous professional development (CPD) and to comply with applicable professional body rules, such as those required by the IRBA and The South African Institute of Chartered Accountants (SAICA). Policies, procedures and monitoring of CPD requirements are in place.

KPMG SA audit professionals are required to complete a minimum of 30 CPD hours in a calendar year and at least 120 CPD hours over a three year period.

In addition, we have specific accreditation requirements for partners and managers working on engagements requiring knowledge and experience in US accounting and auditing standards. These engagements require that the partner, manager, auditor-in-charge and Engagement Quality Control reviewers have completed relevant training and that the engagement team, collectively, has the appropriate experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls. We have specific accreditation requirements for partners working on JSE listed entities. These partners are required to complete specific JSE training and are required to have demonstrated that they have the necessary experience to audit listed entities.

Development

Personal development

Our approach to performance development, 'Open Performance Development', is built around the 'Everyone a Leader' performance principle, and includes:

- global role profiles (including role profiles specific to audit quality accountabilities and responsibilities);
- a goal library (including audit quality content); and
- standardised review forms (with provision for audit quality ratings).

Open Performance Development is linked to our Values and designed to articulate what is required for success — both individually and collectively. We know that by being clear and consistent about the behaviours we expect and rewarding those who demonstrate them, we will continue to drive a relentless focus on audit quality.

At the same time, KPMG is driving a shift in our performance-driven culture, supported by and enacted through leading technology that allows us to embed audit quality data into the assessment of performance and decisions around reward as well as drive consistency across the organisation.

Partners are evaluated on key quality and compliance metrics. We monitor quality and compliance incidents and maintain quality and compliance metrics for the purpose of assessing the overall evaluation, promotions and remuneration of partners.

Developing future talent

KPMG SA contributes to the development of future leaders in the auditing profession by attracting and developing talented individuals and through participating in the SAICA training program and the audit development program of the IRBA.

The following table compares the KPMG and national pass rates in the SAICA Assessment of Professional Competence (APC) and Initial Test of Competence (ITC) examinations:

	2021	2020
November APC – KPMG pass rate	45%	61%
November APC – National pass rate	43%	57%
January ITC – KPMG pass rate	82%	70%
January ITC – National pass rate	64%	59%
September ITC – KPMG pass rate	65%	28%
September ITC – National pass rate	59%	22%
Number of KPMG candidates who were included in the APC Honours Roll	1	1

The ITC and APC exam dates have been affected by the Covid-19 pandemic in both 2020 and 2021. In 2020, the second sitting of the ITC exam was written in December 2020 while this year the exam was written in September 2020. The 2020 November APC exams were written in December 2020, these are usually scheduled during November 2020.

Development beyond the firm

Partnership with The Association for the Advancement of Black Accountants of Southern Africa (ABASA)

Beyond the transformation of the firm itself, KPMG SA is committed to advancing the transformation of the audit profession as a whole.

We have partnered with ABASA who are creating a "platform" for SME black owned auditing firms, to work in an integrated manner within the KPMG audit teams – to create opportunities for those individuals to work with a Big 4 firm and our extensive arrange of large and international clients. This is being undertaken because we want to make a difference to the broader transformation in the profession – beyond our own transformation. As of 30 September 2021, two audit firms have been onboarded into the program and will be working on two of our largest audit clients.

Associating with the right clients and engagements

Rigorous client and engagement acceptance and continuance policies are vital to being able to provide quality professional services.

Client and engagement acceptance and continuance policies

KPMG's client and engagement acceptance and continuance policies and processes are designed to identify and evaluate any potential risks prior to accepting or continuing a client relationship or performing a specific engagement.

We evaluate whether to accept or continue a client relationship or perform a specific engagement. Where client/engagement acceptance (or continuance) decisions pose significant risks, additional approvals are required.

Accepting appropriate clients and engagements

Client evaluation

We understand the importance of our client acceptance processes and undertake an evaluation of every prospective client. This involves obtaining sufficient information about the prospective client and its key management and significant beneficial owners, and then properly analysing the information to be able to make an informed acceptance decision. This evaluation includes an assessment of the client's risk profile and obtaining background information on the client and its key management, directors and owners. If necessary, we obtain additional information required to satisfy our local legal and/or regulatory requirements. We decline to act for a client where we are unable to deliver to our expected level of quality or would not be willing to be associated with them.

Engagement evaluation

Each prospective engagement is required to be evaluated to identify potential risks. A range of factors are considered as part of this, including potential independence and conflict of interest issues (using KPMG's web-based global conflicts and independence checking system — Sentinel™); the intended purpose and use of engagement deliverables; public perception, whether the services would be unethical or inconsistent with our Values; and factors

specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of individuals assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG SA personnel and includes review by quality and risk management leadership as required.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional independence evaluation procedures, including a review of any non-audit services provided to the client and of other relevant business, financial and personal relationships.

Similar independence evaluations are performed when an existing audit client becomes a public interest entity or additional independence restrictions apply following a change in the circumstances of the client.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are required to be documented and resolved prior to acceptance.

A prospective client or engagement will be declined if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional standards and our policies, or if there are other quality and risk issues that cannot be appropriately mitigated.

Continuance process

We undertake an annual re-evaluation of all our audit clients. The re-evaluation identifies any issues in relation to continuing association and any mitigating procedures that need to be put in place (this may include the assignment of additional professionals such as an Engagement Quality Control (EQC) reviewer or the need to involve additional specialists on the audit).

Recurring or long-running non-audit engagements are also subject to periodic re-evaluation. In addition, clients and engagements are required to be re-evaluated if there is an indication that there may be a change to the risk profile, and as part of the continuous independence evaluation process, engagement teams are required to identify if there have been any changes to previously identified threats or if there are new threats to independence. The threats are then evaluated and, if not at an acceptable level, are eliminated or appropriate safeguards are applied to reduce the threats to an acceptable level.

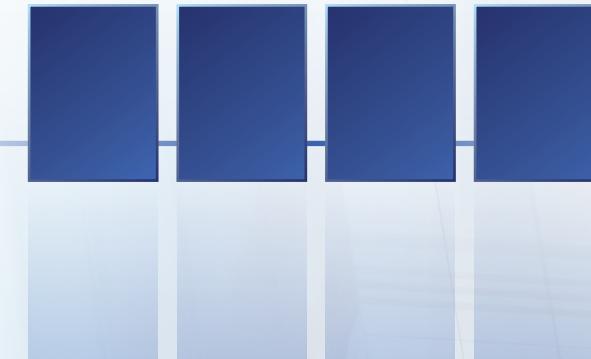
Withdrawal process

If we come to a preliminary conclusion that indicates we should withdraw from an engagement or client relationship, we consult internally and identify any required legal, professional, and regulatory responsibilities. We also communicate as necessary with those charged with governance and any other appropriate authority.

