



Our relentless focus on audit quality

Transparency Report 2022

KPMG Incorporated
www.home.kpmg.com/za

About this report

This is KPMG Incorporated's Transparency Report for the year ended 30 September 2022 and covers the activities for the financial year to 30 September 2022. All information disclosed in this report is for the year ended 30 September each financial year, unless otherwise stated.

This report focusses on how we are relentlessly driving audit quality across all that we do and our systems of quality control.

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", "KPMG member firm" or "KPMG South Africa" 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 sublicensee. The overall governance structure of KPMG International Limited is provided in the 'Governance and leadership' section of the [2022 KPMG International Transparency Report](#).

Audit quality

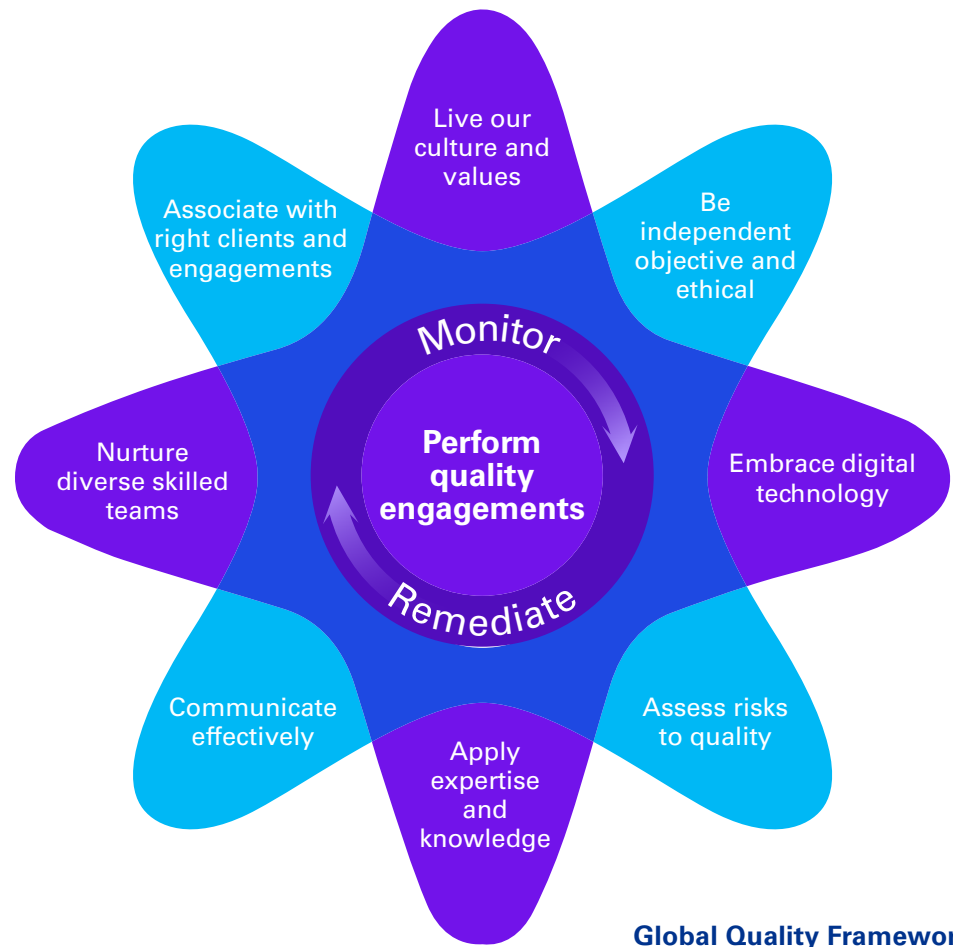
Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands.

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 management.

All our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We have strengthened the consistency and robustness of our system of quality management to enable compliance with the International Standard on Quality Management (ISQM 1) issued by the International Auditing and Assurance Standards Board (IAASB) which is effective on 15 December 2022. We consider this a transformational and fundamental change for our firm.

In this report we use our Global Quality Framework, to describe our approach to audit quality.



Our year at a glance

Audit priorities

- ★ Trust
- ★ Audit quality
- ★ Growth
- ★ Operational excellence

“I own it”



Over 600 engagements completed.

QPR results on the new KPMG audit methodology scored **35% higher** compared to those on our previous KPMG audit methodology



38% of our audit partners are black



32% of our audit partners are female

“KPMG’s commitment to audit quality is apparent in what we do on a day-to-day basis”



2022
85%

“The people I work with demonstrate honest and ethical behaviour”



2022
88%

Source: 2022 - GPS - KPMG SA - Audit



Audit clients views were surveyed with **83%** of respondents indicating the **overall satisfaction or extreme satisfaction** with KPMG South Africa

90% of engagements subject to second line of defense achieved compliant or compliant - improvement needed QPR ratings

Our inspection results for the **IRBA 2022 inspection period remain better than the average** of all inspections performed by the IRBA

KPMG Values

Our values 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 of our stakeholders.



Integrity

We do what is right.

Integrity means we are honest, fair and consistent in our words, actions and decisions – both inside and outside work. We take responsibility and accountability for our day-to-day behaviour and we hold ourselves to the highest moral and ethical standards at all times – even when under pressure. We keep our promises and set an example for others to follow.



Excellence

We never stop learning and improving.

Excellence means relentlessly delivering quality work to the highest professional standards. We do this by staying curious and taking personal responsibility for our learning. We constantly look to improve our work through data and insight and are open to new challenges and feedback because that is how we develop and improve.



Courage

We think and act boldly.

Courage is about being open to new ideas and being honest about the limits of our own knowledge and experience. It's about applying professional scepticism to what we see and asking questions where we have doubts. We speak up if we see something we believe is wrong and we support those who have the courage to speak up themselves. Courage is being bold enough to step outside your comfort zone.



Together

We respect each other and draw strengths from our differences.

We do our best work when we do it together: in teams, across teams, and by working with others outside our organisation. Working together is important because we know it is collaboration that shapes opinions and drives creativity. We embrace people with diverse backgrounds, skills, perspectives and life experiences and ensure different voices are heard. We show care and consideration for others and strive to create an inclusive environment where everyone feels they belong.



For Better

We do what matters.

For better means taking a long-term view, even in our day-to-day choices, because we want to build a stronger KPMG for the future. We never lose sight of the importance of our role as guardians for capital markets, society and the planet. We generate sustainable, positive change in our local communities and in society at large, striving to make the world a better place.

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1. Foreword

Driving quality relentlessly across all that we do

Providing high quality services takes hard work, dedication and focus. Our people are extraordinary and our auditors show up every day committed to delivering high quality audits for our clients and all stakeholders. We recognise the resilience displayed by our people and appreciate the efforts of our teams in these unique and challenging times. We proactively support the wellbeing of our people as we continue to build a safe and inclusive workplace as a preferred employer.

The 2022 financial year has been a year of change and challenge but with many opportunities, not only for the audit profession as a whole but specifically for us as a firm.

The South Africa market has faced its greatest level of audit proposal activity given the imminent deadline for mandatory audit firm rotation. We are delighted at the significant audit appointments the firm has achieved in all key sectors of the economy. We are humbled by the trust the market has placed in KPMG South Africa following the significant governance, leadership and culture changes the firm has implemented since 2018.

