



# Earning trust through our actions

**KPMG South Africa**  
**Annual Integrated Report 2019**





## **IMPACT OF THE COVID-19 PANDEMIC**

The publication of this report (Q1: 2020) has been impacted by the COVID-19 pandemic. Released during the unprecedented time of national lockdown, this report contains certain forward-looking statements and assumptions that are now subject to heightened uncertainty. Nonetheless, this report is principally focused on describing the actions and achievements of the firm during the year ended 30 September 2019 and, in this regard, it provides a transparent, balanced description of our progress towards our objectives prior to the disruption caused by the pandemic. As described in this report, we continued to make progress in stabilising the firm during the period under review and we are confident in the solidity and resilience of our exceptional people and the foundations of the renewed KPMG South Africa.

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# About this report

## Why have we adopted integrated reporting?

We intend to be a transparent and accountable organisation, focused on creating and sustaining value for all our stakeholders. The voluntary process of reporting publicly is an expression of our commitment to transparency and open engagement with our stakeholders. By presenting our progress towards our stated goals publicly, we are compelled to back up our words with action. We trust that our reports will enable you to make knowledgeable and confident decisions about KPMG South Africa ("SA") and your working relationship with us.

## What are our integrated reporting objectives?

- Rebuilding trust in our community of stakeholders
- Embedding accountability and stewardship throughout the organisation
- Visibly expressing our commitment to transparency and accountability
- Improving internal reporting, analysis and decision-making processes.

## What are our reporting principles and frameworks?

We have adopted the "International <IR> Framework" (developed by the International Integrated Reporting Council) because it gives us a set of guidelines on what information will provide our stakeholders with the most meaningful intelligence and how best to communicate this knowledge.

We have also been guided by other frameworks, specifically the King IV™ Report on Corporate Governance for South Africa 2016 ("King IV™")<sup>1</sup>.

## What is our reporting boundary and scope?

KPMG South Africa ("SA") is a member firm of the global KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMGI"), a Swiss entity. KPMG SA ('the firm' or 'the business') operates through two entities: KPMG Incorporated, through which we deliver our audit services, and KPMG Services Proprietary Limited, through which we deliver our advisory and tax services. Both entities are incorporated under the South African Companies Act, 2008. KPMG Incorporated is owned by its directors, all of whom are shareholders. Similarly, KPMG Services Proprietary Limited is owned by its directors, all of whom are shareholders. All the directors and shareholders of KPMG Inc are also directors of KPMG Services Proprietary Limited.

Our report and information disclosed covers the year ended 30 September 2019, but material events and developments to the date of this report have been addressed to provide a complete and current reflection of the activities of the firm.

This integrated report ("report" or "<IR>") addresses all pertinent aspects of the operations of KPMG South Africa and excludes KPMG Southern Africa member firms outside South Africa.

<sup>1</sup> The King IV™ Report on Corporate Governance for South Africa 2016™ is owned by the Institute of Directors in Southern Africa NPC, with all rights reserved, and is available at <http://www.iodsa.co.za/?page=AboutKingIV>

## Are there other reports?

The following table describes the integrated and audit quality transparency reports that have been produced by KPMG SA for our fiscal year of 1 October 2018 to 30 September 2019. Both reports are available on our website or by contacting our Head of Communications in the office of the CEO, Dudu Ndlovu, at [dudu.ndlovu@kpmg.co.za](mailto:dudu.ndlovu@kpmg.co.za).

KPMG South Africa Integrated Report 2019	KPMG South Africa Transparency Report 2019
	
Concise descriptions of our business model, strategy, governance, performance and prospects in the context of our external environment and engagement with stakeholders.	Detailed descriptions of our systems of audit quality control, independence and risk management policies, audit approach, ethical standards, audit quality indicators and related governance processes.

## What about materiality?

This report seeks to describe and contextualise the most material risks and opportunities faced by our business. We consider a matter to be material if it substantially affects the ability of KPMG SA to create and sustain value for all our stakeholders in the short, medium or long term. We have explained how we determine what matters are material to the business in further detail on page 49 of this report.

## How do we achieve assurance and comparability?

We remain at the beginning of our <IR> journey and recognise that the information we are able to present will improve as our reporting processes mature, but we are committed to presenting information that is complete, balanced, accurate and unambiguous.

We have established an <IR> Steering Committee and working group, which has developed processes and work plans to establish a robust <IR> process, with appropriate controls and oversight. The Steering Committee reports to our Executive Committee and the <IR> process is overseen by the Combined Assurance & Reporting Committee and reviewed and approved by the Policy Board.

## Who approves this report?

The Policy Board is ultimately responsible for overseeing the integrity of this integrated report. After applying its collective mind to the preparation and presentation of this report and reviewing its content, the Policy Board confirms it considers this report to be accurate, reliable and complete in presenting material information about the firm.

The Policy Board approved the 2019 KPMG SA integrated report on 09 April 2020.

## EXECUTIVE SUMMARY

# FY19 at a glance



Appointment of our CEO, Ignatius Sehoole, in June 2019.