Client portfolio management

KPMG SA business unit leaders appoint engagement partners who have appropriate competence, capabilities, time, and authority to perform their role of each engagement.

We review each audit partner's client portfolio in individual discussions with the audit partner. The reviews consider the industry, nature, and risk of the client portfolio as a whole along with competence, capabilities, and capacity of the partner to deliver a quality audit for every client.



Being independent and ethical

Auditor independence and strong ethical conduct are cornerstones of international professional standards and regulatory requirements.

Acting with integrity and living our Values

KPMG International's detailed independence policies and procedures incorporate the IESBA Code of Ethics requirements. These are set out in the GQRMM, which applies to all KPMG firms. Automated tools, which are required to be used for every prospective engagement to identify potential independence and conflict of interest issues, facilitate compliance.

These policies are supplemented by other policies and processes to ensure compliance with the standards issued by the IRBA Code of Professional Conduct for Registered Auditors and the Companies Act of South Africa independence requirements. These policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, firm financial relationships, employment relationships, partner rotation and approval of audit and non-audit services.

The Partner-in-Charge of the Global Independence Group is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG firms, and that tools are available to help the firms and their personnel to comply with these requirements.

Our Head of Quality and Risk Management is the designated Ethics & Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence (E&I) policies and procedures. The EIP is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG firms, and that tools are available to help the firms and their personnel to comply with these requirements.

The EIP is responsible for communicating and implementing KPMG International policies and procedures and ensuring that local independence policies and procedures are established and effectively implemented when they are more stringent than the KPMG International requirements. The EIP fulfils this responsibility through:

- implementing/monitoring the ethics and independence quality control process and structure within the firm;
- approving/appointing partners responsible for ethics and independence within the firm;
- overseeing the processes related to the evaluation of specific independence threats in connection with clients and prospective clients;
- participating in the development and delivery of training materials;
- implementing procedures to address non-compliance; and
- overseeing the disciplinary process for ethics and independence matters.

Amendments to KPMG International's ethics and independence policies are included in regular quality and risk communications with all KPMG firms. KPMG firms are required to implement changes as specified in the communications, and this is checked through the internal monitoring programs described in [Monitoring and Remediation](#).

The EIP is also supported by a Chief Ethics Officer managing a dedicated Ethics Function within the firm. The Chief Ethics Officer's mission includes ensuring and sustaining an ethical organisational culture, through a comprehensive ethics program that emphasises our purpose of serving the public interest through quality and integrity.

Our personnel are required to consult with the EIP on certain specific independence matters as defined in the GQRMM. The EIP may also be required to consult with the Global Independence Group, depending upon the facts and circumstances.



Source: 2021 GPS - KPMG SA – Audit

Maintaining an objective, independent and ethical mindset, in line with our Code and policies

Personal financial independence

KPMG International policies require that KPMG firms and KPMG professionals are free from prohibited financial interests in, and prohibited financial relationships with, KPMG firm assurance and audit clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors and, where required, significant owners. All KPMG partners — irrespective of their firm or function — are prohibited from owning securities of any audit client of any KPMG firm.

KPMG firms use a web-based independence compliance system (KICS) to assist KPMG professionals in complying with personal independence investment policies. This system contains an inventory of publicly available investments and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e., late reporting of an investment acquisition).

All partners and manager-grade or above client-facing employees are required to use the KICS system prior to entering an investment to identify whether they are permitted to do so. They are required to also maintain an up-to-date record of all of their investments in publicly traded entities in KICS, which automatically notifies them if any investment subsequently becomes restricted. Newly restricted investments are required to be disposed of within five business days of the notification.

We monitor partner and manager compliance with this requirement as part of our program of independence compliance audits of professionals. The Global Independence Group provides guidance and required procedures relating to the audit and inspection by KPMG firms of personal compliance with KPMG's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

In 2021, 50 (2020: 67) of KPMG SA audit partners and staff were subjected to these audits (included 54% of our audit partners (2020: 69%)).

In the event of non-compliance, the actions of partners and staff are considered in accordance with our disciplinary and sanction policies.

Employment relationships

Any KPMG SA professional providing services to an audit client irrespective of function is required to notify the firm EIP if they intend to enter employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG firm that is a public interest entity.

Former members of the audit team or former partners of KPMG SA are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to KPMG SA, including payments which are not fixed and predetermined and/or would be material to KPMG SA, and have ceased participating in the firm's business and professional activities.

Any former partner who has a financial relationship with a KPMG firm is required to notify the EIP if they intend to enter employment negotiations with any listed audit client of any KPMG firm.

Key audit partners and members of the chain of command for an audit client that is a public interest entity are subject to time restrictions (referred to as 'cooling-off' periods) that preclude them from joining that client in certain roles until a defined period of time has passed.

An assurance team member is also required to notify EIP when they enter into employment negotiations with the assurance client during the course of the engagement. Former assurance team members or former partners of KPMG SA who join assurance clients in certain roles cannot continue to participate in our business or professional activities.

We communicate and monitor requirements in relation to employment and partnership of our professionals by audit and assurance clients.

Firm financial independence

KPMG firms are required to also be free from prohibited interests in, and prohibited relationships with, audit clients and their management, directors and, where required, significant owners.

KICS is used globally to record KPMG SA's direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed entities or funds. This includes investments held in associated pension and employee benefit plans.

Additionally, KPMG SA records in KICS all borrowing and financing relationships, as well as custodial, trust and brokerage accounts that hold firm assets.

On an annual basis, KPMG SA confirms compliance with independence requirements as part of the Risk Compliance Program.

Business relationships/suppliers

KPMG SA has policies and procedures in place that are designed to ensure its business relationships with audit and assurance clients are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements, including the IRBA Code of Professional Conduct for Registered Auditors.

Independence clearance process

In addition to the standard acceptance evaluation performed for every engagement, which includes an evaluation and independence, KPMG SA follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as 'the independence clearance process', are required to be completed prior to accepting an audit engagement for these entities.

The KPMG Independence Checkpoint tool is used to automate and standardise all the workflows that comprise the independence clearance process. The tool

was developed in anticipation of the increasing number of audit tenders and independence clearances that need to be completed as a result of mandatory firm rotation of statutory audits.

Independence training and confirmations

All KPMG SA partners and client service professionals, as well as certain other individuals, complete independence training that is appropriate to their grade and function upon joining the firm and on an annual basis thereafter.