The quality of each audit rests on a foundational system of quality management and accordingly, we have made significant investments in strengthening the consistency and robustness of our system of quality management across the firm. The firm has implemented International System of Quality Management Standard 1 (ISQM 1) with regard to the design and implementation of controls across all eight components of ISQM 1 as at 30 September 2022.

The deployment of KPMG Clara, our smart digital audit platform, has continued successfully during 2022 and will be fully deployed during 2023. KPMG Clara is key to achieving our audit quality goals and in driving collaboration and innovation on the audit.

Our second line of defense program is positively impacting audit quality demonstrated by internal monitoring results reflecting higher rates of compliance when the engagement is subject to second line of defense.

Greater complexity in the delivery of audit has prompted discussion about professional services businesses and the place of audit within multidisciplinary structures.

At KPMG, we are clear: we are committed to our multidisciplinary model that brings the necessary audit, tax, and advisory expertise under one roof in the execution of our audits. KPMG delivers better quality with all our experts working together.

We are indeed greater than the sum of our parts. We continued to not perform any non-audit related services to our JSE listed audit clients with the aim to improve the factual and perceived auditor independence in protecting the interests of the public.

As stakeholders demand more accountability on environmental, social and governance (ESG) issues and regulators begin to require disclosures across new metrics, we are investing to make ESG the watermark running through KPMG South Africa. The ESG agenda is rapidly changing how businesses assess their own purpose and performance. We continue to support the reporting of consistent, high-quality, decision-useful information for stakeholders and we are committed to perform our work in full compliance with existing standards. We are also committed to fulfilling our public interest role in providing robust assurance that can benefit investors and other stakeholders.

We continue to strive to be the most trusted and trustworthy professional services firm and to foster a culture based on integrity, accountability, quality, objectivity, independence and ethics. Audit quality remains our highest priority in how we serve the public interest.



Ignatius Sehoole

Chief Executive Officer
KPMG South Africa



Devon Duffield

Head of Audit
KPMG South Africa



Mandy Watson

Head of Audit Quality
KPMG South Africa

2. Living our culture and Values

It's 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 behaviors. 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 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 integrity, accountability, quality, objectivity, independence, and ethics is essential in an organisation that carries out audits and other services on which stakeholders rely. At KPMG South Africa we promote a culture in which consultation is encouraged and recognised as a strength. We communicate our commitment to clients, stakeholders, and society at large to earn the public's trust.

Our Values lie at the heart of the way we do things. To do the right thing, the right way. Always. 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 throughout the world.

Outlined in the KPMG Southern Africa Code of Conduct, which is based on [KPMG's Global Code of Conduct](#) ("the Code"), are the responsibilities all KPMG personnel have to each other, the public and our clients. It shows how our Values inspire our greatest aspirations and guide all our behaviors 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 for behaviour consistent with the Code and is required to confirm their compliance with it. All KPMG personnel are 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. 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.

Everyone at KPMG is required 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 KPMG South Africa Ethics and Compliance Hotline (KPMG Faircall) that assists partners and employees with reporting concerns about possible illegal, unethical or improper conduct. If colleagues are unsure about where to go, are uncomfortable reporting through the traditional chain of command or wish to raise the issue anonymously, they can call KPMG Faircall, which is available 24 hours a day, 7 days a week. We take reports received by the International hotline and KPMG Faircall seriously, and for each of them we respond, and take appropriate action.

2. Living our culture and Values

Reports filed through the hotlines are directed to the Head of Quality and Risk Management for review and, if necessary, assignments of appropriate firm resources or external 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 reporting on a quarterly basis to the Risk, Quality and Compliance Committee as well as to the Audit Quality Committee to the extent that reported matters impact audit quality.

All KPMG 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 South Africa leadership and KPMG International leadership with results related to upholding the KPMG Values. KPMG South Africa and KPMG International monitor the results and take appropriate actions to communicate and respond to any findings.

System of quality management

Audit quality is foundational to instilling confidence and public trust in the capital markets and it remains our highest priority.

Tone at the top, leadership, and a clear set of Values and conduct are essential to set the framework for quality. The quality of each audit rests on a foundational system of quality management.

Across our global organisation we have strengthened the consistency and robustness of our system of quality management that enables compliance with the International System on Quality Management Standard 1 (ISQM 1), issued by the International Auditing and Assurance Standards Board (IAASB), which will take effect on 15 December 2022. We consider this a transformational and fundamental change for KPMG firms.

Our globally consistent approach to ISQM 1 drives the robustness of our responses to the risks of achieving the quality objectives set out in the standard. For each component in the standard, we have established minimum required quality objectives, quality risks and responses for all KPMG firms.

KPMG International has established a risk assessment process required to be used by KPMG firms in identifying additional firm specific quality objectives,

quality risks, and responses and requirements for testing and evaluation of their system of quality management together with guidance, tools and templates to support the consistent implementation of ISQM 1 across KPMG firms.

The new requirements apply to all KPMG firms within our global organisation. The objective of this centralised approach is to drive the consistency, robustness, and accountability of responses within KPMG's processes.

In preparation for ISQM 1, we adopted a Global Quality Framework, which is set out on page 2, to better outline how we deliver quality at KPMG, and how everyone at KPMG is accountable to 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 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.

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

Leadership responsibilities for quality and risk management

KPMG South Africa demonstrates commitment to integrity, quality, objectivity, independence, and ethics, 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 an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.

Whilst everyone at KPMG South Africa is responsible for audit quality, our leadership team is committed to building a culture based on integrity, quality, objectivity, independence, and ethics, demonstrated through their actions.

2. Living our culture and Values

Chief Executive Officer

In accordance with the principles of ISQC 1 and ISQM1, our Chief Executive Officer (CEO), Ignatius Sehoole, has assumed ultimate responsibility for the system of quality management and performance at KPMG South Africa and is accountable to the Policy Board in this regard.

Audit Quality Committee

The Audit Quality Committee (AQC), a sub-committee of the Policy Board, is chaired by Prof Ben Marx, an Independent Non-Executive Member. 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, Prof Wiseman Nkuhlu (Independent Non-Executive Chairperson of the Policy Board) and Ignatius Sehoole, 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, 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.

The AQC met four times during the 2022 financial year.

Audit and Assurance Quality Council

Our Audit and Assurance Quality Council (AAQC) is a council of senior partners, chaired by the Head of Audit Quality, which includes the Head of Audit, Head of the DPP, Head of DPP Audit and Assurance and the Audit Risk Management Partner.

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 Executive Committee (Audit Exco) in relation to the quality of financial statement audits conducted by the member firms within the Southern Africa region.

The AAQC also serves as the coordinating body for relationships with relevant regulators and professional bodies and has dual reporting lines. It reports to the Executive Committee (Exco) through the Audit Exco and to the AQC.

The AAQC met eleven times during the 2022 financial year.

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 South Africa. 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 audit quality. 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 defense (2LoD) reviews (refer to page 36 for further details on the 2LoD program). 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.

DPP play a crucial role in supporting audit teams in delivering sustainable audit quality by responding to technical consultations that support accounting and auditing treatments adopted by engagement teams and by upskilling teams on the latest technical topics.

The Audit, Tax and Advisory functions – Function Heads

The three heads of the client service functions (Audit, Tax and Advisory) are accountable to the CEO for the quality of service delivered in their respective functions. They are responsible for the execution of the risk management and quality assurance procedures for their specific functions within the framework set by the Risk Management Partner. These procedures make it clear that, at the engagement level, risk management and quality control is ultimately the responsibility of all professionals in the firm.