Creation of the KPMG Audit Quality Committee, a new sub-committee of the Policy Board.



Significant year-on-year improvement in Quality Performance Review (QPR) Results.



Four non-executive directors on the Policy Board (two elected in November 2019).



Formalised the audit quality plan in January 2019, with quarterly reporting on progress to the Audit Quality Committee and the Independent Regulatory Board for Auditors (IRBA).



“Welcome to Tomorrow” campaign introduced, shifting our strategic focus to positioning ourselves for responsible growth and becoming the benchmark for professionalism in our industry.



64% of Policy Board is black.



43% of Executive Committee is black.



57% of colleagues are female.



BBBEE level 1 contributor rating maintained.



Drop in revenues reflecting impact of past events and more stringent client acceptance assessment criteria but has now stabilised and is expected to start to grow in the medium term.



Financial audit accreditations with the South African Reserve Bank (SARB) were confirmed.



Staff turnover levels have normalised across every area of our business.



54 ethics marshals trained



There are over 10 000 KPMG South African alumni who are business leaders in all sectors of the South African economy.



Johannesburg Stock Exchange (JSE) audit firm and partner accreditation renewed.



132 733 training hours attended by colleagues.



The 2019 risk compliance programme (RCP) and global compliance review (GCR) indicated substantial compliance with KPMG International global quality and risk management policies.



We are cooperating fully with the Zondo commission and have made three submissions of information relating to the 34 “Gupta-entities” and VBS Mutual Bank.



33 ethics workshops convened, attended by 1 181 colleagues



Launched colleague business forum (CBF) to encourage further open, two-way communication across the firm.



A KPMG candidate was placed first in the 2018 ITC (Initial Test of Competence) examination.



Undertook formal performance assessment of the effectiveness of the Policy Board and its sub-committees, benchmarked against King IV™ principles.



Began piloting KPMG Clara technology and methodology, extended our Data & Analytics (D&A) capabilities (to further improve audit quality), and established a centralised analytics team.



KPMG Powered Enterprise Solution launched in South Africa leveraging leading practice cloud-based standards on Oracle and Microsoft technologies.



Three KPMG candidates were included in the November 2018 SAICA APC (Assessment of Professional Competence) honours roll — KPMG had more South African-based candidates on the honours roll for the November 2018 APC honours roll than any other firm.



Advisory partner won the Business Continuity Institute (BCI) Business Continuity practitioner of the year award.



The overall response rate to the Global People Survey (GPS) was 80% and our overall employee engagement score improved 9 points to 76%.



Celonis process mining solution rolled-out (improving business process efficiencies).



Introduced package of benefit enhancements, including agile working options and recognition programmes for all colleagues (effective from 1 January 2020).



KPMG Forensics launched the rebranded ethics line, "Faircall", to serve global clients from our local centre.



Advisory practice established a business unit dedicated to emerging technology with a focus on analytics.



KPMG Global Innovation Network formalised (access to more specialised skills and resources).



Onboarded significant new clients during the year (with post-December 2019 year-ends).



2019 Internal Innovation Challenge held.



'Mobility 2030' disruption-strategies workshop hosted (new skills, services and products that could be created by disruption in the near future).



Various DealMakers gala awards won by our Deal Advisory Team



Annual African Tax summit held in Cape Town to discuss emerging regional issues.



Continue to serve in excess of 2 000 clients in the market across financial services, energy and natural resources, other corporate clients and the public sector.

# Message from our Chairperson

As the Chairperson of the Policy Board of KPMG SA, our ultimate custodian of corporate governance, it is my great pleasure to present to you our second integrated report. We have made considerable progress since we last reported and, while the position of the firm has stabilised in the market and with our people, our situation has not yet normalised. We have made some bold decisions and invigorating changes during the year, but we are still rebuilding the firm and restoring the trust that we lost. This report is an expression of our ongoing commitment to transparency and accountability. It provides a review of our performance towards achieving our goals during the year, particularly audit quality and governance.



## Audit quality remains our top priority

It was my privilege to act as executive Chairperson for the firm for much of the review period, and we were delighted to welcome Ignatius Sehoole as our new Chief Executive Officer (“CEO”) in June 2019. Ignatius has solid industry credentials and experience (see page 65) and his arrival is an important, concrete step forward for us as a firm. As a registered auditor, he has the requisite qualifications and qualities to assume responsibility for audit quality at KPMG SA, which also reflects how seriously we take this aspect of our business and which has been received favourably by our clients and stakeholders.

Audit quality remains the single-most important priority for KPMG SA. As we reported last year, one of the first decisions we took was to separate the leadership portfolios between the risk management function and chief operations officer, while maintaining the head of audit portfolio, to ensure that our audit and risk functions both receive satisfactory oversight and resourcing. We made further progress this year by establishing our Audit Quality Committee. This new committee of the Policy Board focuses exclusively on matters of audit quality and is chaired by independent non-executive director, Professor Benjamin Marx.