New partners and client facing employees who are required to complete this training, are required to do so by the earlier of thirty days after joining KPMG SA or before providing any services to any audit client or becoming a member of the chain of command.

We also provide all partners and employees with annual training on:

- the Global and/or local Code of Conduct; and
- bribery and compliance with laws, regulations, and professional standards.

New partners and employees are required to complete this training within three months of joining the firm.

All KPMG SA partners and employees are required to sign, upon joining our firm or accepting their offer to join the firm – and thereafter, an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies.

Non-audit services

All KPMG SA personnel are required, at a minimum to comply with the IESBA Code of Ethics, the IRBA Code of Professional Conduct for Registered Auditors and applicable laws and regulations related to the scope of services that can be provided to audit clients.

We were the first firm to announce that we will cease all future non-audit related services for our JSE listed audit clients effective 31 March 2021. We have taken this step with the primary aim to improve the perception of auditor independence and protecting the interests of the public. We continue to provide services closely related to the audit which include services typically carried out by (or under the direction of) the auditor or require an IRBA registered auditor (with assurance status) to report on. These permissible services include among others reporting required by the auditor under law or regulation, reviews of financial information, agreed upon procedures

engagements and reporting in terms of other assurance standards issued by the International Auditing and Assurance Standards Board. Services that would typically not be permitted include tax and advisory/consulting services that are not provided as part of the audit engagement. For existing, contracted non-audit-related services at 31 March 2021, that would no longer be permissible in terms of our new policy, sensible transition arrangements were agreed with our clients.

In addition to identifying potential conflicts of interest, Sentinel™ facilitates compliance with these independence requirements. Certain information on all prospective engagements, including detailed service descriptions, deliverables and estimated fees are required to be entered into Sentinel™ as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential independence threats and safeguards is also required to be included in the Sentinel™ submission.

Lead Audit Engagement Partners (LAEPs) are required to maintain group structures for their publicly traded and certain other audit clients, including their related entities or affiliates, in Sentinel™. They are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats.

For entities for which group structures are maintained, Sentinel™ enables LAEPs to review and request revision, approve, or deny, any proposed service for those entities globally.

For approved proposed services, Sentinel™ designates a timeframe up to three years during which the approval remains valid. Upon expiration of the established timeframe, the services are required to be complete or be re-evaluated for permissibility; otherwise, the services are required to be exited.

KPMG global independence policies which have been adopted by KPMG SA prohibit member firm audit partners from being evaluated on, or compensated based on, their success in selling non-assurance services to their audit clients.

Fee dependency

KPMG International's policies recognise that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the KPMG member firm expressing the audit opinion. These policies require firms to consult with their Area Quality and Risk Management Leader where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years.

In addition, if the total fees received from a public interest entity audit client and its related entities represent more than 10 percent of the total fees received by the firm for two consecutive years, these policies further require that:

- This be disclosed to those charged with governance at the audit client; and
- a partner from another KPMG member firm be appointed as the engagement quality control (EQC) reviewer.

For the year ended 30 September 2021, no audit client accounted for more than 10 percent of the total fees received by KPMG South Africa over the last two years.

Resolving conflicts of interest

Conflicts of interest can arise in situations where our partners or employees have a personal relationship or association with the client which may interfere, or be perceived to interfere, with their ability to remain objective, or where they are personally, in possession of confidential information relating to another party to a transaction.

Consultation with the Head of Quality and Risk Management or the EIP is required in these situations.

KPMG policies are also in place to prohibit KPMG personnel from offering or accepting inducements, including gifts and hospitality, to or from audit clients, unless the value is trivial and inconsequential, is not prohibited by relevant law or regulation, and is not deemed to have been offered with the intent to improperly influence the behaviour of the recipient or which would cast doubt on the individual's or the member firm's integrity, independence, objectivity, or judgement. All KPMG firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that may reasonably be expected to have an impact on the firm's ability to be objective or act without bias.

KPMG engagement teams are required to use Sentinel™ to identify potential conflicts so that these can be addressed in accordance with legal and professional requirements.

KPMG SA has risk management resources who are responsible for reviewing any identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which is required to be documented.

Escalation and dispute resolution procedures are in place for situations in which agreement cannot be reached on how to manage a conflict. If a potential conflict issue cannot be appropriately mitigated, the engagement is declined or terminated.

Independence breaches

All KPMG personnel are required to report an independence breach to the EIP as soon as they become aware of it. In the event of failure to comply with our independence policies, whether identified in compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. All breaches of the IESBA Code of Ethics or other external independence requirements are required to be reported to those charged with governance at the audit client.

KPMG SA has a documented and communicated disciplinary policy in relation to independence breaches that incorporates incremental sanctions reflecting the severity of any breach. In the event of non-compliance with KPMG's independence policies, irrespective of how that non-compliance is identified, KPMG professionals are subject to the disciplinary policy.

Matters arising from independence breaches are factored into compensation decisions and, in the case of engagement leaders and managers, are reflected in their individual quality and risk metrics.

Partner and firm rotation

KPMG International partner rotation policies are consistent with the requirements of the IESBA Code of Ethics, the Companies Act of South Africa, the IRBA Code of Professional Conduct for Registered Auditors and any other stricter applicable rotation requirements.

KPMG SA partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules, and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide audit services to a client, followed by a 'cooling-off' period during which these partners may not participate in the audit or in any way influence the outcome of it.

During the cooling off period, partners may not:

- participate in the audit;
- provide quality control for the audit;
- consult with the engagement team or the client regarding technical or industry-specific issues;
- in any way influence the outcome of the audit;
- lead or coordinate other professional services delivered to the client,
- oversee the relationship of the firm with the client; or
- have any other significant or frequent interaction with senior management or those charged with governance at the client.

KPMG SA monitor the rotation of audit engagement leaders (such as engagement partner, the EQC reviewer and any other key audit partner role, where there is a rotation requirement) using our Global Partner Rotation System and develop transition plans to enable the allocation of partners with the necessary competence and capability to deliver a consistent audit quality of service to clients.

On 2 June 2017, the IRBA, issued a Rule prescribing that auditors of public interest entities (PIEs) must comply with MAFR. This would be effective for financial years commencing on or after 1 April 2023. Therefore, an audit firm, including a network firm as defined in the IRBA Code of Professional Conduct for Registered Auditors, shall not serve as the appointed auditor of public interest entities for more than 10 consecutive financial years. Thereafter, the audit firm will only be eligible for reappointment as the auditor after the expiry of at least five financial years.