2. Living our culture and Values

Head of audit

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 quality through communication, engagement support and commitment to the highest standards of professional excellence, including professional scepticism, objectivity, and ethics and integrity;
- developing and implementing an audit strategy which is aligned with KPMG South Africa's audit quality requirements; 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 function.

Head of 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 South Africa. The Head of Quality and Risk Management is a member of the Exco and has a direct reporting line to the CEO. The Head of Quality and Risk Management consults with the globally 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.

The Head of Quality and Risk Management also has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG South Africa.

Head of Audit Quality

A dedicated audit quality leader that reports to the AQC and focuses on implementing audit quality initiatives centred around the global quality framework and in response to internal and external monitoring findings. The Head of Audit Quality works with the Head of Audit Risk to address audit quality and risk matters.

Clearly articulated strategy focused on quality, consistency, trust and growth

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 130 partners and 1981 colleagues across all businesses in the year to 30 September 2022 (2021: an average of 134 partners and 1 980 colleagues).

Our audit services in South Africa are delivered through KPMG Incorporated, 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 and demonstrates a commitment to quality and trust. Our focus is to invest significantly in priorities that form part of a global strategy execution.

Our ambition is to be the most trusted and trustworthy professional services firm. A key strategic focus area is exceptional service and quality – we see the future as being the benchmark in consistent quality and service excellence, building on our commitment to our clients, our people and the public.

Defined accountabilities, roles and responsibilities, including for leadership

Legal structure

KPMG South Africa has 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. (KPMG Inc.) 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 Inc. together with other directors who are not Registered Auditors.

Relationship with KPMG International Limited

KPMG South Africa and all other KPMG firms are party to membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organisation are 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 detail on the legal and governance arrangements for the KPMG global organisation can be found in section 'Governance and leadership' of the [2022 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 agreements with KPMG International.

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.

Responsibilities and obligations of member firms

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.

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, procedures and regulations 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 (see section Fostering the right culture, starting with tone at the top on page 7).

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.

Overseen using robust governance structures

Governance structure

KPMG South Africa applies high standards of corporate governance. Below is our governance and leadership structure together with the individuals and groups with primary responsibility to drive and monitor audit quality within 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 directors/shareholders from their own number. The Policy Board is chaired by Prof Wiseman Nkuhlu, an Independent Non-Executive Member of the Policy Board.

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;
- Transformation Oversight, Public Interest, Social and Ethics 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.

The details in respect of the purpose and responsibilities of each sub-committee of the Policy Board are set out in our Integrated Report which is available on our website at www.kpmg.com/za/en/home.

The Executive Committee

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

3. Applying expertise and knowledge

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

Methodology aligned with professional standards, laws and regulations

Consistent audit and assurance methodology and tools

Bringing consistency through our methodology

Our audit and assurance methodology, tools and guidance 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 (ISA), Public Company Accounting Oversight Board (PCAOB) and the American Institute of Certified Public Accountants (AICPA) and are supplemented to comply with local auditing standards and regulatory or statutory requirements by KPMG firms;
- Inclusive of KPMG methodology interpretations that drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed;
- Centered on identifying risk, focusing on risks of material misstatements and the necessary audit response;
- Made available to all KPMG audit and assurance professionals and required to be used, where necessary;

- Applied even where local auditing standards may be less demanding than the ISAs; and
- Based on the requirements of the International Standard on Assurance Engagements (ISAE) and aligned to assurance products in response to the 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 the KPMG Clara workflows) and includes KPMG interpretation of how to apply ISAs, PCAOB and AICPA standards which we believe enhance audit quality.

The KPMG Assurance Manuals provide the requirements and guidance for a consistent approach to performing assurance engagements, in accordance with the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The audit and assurance methodologies emphasise applying appropriate professional skepticism in the execution of procedures and require compliance with relevant ethical requirements, including independence.

Enhancements to the audit and assurance methodologies, guidance and tools are made regularly to maintain compliance with the applicable standards and address emerging auditing and assurance areas of focus and audit quality results (internal and external). For example, the current focus on ESG assurance is driving updates to our assurance methodologies, tools and guidance.

We have additional local requirements in the form of Southern African professional practice letters and technical guidance documents which supplement the KPMG Audit Manual, KPMG Audit Execution Guide and the KPMG Assurance Manuals and ensure compliance with local professional, legal or regulatory requirements.

3. Applying expertise and knowledge

Deep technical expertise and knowledge

Access to specialist networks

Specialist expertise is an increasingly important part of the modern audit. KPMG South African engagement teams have access to a network of KPMG specialists – either within their firm or in other KPMG 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 to be assigned to an audit engagement in areas such as information, technology, tax, treasury, actuarial, forensic and valuations is considered as part of the audit engagement acceptance and continuance process, as well as during the planning and conduct of the engagement.

Greater complexity in the delivery of an audit has prompted discussion about professional services businesses and the place of audit within multidisciplinary structures. At KPMG, we are clear: we are committed to our multidisciplinary model that brings the necessary audit, tax, and advisory expertise under one roof. KPMG adds more value with all our experts together. We are indeed greater than the sum of our parts.

Our commitment to audit quality during significant external events

Significant external events such as the conflict in Ukraine, the COVID-19 pandemic and the emerging impacts of climate change have contributed to rising inflation and interest rates, supply chain disruption and increased global economic uncertainty.

Matters such as going concern, asset impairments and valuations will likely require careful judgement as organisations deal with elevated uncertainty and market volatility. KPMG's role as auditors is to evaluate these judgements.

We maintain an online financial reporting resource center to assist financial statement preparers and other stakeholders in understanding the potential accounting and disclosure implications of significant external events.

KPMG International issues extensive guidance to assist engagement teams in addressing the financial reporting, auditing and reporting related matters arising

from the impacts of these external events, addressing the potential implications for going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, subsequent events, audit evidence and communications with those charged with governance.

KPMG's guidance is continually updated as new significant accounting, auditing, and reporting issues emerge.

KPMG is a technology-enabled organisation, with technical accounting and auditing resources, guidance and audit platforms and tools available electronically, which enable our engagement teams to effectively operate in office and remote working environments.

Quality and risk management manual

KPMG International has quality and risk management policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (GQ&RM Manual) which applies to all KPMG firms and all KPMG personnel. KPMG South Africa is required to establish and maintain a system of quality management and design, implement, and test the operating effectiveness of quality controls.



4. Embracing digital technology

At KPMG, we are committed to serving the public interest and creating value through continuous innovation. We are transforming the audit experience for our professionals and clients by leveraging the data and insights of leading technologies and enhancing audit quality by increasing our ability to focus on the issues that matter.

Intelligent, standards-driven audit workflows

All KPMG South Africa professionals are expected to adhere to KPMG International and KPMG South Africa 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 South Africa policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing and quality control standards.

Evolving our audit workflows

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 we reimagined our audit platform, workflows 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, such as robotic process automation, machine learning and cognitive technologies.

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

KPMG Clara

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

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 perform quality audits and interact with their 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.