Zero-tolerance approach to bribery and corruption

Compliance with laws, regulations and professional standards is a key aspect for everyone at our firm. We have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery — even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third parties, including by KPMG firm clients, suppliers, or public officials. KPMG International requires KPMG firms to have appropriate internal controls in place to mitigate the risk of involvement in bribery by the firm and its partners and employees.

All KPMG firm partners and employees are required to take training covering compliance with laws, regulations and professional standards relating to anti-bribery and corruption, including the reporting of suspected or actual non-compliance.

Further information on KPMG International anti-bribery and corruption policies is [here](#).

Performing quality engagements

How an audit is conducted is as important as the results. KPMG SA partners and employees are expected to demonstrate certain key behaviours and follow certain policies and procedures in the performance of effective and efficient audits.

Consulting where necessary

Encouraging a culture of consultation

KPMG encourages a strong culture of consultation that supports engagement teams at KPMG firms throughout their decision-making processes and is a fundamental contributor to audit quality.

We promote a culture in which consultation is recognised as a strength and that encourages all KPMG professionals to consult on difficult or contentious matters. We have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, the GQRMM policies includes mandatory consultation requirements on certain matters.

Technical consultation and global resources

Appropriate consultation support is provided to audit engagement professionals through professional practice resources that include our DPP and Quality and Risk Management Department which together comprise of approximately 100 professionals in KPMG SA supporting the Southern Africa region.

The role of DPP is crucial in terms of support that it provides to the audit function. It provides technical guidance to client service professionals on specific engagement related matters, develops and disseminates specific topic related guidance on emerging local technical and professional issues and disseminates international guidance on audit and assurance methodologies, IFRS and ISAs. DPP also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are required to follow a prescribed escalation protocol for final resolution.

Our DPP in South Africa is supported by global resources:

- **Global Audit Methodology Group (GAMG)** – KPMG's audit methodology is developed and maintained by the GAMG. The GAMG develops our audit methodology and related guidance and tools based on the requirements of the applicable auditing standards – International Standards on Auditing, PCAOB and AICPA.
- **KPMG Global Solutions Group (KGSG)** – The KGSG is responsible for the envisioning, development and deployment of global audit solutions, including new technology and automation innovations.
The KGSG and GAMG work collaboratively to support member firms through collaboration, innovation and technology. We have made significant investment in our audit methodology and tools with the core focus of improving audit quality, global consistency and standardisation.
- **International Standards Group (ISG)** – The ISG works with the Global IFRS Standards topic teams, with geographic representation from around the world, and the IFRS Standards Panel and Methodology Advisory Group to promote consistency of interpretation of accounting and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis.
- **PCAOB Standards Group (PSG)** – The PSG comprises a dedicated group of professionals with backgrounds in PCAOB auditing standards who promote consistency of interpretation of PCAOB auditing standards in KPMG firms' audits of non-US components of US companies and of foreign private issuers and non-US components of SEC issuers, as defined by SEC regulations. The PSG also provides input into the development of training for auditors who work on PCAOB audit engagements and, where practicable, facilitates delivery of such training.

To ensure that our DPP remains up to date with the latest developments and requirements, our DPP has representation on a number of local professional bodies as follows:

- Committee for Auditing Standards (CFAS) and membership on CFAS's Regulated Industries and Reports Standing Committee, Public Sector Standing Committee, and Sustainability Standing committee.
- SAICA Accounting Practices Committee and SAICA Assurance Guidance Committee.
- Various task groups of the IRBA and SAICA focusing on specific topics, for example IFRS 17, *Insurance Contracts*.
- JSE accredited reporting accounting specialists, JSE accredited IFRS advisers, and member of the Financial Reporting Investigations Panel (FRIP)

Our DPP is also involved in the KPMG International global network.

Critically assessing audit evidence, using professional judgement and scepticism

On all KPMG audits, the nature and extent of the audit evidence we gather is responsive to the assessed risks. We consider all audit evidence obtained during the course of the audit including contradictory or inconsistent audit evidence. Each team member is required to exercise professional judgement and maintain professional scepticism throughout the audit engagements. Professional scepticism involves a questioning mind and alertness to contradictory or inconsistencies in the audit evidence. Professional judgement encompasses the need to be aware of an alert to biases that may pose threats to good judgements.

"The engagement teams I work with emphasise the importance of applying a sceptical mindset in providing independent assurance, and our role in supporting the capital markets and protecting public interest"



2021
92%

2020
92%

Direct, coach, supervise and review

Embedding ongoing mentoring, supervision and review

To invest in building the skills and capabilities of KPMG professionals, we promote a continuous learning environment and support a coaching culture.

Ongoing mentoring, coaching and supervision during an audit involves:

- engagement partner participation in planning discussions;
- tracking the progress of the audit engagement considering the competence and capabilities of the individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions and whether the work is being carried out in accordance with the planned approach to the engagement;
- helping engagement team members address any significant matters that arise during the audit and modifying the planned approach appropriately; and
- identifying matters for consultation with more experienced team members during the engagement.

A key part of effective mentoring and supervision is timely review of the work performed so that significant matters are promptly identified, discussed and addressed.

Engagement quality control (EQC) reviews

The EQC review is an important part of KPMG's framework for quality. An EQC review is required to be appointed, amongst others, for audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with high public profile and engagements that require an EQC review under applicable laws or regulations.

An EQC review provides reasonable assurance that the team has appropriately identified significant risks, including fraud risks and has designed and executed audit procedures to address them.

EQC reviewers are required to meet training and experience qualifications to perform a quality control review for a particular engagement. Reviewers are independent of the engagement team and audit client and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

Source: 2021 GPS - KPMG SA – Audit

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved, though the engagement partner is ultimately responsible for the resolution of accounting and auditing matters.

We continually seek to strengthen and improve the role that the EQC review plays and have taken a number of actions to reinforce this, including incorporating specific review requirements into our audit workflow.

Second Line of Defence (2LoD)

The objective of the 2LoD program is to enhance audit quality, by conducting independent reviews of areas of focus on audit engagements and providing direct real time support and coaching to engagement teams before the audit opinion is signed, with the goal of helping the audit team deliver an audit that complies with the relevant professional standards.

Engagements are selected for 2LoD review based on approved selection criteria with the focus being on listed and high-risk engagements.

A 2LoD review program is used for each review and contains key areas of focus which considers the findings from our most recent internal quality reviews and regulatory reviews. Each review covers the planning, testing and completion phases of the audit. Our review program is updated periodically to ensure that we focus on emerging risk areas and themes identified in monitoring activities.

We have seen the positive impact of this program in the outcome of our internal monitoring program in both 2021 and 2020.

Appropriately support and document conclusions

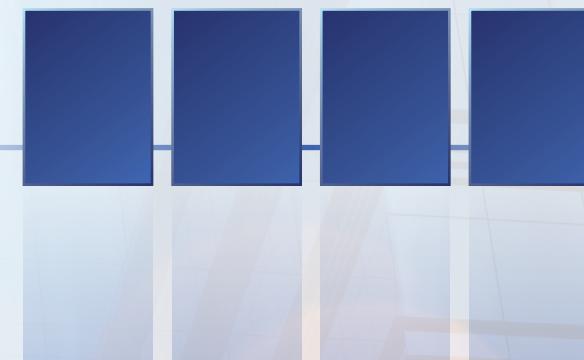
Reporting

Auditing standards and local regulations largely dictate the format and content of the auditors' report that includes an opinion on the fair presentation of the client's financial statements in all material respects. Experienced engagement partners form all audit opinions based on the audit performed.

In preparing auditors' reports, engagement partners have access to extensive reporting guidance and technical support through consultations with our DPP, especially where there are significant matters to be reported to users of the auditors' report (e.g. a key audit matters to be communicated or modification to the opinion).

Engagement documentation

Our audit documentation is completed and assembled according to the timelines established by the firm policy and auditing standards and we have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and firm information. KPMG International recently adopted policies to apply to all KPMG firms to reduce the time period allowed to assemble audit documentation, which is significantly less than required by the applicable auditing standards.



Communicating effectively

We recognise that another important contributor to upholding audit quality is to obtain and act upon feedback from key stakeholders.

Provide insights, and maintain open and honest two-way communication

Honest and candid communication with clients, including management and those charged with governance, is a key aspect of our reporting and quality service delivery. KPMG Clara includes a client collaboration portal, allowing clients real-time monitoring of the status of the audit as well as seamless communication with the audit engagement team.

Communications with those charged with governance

Two-way communication with those charged with governance, often identified as the audit committee, is key to audit quality and is a key aspect of reporting and service delivery. KPMG SA understands the importance of keeping clients informed of issues arising throughout the audit. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and, when appropriate, ongoing discussions with management and members of the audit committee.

The role of audit committees is key in supporting quality auditing by overseeing the relationship between company and auditor and challenging what auditors do and how they do it.

Audit Committee Forum in South Africa

The Audit Committee Forum is an important initiative of the Institute of Directors in Southern Africa (IoDSA). In recognition of the important role that audit committees play in driving the quality of financial reporting and governance in South Africa, KPMG SA is the proud sponsor and provider of technical support to the Audit Committee Forum.

IFRS Standards Institute

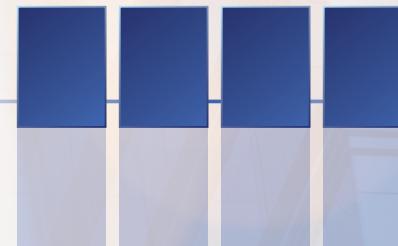
KPMG's Global IFRS Standards Institute provides information and resources to help board and audit committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial and sustainability reporting frameworks.

Listening to our people — Global People Survey

Only with engaged, talented people can KPMG deliver audits in line with our audit quality expectations. Our goal is to entrench a culture within which achieving the highest standards of quality is an expectation, rather than an achievement. We recognise that our culture does more than support audit quality — it drives it.

KPMG SA participates in the GPS; monitors results and takes appropriate actions to communicate and respond to the findings of the survey. The results of the GPS are also aggregated for the entire global organisation and are presented to the KPMG Global Board each year and appropriate follow-up actions agreed.

Audit specific analysis of GPS results is also undertaken, with a particular focus on audit quality. Results and key themes are presented to the KPMG Global Audit Steering Group on an annual basis for consideration of appropriate remedial action, if needed.



Monitoring and remediation

Integrated quality monitoring and compliance programs enable KPMG firms to identify quality deficiencies, to perform root cause analysis and develop, implement, and report remedial action plans, both in respect of individual audit engagements and the overall system of quality control.

Rigorously monitor and measure quality at the local and global level

KPMG commits to continually improve the quality, consistency and efficiency of KPMG firm audits. The quality monitoring programs are globally administered and consistent in their approach across all member firms, including the nature and extent of testing and reporting. KPMG SA compares the results of its internal monitoring programs with the results of any of external inspection programs and take appropriate action.

Our quality monitoring and compliance programs evaluate both:

- engagement performance in compliance with the applicable standards, applicable laws and regulations, and KPMG International key policies and procedures; and
- KPMG SA's compliance with KPMG International key policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

Our internal monitoring programs also contribute to the assessment of whether our system of quality control has been appropriately designed, effectively implemented and operates effectively. These include Quality Performance Reviews (QPR) and Risk Compliance Programs (RCP), which are conducted annually across Audit, Tax and Advisory functions.

The results and lessons from the integrated monitoring programs are communicated internally and appropriate action is taken at local, regional and global levels.

Global Audit Quality Monitoring Group (GAQMG)

The GAQMG identifies issues to help drive audit quality. The GAQMG comprises a team of partners, associate directors and senior managers experienced in performing program reviews of listed and related entity (LRE) audit engagements. The team also includes partners and professionals with experience in auditing general information technology controls and application controls.

Quality Performance Reviews

The QPR program assesses audit engagement level performance and identifies opportunities to improve quality.

Risk-based approach

Each engagement leader in every KPMG firm is reviewed at least once in a 3-year cycle. A risk-based approach is used to select engagements.

KPMG SA conducts the annual QPR Program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG SA level and monitored regionally and globally. Our Audit QPR is overseen by a senior experienced lead reviewer independent from the firm.

Reviewer selection, preparation and process

There are robust criteria for selection of reviewers. Review teams include senior experienced reviewers that are independent of KPMG SA. For the last four years, the South African QPR has been conducted exclusively by experienced individuals independent of the KPMG in Africa region, included reviewers from the GAQMG and was overseen by an experience lead reviewer from the GAQMG.

Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the needs to be as rigorous as external reviewers.

Evaluations from Audit QPR

Consistent criteria are used to determine engagement ratings and member firm audit function evaluations.

Audit engagements selected for review are rated as "Satisfactory", "Performance Improvement Necessary" or "Unsatisfactory". Partners and directors who receive unsatisfactory ratings are subject to additional reviews and remedial actions, amongst other outcomes including performance evaluations and /or remuneration adjustments.

Satisfactory

When both:

- the audit work performed, the evidence obtained, and documentation fully comply with internal policies, auditing standards and legal and regulatory requirements; and
- key judgements concerning significant matters in the audit and audit opinion are appropriate.