KPMG Clara is helping auditors see meaningful patterns across a business, whether conducting risk assessment, tracing transactions through a complex revenue process, or simply adding up the accounts. Examples of current capabilities include:

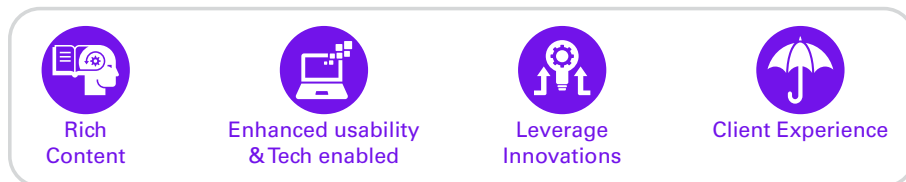
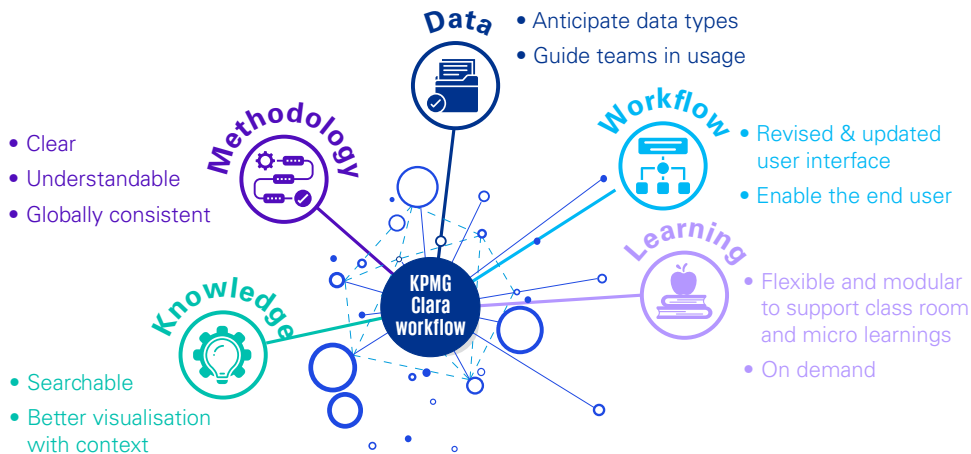
- Analysis of account balances and journal entry data;
- Automation of 'period on period' balances comparison and 'time series' evolution information;
- Analysis of sub-ledger, transactional data over certain business processes and accounts; and
- Integration (where applicable) with industry-specific digital procedures and solutions.

4. Embracing digital technology

Our vision of the future

KPMG Clara was developed to be a foundational technology platform for KPMG to deliver audit quality. It delivers this by being the base technology providing new capabilities in a globally consistent way, enabling the audit workflows and providing a fully digital experience for our audit professionals.

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



KPMG Clara workflows

Our previous platform, eAudIT, is being replaced with new workflows embedded with our revised audit methodology and enabled by the KPMG Clara smart audit platform. Phased full deployment of the KPMG Clara workflows (with the exception of very small and less complex national audits and audits performed for the last time) commenced globally in 2020 with planned completion of full global transition

for the 2022 fiscal period-end audits. Global transition for less complex national audits, leveraging enhanced scaling capability has commenced in 2022 and will be completed by 2023.

The web-enabled KPMG Clara workflows guide 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 workflows and revised audit methodologies are scalable – adjusting the requirements to the size and complexity of the audit engagement. KPMG Clara workflows significantly enhance the execution of an audit by KPMG professionals and drive audit quality and global consistency.

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

We continue to enhance the KPMG Clara smart audit platform to accommodate evolving security demands, further integrate existing audit applications, and develop new capabilities to digitalise additional audit processes.

Client confidentiality, information security, and data privacy

The importance of maintaining client confidentiality is emphasised through a variety of mechanisms, including the KPMG Global and KPMG Southern Africa Code of Conduct.

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 applicable laws, regulations, and professional standards.

KPMG provides training on confidentiality, information protection and data privacy requirements to all KPMG South Africa personnel annually.

5. 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 auditors have diverse skills and capabilities to address complex problems.

Recruiting appropriately qualified and 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, retention, and assignment of professionals.

Recruitment

KPMG South Africa has invested in understanding how we can attract the talent we need now and in the future across the organisation. 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 and also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age. KPMG South Africa also recruits 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. KPMG South Africa recruited over 250 new graduates in 2022 in the audit function (2021: 245 new graduates).

Where individuals are recruited for senior grades, a formal independence compliance review is conducted with them by the Ethics and Independence Partner or a delegate. KPMG South Africa does not solicit nor accept any confidential information belonging to the candidate's former firm/employer.

Inclusion, diversity and equity programs

KPMG South Africa is 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.

We recognise our firms' position working with clients affords us a privileged place. With that comes an opportunity and responsibility to achieve more and push for a fairer, more equitable society.

Our KPMG Global Inclusion, Diversity & Equity Collective Action Plan outlines the actions that are necessary to advance inclusion, diversity, and equity at KPMG South Africa and across all KPMG firms.

For more about Inclusion & Diversity at KPMG globally read [here](#).

5. Nurturing diverse skilled teams

Reward and Promotion

KPMG South Africa has compensation and promotion policies that are informed by market data, clear, simple, fair and linked to the performance review process. This helps our colleagues 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.

The extent to which our people feel their performance has been reflected in their reward is measured through the annual Global People Survey, with action plans developed as required.

The results of performance evaluations directly affect the promotion and remuneration of colleagues and, in some cases, their continued association with KPMG.

Assigning an appropriately qualified team

KPMG South Africa has procedures in place to assign engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. The Head of Audit, together with the 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:

- Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- 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 judgement;
- Understanding of KPMG South Africa's quality control policies and procedures; and
- Quality Performance Review 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 professionals in the field 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.

5. Nurturing diverse skilled teams

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

Commitment to technical excellence and quality service delivery

All KPMG South Africa professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and the department of professional practice for consultation. Where the right resource is not available within KPMG South Africa, 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 training

Annual training priorities for development and delivery are identified by the audit Learning and Development groups at global, regional and at the South African member firm level.

Mandatory learning requirements for audit professionals across the KPMG organisation are established annually. Training is delivered using a blend of learning approaches and performance support.

All partners and colleagues are required to complete the Continuing Professional Development (CPD) framework which is built around three elements –

- **Plan** – complete an initial assessment of competencies to develop for current and future roles
- **Act** – undertake learning interventions to further develop competencies identified
- **Reflect** – reflect on application of learning and future learning needs

In addition to the undertaking of learning interventions, partners and colleagues are required to complete a minimum of 30 hours CPD in a calendar year, which include at a minimum three hours of ethics related training.

Partners and colleagues must complete mandatory technical training and successfully complete a post course assessment, where required. Compliance with mandatory training is monitored and non-compliance is considered as part of the partners and colleagues overall performance evaluation which may directly impact promotion, remuneration and/or result in disciplinary action.

In addition, we have specific accreditation requirements for partners and managers working on engagements requiring knowledge and experience in US auditing and accounting standards. These engagements require that the partner, manager, experienced in-charge and engagement quality control reviewers, where applicable have completed the relevant training, globally mandated, and that the engagement team, collectively, has the appropriate experience to perform the engagement.

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 demonstrate that they have the necessary experience to audit listed entities.

Average hours of formal learning provided to audit partners and colleagues was 163 hours per person for 2022 (2021:124 hours per person).

Mentoring and on the job training

Learning is not confined to a single approach — rich learning experiences are available when needed through coaching and just-in-time learning, 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 judgement, 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.