Performance Improvement Necessary (PIN)

When the auditor's report is supported by evidence, but the independent reviewer required additional information to reach the same conclusions as the auditor; or where supplementary information obtained as part of the audit but not sufficiently documented in the audit or where specific requirements of our audit methodology were not embedded. A PIN rated engagement does not indicate concerns about the appropriateness of the audit opinion issued or the financial statements to which the opinion referred.

Unsatisfactory

When the auditor did not perform the engagement in line with KPMG's professional standards and policies in a more significant area, or where there are deficiencies in the related financial statements.

Our objective is to achieve the highest standard of audit quality and to be the most trusted and trustworthy audit firm in South Africa. To achieve this audit quality objective, we aim to reduce the number of audits with findings.

One of the tangible measures of our audit quality are the results of our internal QPR.

Key highlights of the South Africa Audit QPR Program:

	2021	2020
Percentage of engagement leaders reviewed in audit	26%	31%
Number of engagements reviewed	17	27
Percentage results that showed engagements reviewed were either satisfactory or needing some level of performance improvement	88%	93%

The areas of improvement identified in the engagements with "unsatisfactory" ratings (two engagements in each year) did not lead to a restatement of the financial statements or require the audit report to be reissued. The issues identified have since been addressed.

Reporting

Findings from the QPR program are disseminated to firm professionals through written communications, internal training, and periodic partner and colleague meetings. These areas are also emphasised in subsequent monitoring and inspection programs to gauge the extent of continuous improvement. Lead audit engagement partners are notified of unsatisfactory ratings on their respective cross-border engagements. Additionally, lead audit partners of parent companies are notified where a subsidiary or affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR.

Risk Compliance Program

KPMG International develops and maintains quality control policies and processes that apply to all KPMG firms. These policies and processes, and their related procedures, include the requirements of ISQC 1. During the annual RCP, we perform a robust assessment program that includes documenting quality controls and procedures, related compliance testing, reporting of exceptions, action plans and conclusions. The objectives of the RCP are to:

- document, assess and monitor the extent to which the KPMG firm's system of quality control complies with GQRMM policies, as well as key legal and regulatory requirements; and
- help KPMG firms evaluate their compliance with relevant professional standards and applicable legal and regulatory requirements.

Where deficiencies are identified, we are required to develop appropriate action plans and monitor the status of each action item.

The 2021 our self-assessment indicated compliance (2020: substantial compliance) with KPMG International GQRMM policies.

Global Quality & Compliance Review (GQ&CR) program

Each KPMG firm is subject to a GQ&CR conducted by KPMG International's GQ&CR team, independent of the member firm, at various intervals based on identified risk criteria. The GQ&CR team performing the reviews is independent of the firm and is objective and knowledgeable of GQRMM policies. GQ&CRs assess compliance with selected KPMG International policies and procedures and share best practices among member firms. The GQ&CR provides an independent assessment of:

- a firm's commitment to quality and risk management (including tone at the top) and the extent to which its overall structure, governance and financing reinforce this commitment;
- a firm's compliance with KPMG International policies and procedures; and
- the robustness with which the firm performs its own compliance program (RCP).

KPMG SA developed action plans to respond to all the findings of the GCR and have agreed these with the GCR team. Our progress on action plans is monitored by a Global GQ&CR Central Team. Results are reported to the KPMG GQRM Steering Group (GQRMSG) and, where necessary, to appropriate KPMG International and regional leadership. KPMG SA was not subject to the GQ&CR review during the year. The next inspection is due in August 2022.

Area Quality and Risk Management Leaders

The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders (ARLs) who serve a regular and ongoing monitoring function to assess the effectiveness of a member firm efforts and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand. Significant activities of the ARL, including member firm issues identified and related member firm response / remediation, are reported to GQRMM leadership.

External monitoring and dialogue

Regulators

We invest in continuous improvement and rectify any identified deficiencies in audit quality capable of eroding public trust. We also believe that the regulator has an important role to play in enhancing public confidence in the audit process.

In South Africa, the IRBA has been carrying out independent firm and individual auditor inspections for a number of years and is one of 55 members of the International Forum of Audit Regulators (IFIAR).

Our firm is also registered with the Public Company Accounting Oversight Board (PCAOB), Financial Reporting Council (FRC) and the Canadian Public Accountability Board (CPAB), which also carry out inspections on the firm and engagements performed in South Africa.

IRBA inspections

For its seventh inspection cycle (three years ended March 2021), the IRBA has adopted the Core Principles issued by IFIAR, which state that audit regulators should ensure that a risk-based inspections program is implemented. This program includes both firm-wide and engagement-level inspections.

The objective of an IRBA firm-wide inspection is to inspect the design and implementation of the quality control system of a firm, in accordance with the ISQC 1, and to prompt remedial action on any identified deficiencies.

Depending on the size of the firm, various elements of ISQC 1 are monitored during a firm-wide inspection. A 'full scope' inspection is performed for larger network firms every three years and all elements of ISQC 1 are inspected.

Individual engagement inspections

Below are the results of our IRBA individual engagement file inspections.

We have assessed the reportable findings resulting from each engagement-level inspection and are satisfied that the audit opinions issued in respect of the inspected engagements were appropriate and that the related financial statements were not materially misstated.

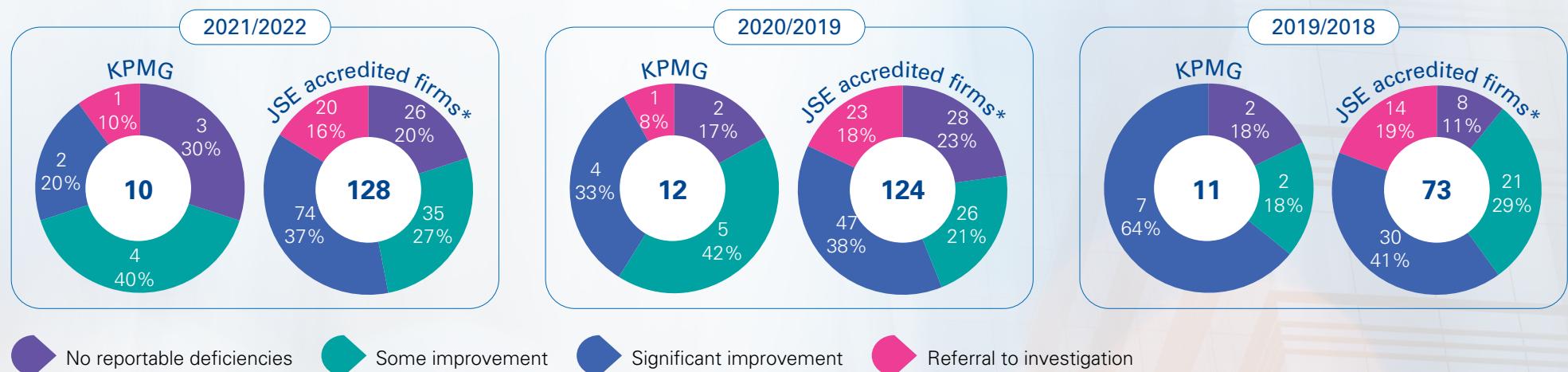
We are pleased to see continued improvement in our inspection results.

Since the end of the reporting period of this Transparency Report, the IRBA concluded our eighth inspection cycle engagement-level inspections and the final inspection report is expected in March 2022.

Firm-wide inspection

As part of its seventh inspection cycle, the IRBA completed its most recent firm-wide inspection during September and October 2018 and issued the report on KPMG SA on 5 March 2019. Details of this review were included in our KPMG SA Transparency Report 2019. Although the IRBA did not perform a firm-wide inspections during 2019 and 2020, reportable deficiencies identified at engagement file level were escalated to the firm's system of quality control. Remedial actions have been implemented to address these deficiencies.

Since the end of the reporting period of this Transparency Report, the IRBA concluded our eighth inspection cycle firm-wide inspection and the final inspection report is expected in March 2022. As part of this inspection, the IRBA has highlighted areas for improvement that would further strengthen our system of quality control. We value the IRBA's comments as they contribute to continuous improvement of our system of quality management as we implement ISQM 1.



* Source: The Independent Regulatory Board for Auditors' Public Inspections Report on Audit Quality 2021 7th Inspections Cycle

Public Company Accounting Oversight Board inspections

The PCAOB oversees auditors of U.S. public companies to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. The PCAOB conducts periodic inspections of registered public accounting firms, and we have been subject to regulatory inspections since 2008 every three years in South Africa.

The non-public portion of the PCAOB report, Part II, includes criticisms or potential defects in the firm's system of quality control. The quality control observations remain non-public if the firm demonstrates to the PCAOB's satisfaction that it has made substantial, good-faith progress towards remediating the quality control observations in the report within the 12 months following the initial publication of the report.

In August 2021, the Board of the PCAOB informed us that they have concluded their review of the firm's remediation response to the 20 June 2019 inspection reporting following the 2017 inspection. The PCAOB Board concluded that the firm's actions have satisfactorily addressed the criticisms noted in the 2017 inspection report.

We have received the final PCAOB inspection report following the January/February 2020 inspection during January 2022. The firm has seen a significant improvement since the 2017 inspection and has already remediated the deficiencies from the 2020 inspection. External inspections may identify areas requiring the restatement of financial statements or the revision of previously issued ICFR opinions. None of the audit subjected to review required restatement of financial statements or had an incorrect ICFR opinion. The public portions of our inspection reports are available on the [PCAOB website](#).

Taking effective remedial actions

Like most audit firms with quality review programs, we identify areas for continuous improvement. Our leadership plays a critical role in demonstrating our commitment to quality, ethics and integrity to ensure the highest quality and ethics in everything we do. Steps taken to improve findings reports in relation to monitoring results:

- quarterly report to the Audit Quality Committee which gives focussed attention to audit quality under the chairmanship of an independent Non-Executive Member;
- periodic communications to and training to the audit professionals;
- themes emphasised in subsequent monitoring and inspections programs; and
- performance of root cause analysis at an engagement and firm-wide level.

Root Cause Analysis

KPMG SA conducts Root Cause Analysis (RCA) in respect of audit quality issues. In 2021 RCA training based on our Global RCA 5 Step Principles was attended by those individuals at KPMG SA who will be performing RCA or directing those performing RCA. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA. The Global RCA 5 Step Principles are as follows:



It is the responsibility of all KPMG member firms to perform RCA and thereby identify and subsequently develop appropriate remedial action plans for the audit quality issues identified. The Head of Audit is responsible for audit quality, including the remediation of audit quality issues. The Head of Quality and Risk Management monitors the remediation plan(s) implementation.

Assessing risks to quality

Through the Global Audit Quality Council and the Global Quality & Risk Management Steering Group, KPMG International reviews the results of the quality monitoring programs, reviews firm root causes and planned remedial actions and develops additional global remediation actions as required.

Global remediation are aimed at actions around culture and behaviour across the global organisation and at driving consistent engagement team performance within KPMG firms.

Valuing feedback and dialogue

We recognise that another important contributor to upholding audit quality is to obtain and act upon feedback from key stakeholders.

Regulators

We believe that the regulators in South Africa and globally have an important role to play in enhancing public confidence in the audit process.

We have regular two-way communication with the regulators in South Africa to discuss our audit quality initiatives, findings and the actions we have taken to address them. We value the open, honest and transparent dialogue and feedback.

KPMG International has regular dialogue with the International Forum of Independent Audit Regulators, principally through its Global Audit Quality Working Group and share feedback with all KPMG firms.

Client feedback

We proactively seek feedback from clients through direct conversations and third-party surveys to monitor their satisfaction with services delivered.

We conducted a Clients Insights Survey in relation to work performed during the year to evaluate our clients view of our teams, expertise and their experience of our quality and delivery. This provides ongoing assurance to us that we are doing the right things.

We endeavour to take this feedback and make dynamic changes at both the engagement level and firm level to meet clients' needs.

Clients views  were surveyed with **92%** respondents indicating the overall satisfaction or extreme satisfaction with KPMG South Africa.

Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work. These have been discussed under section [Living our culture and values](#).

Partner remuneration

Partner remuneration

Partner remuneration is determined considering the Total-on-Target Remuneration and there is an element of pay at risk depending on the performance of the firm and factors such as audit quality outcomes. The Total-on-Target Remuneration for each financial year is determined and approved by the Policy Board on recommendation of the Nomination and Remuneration Committee.

Partner reward and performance governance

Heads of Business Units and members of the Exco may propose certain discretionary awards for exceptional performance/ contribution / circumstances. The proposals are reviewed by the Exco and recommended through the Nomination and Remuneration Committee to the Policy Board for its consideration and approval. Audit partners are not evaluated on, or compensated based on, their success in selling non-assurance services to their audit clients.

Further details on Partner Remuneration is included in our Integrated Report.

Sanctions and Quality and Compliance

At the end of each financial year, the quality and compliance findings of each partner are reviewed, and sanctions imposed in accordance with the Partner Quality and Compliance Sanctions Policy, based on factors including results of internal and external audit inspections and other relevant quality metrics.