5. Nurturing diverse skilled teams

Licensing and mandatory requirements

All KPMG South Africa professionals are required to comply with applicable professional body rules, such as those of the Independent Regulatory Board for Auditors (IRBA) and the South Africa Institute of Chartered Accountants (SAICA) and satisfy the CPD requirements. KPMG South Africa's policies and procedures are designed to facilitate compliance with these requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge.

Recognising quality

Personal development

KPMG South Africa's approach to performance development, 'Open Performance Development', is built around the 'Everyone a Leader' performance principles, 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 the KPMG 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 into the assessment of performance and the decisions around reward, as well as drive consistency across the global organisation.

KPMG South Africa considers quality and compliance metrics in assessing the overall evaluation, promotion, and remuneration of partners. These evaluations are conducted by performance managers and partners who are able to assess performance.

6. Associating with the right clients and engagements

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

Following the client and engagement acceptance and continuance policies

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

KPMG firms are required to 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

KPMG South Africa undertakes an evaluation of every prospective client.

This involves obtaining sufficient information about the prospective client, 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, its key management, directors and owners. If necessary, we obtain additional information required to satisfy applicable legal and/or regulatory requirements.

Engagement evaluation

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, public perception, whether the services would be unethical or inconsistent with our Values, as well as 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 KPMG professionals assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG South Africa personnel and includes additional reviews 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.

6. Associating with the right clients and engagements

Continuance process

KPMG South Africa undertakes an annual re-evaluation of all its audit clients. The re-evaluation identifies any risks 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

Where KPMG South Africa comes to a preliminary conclusion that indicates that 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.

Managed portfolio of clients

KPMG South Africa leadership appoints engagement partners who have the appropriate competence, capabilities, time and authority to perform their role for 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 the competence, capabilities and capacity of the partner and wider team to deliver a quality audit for every client.

7. Being independent and ethical

Auditor independence is a cornerstone 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. These are set out in the KPMG Global Quality & Risk Management Manual (GQ&RMM), 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 with these requirements.

These policies are supplemented by other policies and processes to ensure compliance with the standards issued by the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors and the independence requirements of the Companies Act of South Africa. 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 Head 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 comply with these requirements.

KPMG South Africa has a designated Ethics and Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG South Africa. 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 sanctions 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 the monitoring and remediation section starting from page 32.

KPMG South Africa partners and employees are required to consult with the EIP on certain matters as defined in the (GQ&RMM). The EIP may also be required to consult with the Global Independence Group, depending upon the facts and circumstances.

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

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 audit and assurance 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 generally prohibited from owning securities of any audit client of any KPMG firm.

7. Being independent and ethical

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 into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in publicly available funds and securities registered on recognised or regulated exchanges 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. KPMG monitors 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 the KPMG independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

In 2022 over 84 (2021: 50) KPMG South Africa partners and employees were subject to these personal compliance audits (including 44% of our partners (2021: 54%)).

Employment relationships

Any KPMG South Africa professional providing services to an audit or assurance client irrespective of function is required to notify the firm EIP if they intend to enter into employment negotiations with that 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 or assurance team or former partners of KPMG South Africa are prohibited from joining an audit or assurance client in certain roles unless they have disengaged from all significant connections to KPMG South Africa, including payments which are not fixed and predetermined and/or would be material to KPMG South Africa and ceased participating in KPMG South Africa business and professional activities.

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 has passed.

We communicate and monitor requirements in relation to employment and partnership of KPMG South Africa 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, their management, directors and, where required, significant owners.

In common with other KPMG firms, KPMG South Africa uses KICS to record its own 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 South Africa is required to record in KICS all borrowing and capital financing relationships, as well as custodial, trust and brokerage accounts that hold member firm assets.

On an annual basis, KPMG South Africa confirms compliance with independence requirements as part of the KPMG Quality & Compliance Evaluation program.

Business relationships/suppliers

KPMG South Africa 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, such as those promulgated by the U.S Securities and Exchange Commission (SEC) and including the Independent Regulatory Board for Auditors' 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 of independence, KPMG South Africa 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 the procedures that comprise the independence clearance process.

7. Being independent and ethical

Independence training and confirmations

All KPMG South Africa partners and client service professionals, as well as certain other individuals, are required to complete independence training that is appropriate to their grade and function upon joining KPMG South Africa 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 (a) thirty days after joining KPMG South Africa or (b) before providing any services to or becoming a member of the chain of command for, any audit client.

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

- the Global Code of Conduct and/or the KPMG Southern Africa 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 KPMG South Africa.

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

Non-audit services

All KPMG firms are required, at a minimum, to comply with the IESBA Code of Ethics and applicable laws and regulations related to the scope of services that can be provided to audit clients.

KPMG South Africa does not provide non-audit related services to our JSE listed audit clients. We continue to provide services closely related to the audit which includes 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.

In addition to identifying potential conflicts of interest, Sentinel™ facilitates compliance with 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 public interest entity 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 to, approve, or deny any proposed service for those entities worldwide. For approved proposed services, Sentinel™ designates a timeframe 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 South Africa is required to establish and maintain a process to review and approve all new and significantly modified services that are developed by KPMG South Africa. The EIP is involved in the review of potential independence issues related to these new or modified services.

KPMG global independence policies prohibit KPMG firm audit partners from being evaluated on, or compensated based on, their success in selling non-audit 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 firm expressing the audit opinion.

7. Being independent and ethical

These policies require firms to consult with their Regional Risk Management Partner 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 from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member 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.

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 KPMG South Africa partners or employees have a personal connection with the client that 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.

All KPMG firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived to have, an impact on a firm's and/ or its partners' or employees' ability to be objective or otherwise act without bias.

All KPMG firms are required to use Sentinel™ for potential conflict identification so that these can be addressed in accordance with legal and professional requirements.

KPMG South Africa 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.

KPMG International 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 behavior of the recipient or which would cast doubt on the individual's or the member firm's integrity, independence, objectivity or judgment.

Independence breaches

All KPMG South Africa personnel are required to report an independence breach as soon as they become aware of it to the EIP. In the event of failure to comply with our independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. All breaches of independence requirements of the IESBA Code of Ethics or other external independence requirements are required to be reported to those charged with governance as soon as possible, except where alternative timing for less significant breaches has been agreed with those charged with governance.

KPMG South Africa has a documented and communicated disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations and 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 disciplinary policy.

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

Partner and firm rotation

Partner rotation

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

7. Being independent and ethical

KPMG South Africa 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 'time-out' period during which time these 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 professional services at the client;
- Oversee the relationship of the firm with the audit client; or
- Have any other significant or frequent interaction with senior management or those charged with governance at the client.

KPMG South Africa monitors the rotation of audit engagement leaders (such as the engagement partner, the engagement quality control reviewer and any other key audit partner role, where there is a rotation requirement) and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.

Firm rotation

The IRBA mandatory audit firm rotation (MAFR) rule, that is effective for financial year's commencing 1 April 2023, requires that a network firm as defined in the IRBA Code of Professional Accountants 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 of bribery and corruption

Compliance with laws, regulations and standards is a key aspect for everyone at KPMG South Africa. 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 our 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 can be found on the [anti-bribery and corruption site](#).

8. Performing quality engagements

How an audit is conducted is as important as the result. KPMG South Africa partners and employees are expected to demonstrate behaviours consistent with our Values and follow all policies and procedures in the performance of effective and efficient audits.

Consulting when appropriate

Encouraging a culture of consultation

KPMG encourages a culture of consultation that supports engagement teams at KPMG firms throughout their decision-making processes and is a fundamental contributor to audit quality. KPMG South Africa promotes a culture in which consultation is recognised as a strength and that encourages all KPMG professionals to consult on difficult or contentious matters.

To help with this, firms are required to have established protocols for consultation and documentation of significant matters, including procedures to facilitate resolution of differences of opinion on engagement issues. KPMG audit, assurance and reporting manuals also include required consultations. GQ&RMM includes mandatory consultation requirements on certain matters.

Technical consultation and global resources

Technical accounting, auditing and assurance support is available to member firms through the Global Audit Methodology Group, KPMG Global Solutions Group, the International Standards Group and the PCAOB Standards Group, all of which report directly to the Global Head of Audit.

Global Audit Methodology Group (GAMG)

KPMG's audit and assurance methodology is developed and maintained by the GAMG. The GAMG develops our audit and assurance methodology based on the requirements of the applicable audit and assurance standards of the IAASB, 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 and assurance methodology and tools with the core focus of improving audit quality, global consistency and standardisation.

With locations in each of the three KPMG regions (Americas, EMA and ASPAC), the KGSG and GAMG teams comprise professionals with backgrounds in audit, assurance, IT, data science, mathematics, statistics, and more from around the world, who bring diverse experiences and innovative ways of thinking to further evolve KPMG's audit capabilities.

International Standards Group (ISG)

The ISG works with 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 IFRS Standards and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis. The ISG recently has expanded its remit to encompass the activities of the International Sustainability Standards Board (ISSB), including providing global thought leadership and guidance as the ISSB issues standards.

8. Performing quality engagements

PCAOB Standards Group (PSG)

The KPMG PCAOB Standards Group (PSG) comprises a dedicated group of professionals with backgrounds in PCAOB auditing standards who promote consistency in the interpretation of PCAOB auditing standards in KPMG firms' audits of non-US components and 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.

Member firm professional practice resources

Member firms provide consultation support on auditing and technical accounting matters to their audit professionals through professional practice resources (referred to as Department of Professional Practice or DPP). This resource 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. KPMG's ISG and PSG are also available for consultation support when required.

Across KPMG South Africa, the role of DPP is crucial in terms of the support that is provided to the audit function. To ensure that DPP remains up to date with the latest developments and requirements, DPP has representation on the following local professional bodies –

- Committee for Auditing Standards (CFAS) and membership on CFAS's Regulated Industries and Reports Standing Committee and Public Sector Standing Committee
- SAICA Accounting Practices Committee and SAICA Assurance Guidance Committee
- Various task groups of the IRBA and SAICA focusing on recently released auditing exposure drafts
- JSE Financial Reporting Investigations Panel (FRIP)

Furthermore, DPP is also represented on the following global KPMG bodies –

- Methodology Advisory Group
- IFRS panel
- EMA DPP

Critically assessing audit evidence using professional judgement and skepticism

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 skepticism throughout the audit engagements. Professional skepticism involves a questioning mind and alertness to contradictory or inconsistencies in the audit evidence. Professional judgement encompasses the need to be aware of and alert to biases that may pose threats to good judgements.

Direct, coach, supervise and review

Embedding ongoing coaching, supervision and review

To invest in the building of skills and capabilities of KPMG professionals, KPMG South Africa promotes a continuous learning environment and supports a coaching culture.

Ongoing direction, 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 engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions;
- Whether the team understands its instructions and 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 to review and discuss with more experienced team members during the engagement.

The timely review of the work performed so that significant matters are promptly identified, discussed and addressed is also used as a coaching opportunity.

8. Performing quality engagements

Engagement quality control (EQC) reviewers

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

An EQC review is an objective evaluation of significant judgments made by the engagement team and its related conclusions, performed by the EQC reviewer, and completed on or before the date of the report. The EQC reviewer's evaluation of significant judgements includes an evaluation of the engagement team's assessment of significant risks, including fraud risks, the related responses and whether the related conclusions are appropriate. The EQC review is completed only after the EQC reviewer is satisfied that all significant matters they raised have been resolved, though the engagement partner is ultimately responsible for the resolution of accounting and auditing matters.

EQC reviewers are required to meet training, knowledge and experience criteria to perform the EQC review for a particular engagement. Reviewers must be objective, can not be members of the engagement team and must be independent of the audit client.

Appropriately support and document conclusions

Reporting

Auditing standards and the IRBA requirements largely dictate the format and content of the auditors' report which includes an opinion on the fair presentation of the reporting entity's financial statements in all material respects.

Engagement leaders form all audit opinions based on the audit performed and evidence obtained.

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

Engagement documentation

KPMG South Africa's audit documentation is completed and assembled according to the timeline determined by the KPMG firm in accordance with KPMG International policy and applicable auditing standards. We have implemented administrative, technical, and physical safeguards to protect the confidentiality and integrity of client and firm information. KPMG International adopted policies to apply to all KPMG firms to reduce the time period allowed to assemble audit documentation, which is significantly less than the time period required by the applicable auditing standards.



9. Communicating effectively

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

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

At KPMG South Africa we stress the importance of keeping those charged with governance informed of issues arising throughout the audit through guidance and supporting resources. 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 South Africa is the proud sponsor and provider of technical support to the Audit Committee Forum.

IFRS Standards Institute

KPMG's Global IFRS Institute provides information and resources to help KPMG South Africa's clients 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.

Conduct and follow-up on the Global People Survey (GPS)

Only with engaged, talented people can KPMG deliver audits in line with our audit quality expectations. Annually KPMG South Africa personnel are invited to participate in KPMG's GPS to share their perception about their experience of working at 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 South Africa gains additional insight on how we are faring on categories known to impact employee engagement. We also cover areas of focus that are directly relevant to audit quality; the survey includes specific audit quality related questions that all individuals who participated in an audit in the previous 12 months are asked to respond to, giving us a particular data set for audit quality related matters.

The survey also provides KPMG South Africa leadership and KPMG International leadership with insights related to quality and risk behaviors, audit quality, upholding the KPMG Values, employee and partner attitudes to quality, leadership and tone at the top.

KPMG South Africa 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 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 Global Audit Steering Group on an annual basis for consideration of appropriate remedial action, if needed.

10. 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 management.

Rigorously monitor and measure quality

Commitment to continuous improvement

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

Internal monitoring and compliance programs

KPMG South Africa monitoring programs are created by KPMG International and applied across KPMG firms. The programs evaluate both:

- Engagement performance in compliance with the applicable professional standards, applicable laws and regulations and KPMG International key policies and procedures; and
- KPMG South Africa'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 management has been appropriately designed, effectively implemented, and operates effectively. These include:

Quality Performance Reviews, the KPMG Quality & Compliance Evaluation program and the Global Quality & Compliance Review program.

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

Audit Quality Performance Reviews (QPRs) program

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

Risk-based approach

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

KPMG South Africa conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG South Africa level and are monitored regionally and globally.

Reviewer selection, preparation and process

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the engagement under review.

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 need to be as rigorous as external reviewers.

Evaluations from Audit QPR

Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations.

10. Monitoring and remediation

Audit engagements selected for review are rated as ‘Compliant’, ‘Compliant-Improvement Needed’ or ‘Not Compliant’. Set out below are the definitions of the outcomes. The outcomes changed for the 2022 QPR from Satisfactory to Compliant, Performance Improvement Needed to Compliant – Improvement Needed and Unsatisfactory to Not Compliant.