The determination of whether a quality and/or compliance finding is significant will be based on the provisions of the Partner Quality and Compliance Sanction Policy as evaluated and assessed by the Sanctions Committee.

Director/ Partner admissions

Although we were historically, and are still often referred to as, a 'Partnership', KPMG SA is an Incorporated company (Inc.), a separate legal entity from the people forming it. Colloquially, we may still refer to 'Partners' in our business, but, legally, we have directors who hold shares in the business and have responsibility for its operation.

Our process for the appointment of directors is rigorous and thorough, involving appropriate members of leadership. Our criteria for admission are consistent with our commitment to our Values and being an employer of choice.

We wish to congratulate the 10 audit partners admitted during 2021 (2020: one), eight of whom are black.



Statement by the Policy Board on the effectiveness of system of quality controls and independence

The measures and procedures that serve as the basis for the system of quality control for KPMG SA outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by our firm comply with the applicable standards, laws and regulations. Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant standards, laws and regulations would be prevented or detected.

The Policy Board of KPMG South Africa has considered:

- the design and operation of the quality control systems as described in this report;
- the findings from the various compliance programs operated by our firm (including the KPMG International review programs and our local compliance monitoring programs); and
- the findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all this evidence together, the Policy Board of KPMG South Africa confirms, with a reasonable level of assurance, that the systems of quality control within our firm have operated effectively in the year to 30 September 2021.

Further, the Policy Board of KPMG South Africa confirms that an internal review of independence compliance within our firm has been conducted in the year to 30 September 2021.



Prof Wiseman Nkuhlu

Chairperson of the Policy Board
Independent Non-Executive Member
28 February 2022



Prof Ben Marx

Chairperson of the Audit Quality Committee
Independent Non-Executive Member
28 February 2022



Ignatius Sehoole

Chief Executive Officer
28 February 2022

Appendix A: Key legal entities and areas of operation

Network arrangements

Legal structure

Effective 1 October 2020, KPMG South Africa and all other KPMG member firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organisation become members in, or have other legal connections to KPMG International Limited, an English private company limited by guarantee.

KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

Further details on the revised legal and governance arrangements for the KPMG global organisation from 1 October 2020 can be found in the section "Governance and Leadership" of the [2021 KPMG International Transparency Report](#). KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International Limited or any of its related entities have any such authority to obligate or bind any member firm. KPMG South Africa is part of the KPMG global organisation of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organisations. The KPMG organisation structure is designed to support consistency of service quality and adherence to agreed Values wherever its member firms operate.

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within the agreements with KPMG International.

Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities.

Member firms may consist of more than one separate legal entity. If this is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

Each member firm takes responsibility for its management and the quality of its work.

Member firms commit to a common set of KPMG Values.

KPMG International's activities are funded by an annual payment paid to it by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the member firms. A firm's status as a KPMG member firm and its participation in the KPMG organisation may be terminated if, among other things, it has not complied with the policies, procedures and regulations set by KPMG International or any of its other obligations owed to KPMG International.

Professional indemnity insurance

Insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a globally basis.

International structure and governance

The key governance and management bodies of KPMG International are the Global Council, the Global Board, and the Global Management Team.

Global Council

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms.

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 56 KPMG firms that are “members” of KPMG International Limited as a matter of English law.

Global Board

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include; approving global strategy, protecting and enhancing the KPMG brand and reputation, overseeing the Global Management Team, and approving policies with which KPMG firms are required to comply. It also approves the admittance or termination of KPMG firms to/from the global organisation.

It is led by the Global Chairman, Bill Thomas, and includes the Chairman of each of the regions the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)and a number of members who are also member firm Senior Partners. The list of Global Board members is set out on the Leadership page of KPMG.com.

Global Board committees

The Global Board is supported in its oversight and governance responsibilities by several committees, including:

- Executive Committee;
- Governance Committee;
- Global Quality, Risk & Reputation Committee; and
- Global Audit Quality Committee.

The overarching responsibility of the Global Audit Quality Committee is to strive for globally consistent audit quality across all firms and to oversee those KPMG International activities which relate to improving and maintaining the consistency and quality of audits provided by KPMG firms.

Global Management Team

The Global Board has delegated certain responsibilities to the Global Management Team.

These responsibilities include developing the global strategy by working together with the Executive Committee, and jointly recommending the global strategy to the Global Board for its approval. The Global Management Team also supports KPMG firms in their execution of the global strategy and KPMG International decisions and policies by member firms, including holding them accountable against their commitments. It is led by the Global Chairman, Bill Thomas.

The list of Global Management Team members is available on the [Leadership section](#) of KPMG.com.

Global Steering Groups

There is a Global Steering Group for each key function and infrastructure area, chaired by the relevant member of the Global Management Team and, together, they assist the Global Management Team in discharging its responsibilities. They act under delegated authority from the Global Board and oversight by the Global Management Team (GMT). Under the oversight of the GMT, they promote the execution of the global strategy and compliance with KPMG International decisions and policies by member firms.

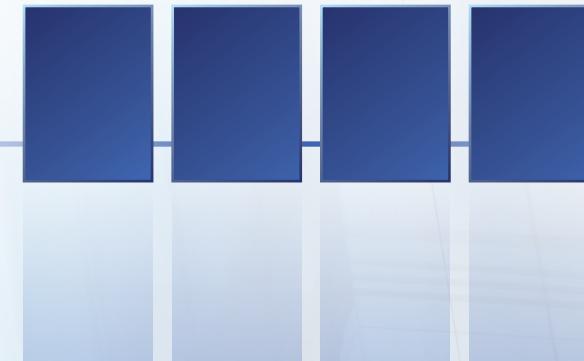
In particular, the Global Audit Steering Group, and Global Quality & Risk Management Steering Group, work closely with regional and member firm leadership to:

- establish and ensure communication of appropriate audit and quality/risk management policies;
- establish and support effective and efficient risk processes to promote audit quality;
- promote and support strategy implementation in member firms' audit functions, including standards of audit quality; and
- assess and monitor audit quality issues, including those arising from quality performance and regulatory reviews, and focus on best practices that reduce audit quality findings.

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section 'Governance and leadership' of the [2021 KPMG International Transparency Report](#).

Each firm is part of one of three regions (the Americas, ASPAC, and EMA). Each region has a Regional Board comprising a regional chairman, regional chief operating officer, representation from any sub-regions, and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in the implementation of KPMG International's policies and processes within the region.

Further details about KPMG International including the governance arrangements for the year ended 30 September 2021, can be found in section 'Governance and leadership' of the [2021 KPMG International Transparency Report](#).



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For more detail about the structure of the KPMG global organisation please visit <https://home.kpmg/xx/en/home/misc/governance.html>

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