Compliant – the relevant auditing, assurance, accounting and professional standards have been complied with in all significant respects with no or only minor instance(s) of non-compliance.

Compliant – Improvement Needed – when the relevant auditing, assurance, accounting and professional standards have been complied with in all significant respects, but more than minor instance(s) of non-compliance have been identified. However, the instance(s) of non-compliance are not significant, improvements are needed in the next audit and remediation should be considered for the engagement file subject to review.

Not Compliant – relevant auditing, assurance, accounting and professional standards were not complied with in respect of a significant matter(s) and remediation of the engagement file subject to review related to the significant matter(s) is required.

Reporting

Findings from the QPR program are disseminated to firm professionals through written communications, internal training tools, and periodic partner, manager and staff meetings.

These areas are also emphasised in subsequent inspection programs to gauge the extent of continuous improvement.

Lead audit engagement partners (LAEPs) are notified of Not Compliant ratings on their respective cross-border engagements. Additionally, LAEPs of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR program.

KPMG South Africa’s 2022 QPR results analysed

The results of the 2022 QPR program are set out below –

	2022	2021
Percentage of engagement leaders reviewed in audit	35%	26%
Number of engagements reviewed	25	17
Percentage of results that showed engagements reviewed that were either compliant or compliant – improvement needed	65%	88%

Although the QPR results have declined in 2022, we have assessed the reportable findings resulting from each engagement level review 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 with the key focus being on enhancing our documentation to support our audit opinion.

During 2022, audit professionals executed audits using two audit methodologies whilst the firm transitioned fully to KPMG Clara (which will be fully implemented from 31 December 2022 year ends). The QPR results in respect of KPMG Clara engagements, utilising our enhanced methodology KPMG Audit Execution Guide, achieved 80% compliant or compliant – improvement needed ratings compared to eAudit engagements (using the “old” methodology) where 45% of engagements were compliant or compliant - improvement needed. We are confident that the implementation of KPMG Clara will lead to improved QPR results.

90% of all engagement files subject to 2LoD received either compliant or compliant - improvement needed ratings.

KPMG Quality & Compliance Evaluation (KQCE) program (formerly known as Risk Compliance Program (RCP))

KPMG International develops and maintains quality management policies and processes that apply to all KPMG firms. These policies and processes, and their related procedures, include the requirements of the GQ&RM Manual, ISQC 1, and the implementation requirements of ISQM 1 for this transition period.

10. Monitoring and remediation

The objectives of the KQCE program are to:

- Document, assess and evidence KPMG South Africa’s implementation of ISQM 1, extent of compliance of their system of quality management with the Global Quality & Risk Management (GQ&RM) policies and key legal and regulatory requirements and
- Provide the basis for KPMG South Africa to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

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

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 review is independent of the firm and is objective and knowledgeable of GQ&RM 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 (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment;
- A firm’s compliance with KPMGI policies and procedures; and
- The robustness with which the member firm performs its own quality and compliance program (former RCP and, current, KQCE program).

KPMG South Africa develop action plans to respond to all GQ&CR findings that indicate improvement is required and agree these with the GQ&CR team. Our progress on action plans is monitored by the GQ&CR central team. Results are reported to the GQ&RM Steering Group and where necessary, to appropriate KPMG International and regional leadership.

Obtain, evaluate and act on stakeholder feedback

Regulators

Every KPMG firm is expected to maintain professional and respectful relationships with regulators, including proactively engaging, responding to questions in a timely manner and taking appropriate remedial actions.

In South Africa the IRBA has been carrying out independent inspections for a number of years. They completed their work on the 2021 inspection of KPMG South Africa in March 2022 (refer to page 35 for further information on the 2021 inspection).

KPMG South Africa is also registered with the PCAOB (U.S. audit regulator) and CPAB (Canadian audit regulator). The public report on the 2020 inspection by the PCAOB was released on 27 January 2022 and both it and our response are available on the PCAOB website.

We have considered each of the findings and recommendations and have implemented actions to address deficiencies and strengthen policies and procedures as appropriate.

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR), principally through IFIAR’s Global Audit Quality Working Group, to discuss thematic audit quality issues along with targeted strategies for improvement. We value the open, honest and transparent dialogue that IFIAR facilitates on global audit quality issues. IRBA is a member of IFIAR.

IRBA 2022 inspection report

For the IRBA's eighth inspection cycle (for the year ended March 2022), both firm-wide and engagement inspections were performed, both of which KPMG South Africa were subjected to.

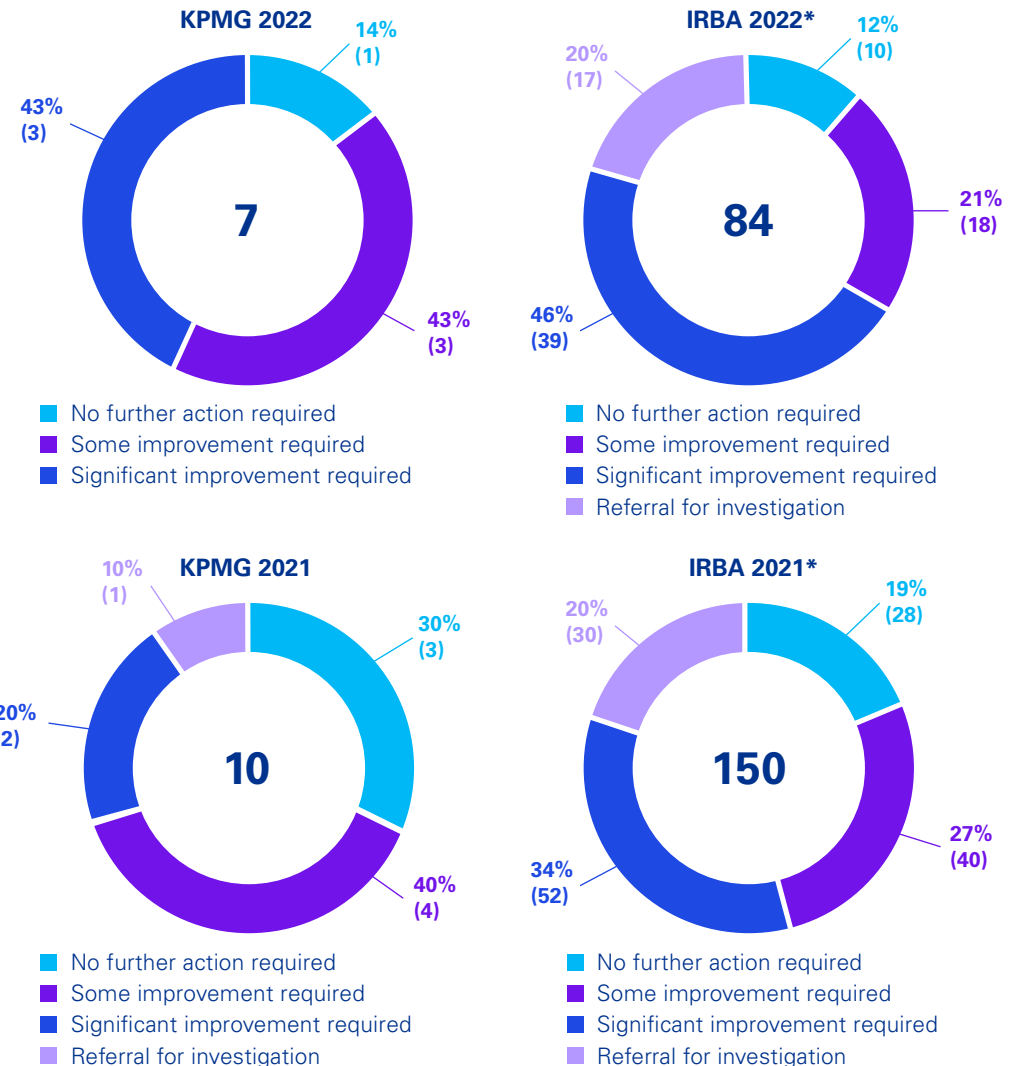
Firm-wide inspection

The IRBA's firm-wide inspection report covers a full International Standard on Quality Control (ISQC1) inspection. All JSE accredited audit firms are subject to a firm-wide inspection once during a three-year cycle. KPMG South Africa was subject to a firm-wide inspection as part of the IRBA's 2022 inspection cycle and the IRBA Inspection Committee concluded that the outcome of the firm-wide inspection was "referral for investigation" based on deficiencies reported in the Relevant Ethical Requirements element of ISQC 1. This result was communicated to the JSE and our clients during May 2022. As set out in the IRBA's [2022 Public Inspections Report on Audit Quality](#), of the seven firms subject to a firm-wide inspection, five firms outcomes were assessed as "referral for investigation" and the other two firms outcomes were "significant improvement".

At the date of issuing the 2022 transparency report all remediation actions implemented by the firm relating to the firm-wide inspection have been completed. A key aspect in remedial actions taken relating to the Relevant Ethical Requirements deficiencies reported on by the IRBA was that the firm took the market leading position to cease, from March 2021, accepting further non-audit related services for its JSE listed audit clients. The firm is committed to strengthening its independence processes and controls and continues to monitor the effectiveness of controls and enhancing changes where necessary.

Engagement file inspections

The results of our engagement file inspections in respect of the 2022 inspection cycle as reported by the IRBA in their 2022 Public Inspections Report on Audit Quality are set out alongside. We are pleased with the results that **no engagement file received an outcome of "referral for investigation"** during our 2022 inspection and our results compare favourably to the overall IRBA 2022 inspection results.



One JSE listed entity was subject to inspection during the 2022 inspection and received a "some improvement" outcome (2021 – three JSE listed entities subject to inspection with one receiving "no further action required" outcome, one receiving "significant improvement required" outcome and one receiving "referral for investigation" outcome.)

*Source: IRBA'S 2022 Public Inspection Report on Audit Quality

10. Monitoring and remediation

Client feedback

We proactively seek feedback from clients through in-person conversations and third-party surveys to monitor their satisfaction with services delivered. We endeavour to take this feedback and make dynamic changes at both the engagement level and firm level to meet clients' needs.

Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work. These procedures are detailed in section 2 'Tone at the top'.

Other assessment of audit quality

Second line of defense (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 a 2LoD review based on approved selection criteria with the focus being on listed and high-risk engagements.

A 2LoD 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 and risk assessment, control and substantive testing, including general IT controls, and the 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 our 2LoD program in the outcome of our internal monitoring program in 2022.

Assessing risks to quality

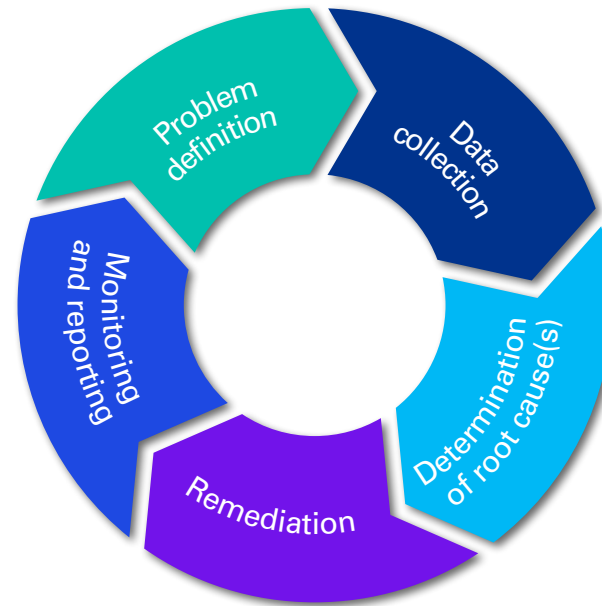
KPMG International reviews the results of the quality monitoring programs and develops additional global remediation actions as needed.

Global remediation actions developed by KPMG International are aimed at changing behaviour and driving quality and consistency across the global organization. Remediation actions may be implemented through the development of global policies, procedures, training, tools and guidance.

Perform root cause analysis

KPMG South Africa conducts Root Cause Analysis (RCA) in respect of audit quality issues.

The Global RCA five Step Principles are as follows:



It is the responsibility of all KPMG firms to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified.

KPMG South Africa's Head of Audit is responsible for audit quality including the remediation of audit quality issues. The firm's Head of Quality and Risk Management monitors the remediation plan(s) implementation.

11. 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

Each partner's performance is evaluated in line with goals set and against key performance indicators and performance is also evaluated relative to their peers. Partner remuneration is proposed by 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.

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 Sanctions Policy as evaluated and assessed by the Sanctions Committee.

Partner/director admissions

Although we were historically and are still often referred to as a "Partnership", KPMG South Africa 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 operations.

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.

12. Statement by the Policy Board of KPMG South Africa on the effectiveness of quality controls and independence

The measures and procedures that serve as the basis for the system of quality control for KPMG South Africa 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 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 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 as described in section 10 and our local compliance monitoring programs); and
- Findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of 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 2022.

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 2022.



Prof Wiseman Nkulu

Chairperson of the Policy Board
Independent Non-Executive Member
5 April 2023



Prof Ben Marx

Chairperson of the Audit Quality Committee
Independent Non-Executive Member
5 April 2023



Ignatius Sehoole

Chief Executive Officer
5 April 2023

13. Appendix A: Network arrangements

Legal structure

KPMG South Africa and all other KPMG firms are party to membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organisation are members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee.

KPMG International Limited has been 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.

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 agreements with KPMG International.

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 being professionally and financially stable; having an ownership, governance and management structure that ensures continuity and stability and long-term success; and being able to comply with policies issued by KPMG International, adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

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.

Further detail on the revised legal and governance arrangements for the KPMG global organization can be found in section 'Governance and leadership' of the [2022 KPMG International Transparency Report](#).

Responsibilities and Obligations of Member Firms

Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations 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 KPMG 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 amounts paid by member firms. The basis for calculating such amounts is approved by the KPMG International Global Board and consistently applied to the firms. A firm's status as a KPMG member firm and its participation in the KPMG global organization may be terminated if, among other things, it has not complied with the policies 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 worldwide basis.

Governance structure

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 organization.

It is led by the Global Chairman, Bill Thomas, and also 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 current Global Board members, is set out on the Leadership page of kpmg.com <https://home.kpmg/xx/en/home/about/who-we-are/our-leadership.html>.

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 Management and 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, assurance engagements and the system of quality management 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 current Global Management Team members is available in the [Leadership](#) section on 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;

13. Appendix A: Network arrangements

- 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 [2022 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 ending 30 September 2022, can be found in section 'Governance and leadership' of the [2022 KPMG International Transparency Report](#).

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