Another significant achievement during the year was formalising our comprehensive audit quality plan in January 2019. This comprehensive plan focuses on the

key performance areas of leadership and governance, risk management and control, evidence of audit quality, culture and ethics, and business model and soundness. It is satisfying to observe how the plan is already proving to be an effective means of ensuring that the broad range of measures we are implementing are coordinated and amplify each other’s effects.

We recognise that improving audit quality is a constant journey, but I am pleased that the plan has galvanised and concentrated our efforts already — and to see the positive impact of these efforts reflected in our improved performance reviews and results this year (detailed in the audit quality transparency report on our website).

We are also actively monitoring our progress against the plan each quarter through our audit and assurance quality council of senior partners. The council shared the formalised plan with the South African Independent Regulatory Board for Auditors (“IRBA”) and is keeping the regulator informed about our progress quarterly. It is pleasing to note that the IRBA has welcomed our communications and shown a keen interest in our improvements.

We are pleased to report that our Johannesburg Stock Exchange (“JSE”) accreditation as an audit firm and partners was renewed during the year and that our financial audit accreditations with the South African Reserve Bank (“SARB”) were confirmed.



## Closing the expectation gap

The mistakes of the past starkly highlighted to us the difference between what the public expects of the auditing profession and what the profession provides. The public presumes that auditors are able to detect any kind of erroneous behaviour and have the authority to report such conduct. While this is not yet the case and, in reality, auditors can only provide a third line of defence against deceptive conduct, this 'expectation gap' is something that KPMG SA is determined to help close. Partly in response to this perception, we have made professional scepticism and moral courage much more central attributes in our training. We want to empower our colleagues to stand their ground against dogmatic clients and individuals.

***“We have taken self-regulation to a level of rigour and intensity that is pioneering for the profession because, for us, doing so is a matter of purpose and not compliance.”***

We are also actively involved in the initiatives aimed at rebuilding trust in the profession. We are participating in the South African Audit Profession Trust Initiative on this topic, for instance, and we have taken self-regulation

to a level of rigour and intensity that is pioneering for the profession because, for us, doing so is a matter of purpose and not compliance. We applaud the renewal of governance structures at the South African Institute of Chartered Accountants (“SAICA”) as well, which will make it far more effective at addressing ethical issues and complaints. Ultimately, however, if we want to reduce fraud and misstatements, companies have to be regulated more effectively. For this reason, we support the call for more comprehensive regulation over the financial reporting value chain and for the various regulatory bodies to come together collaboratively in this endeavour.

## External inquiries and investigations

During the year, we continued to co-operate fully and participate openly in the various investigations and inquiries into corruption and state capture. We are encouraged to note that the investigations that have since concluded have made no adverse findings against KPMG SA. The Ntsebeza inquiry released its report to the SAICA in December 2018 and, while the details of this report have not been shared with us, we have received formal confirmation that the SAICA will not be conducting disciplinary investigations against the firm.

Similarly, while the Motau Report recommended that criminal action be taken against various parties, there was no recommendation that criminal action be taken against KPMG SA.

We also note that the Nugent report into events at the South African Revenue Service (“SARS”) made no adverse findings against the firm. The IRBA-initiated investigations into various engagements carried out by the firm in respect of the Guptas, VBS Mutual Bank and the SARS report are ongoing and we are engaging with the regulator proactively to close out these historical matters. We have also made a number of submissions to the Zondo Commission and we have offered to appear before it.

## Refining our governance structures and processes

During the year, we continued to refine our governance structures and processes — which are innovative and unique for a professional services firm — and to further align these with King IV™. As noted, we established our Audit Quality Committee, chaired by an independent non-executive director. Our shareholders also voted to add two independent non-executive directors to the Policy Board, giving our firm further impartial oversight and objective advice infused with the benefits of outside experience and capacity.

We are pleased to report that Professor Benjamin Marx, already a member of several committees and chair of the new Audit Quality Committee, agreed to join the Policy Board, along with Imogen Mkhize, in November 2019. We look forward to enjoying the benefits of the wealth of independent experience and expertise they will contribute to our firm.

Importantly, our team of four non-executive directors, three of whom are currently independent, is not merely window dressing. Each of them will also chair important committees in KPMG SA, including the Policy Board itself; the Public Interest, Social and Ethics Committee; the Audit Quality Committee; and the Nomination and Remuneration Committee.

Pierre L Fourie retired as partner and board member on 10 July 2019. I wish to thank Pierre for his unwavering commitment to KPMG during his 39 years of service.

Reflecting our continually maturing governance structures, members of the Policy Board and its committees completed a formal performance assessment process during the year, which was spearheaded by our lead independent non-executive director, Ansie Ramalho. We also assessed our application of recommended practices as per King IV™. As detailed in the governance section of this report, the results of these assessments demonstrate that we have made substantial, tangible progress in terms of our corporate governance.

## A positive outlook

Despite some renewed optimism being generated by the general elections in 2019, the country continued to face tough economic conditions and a low-growth environment. As a result, the private sector appeared to be largely subdued. While these conditions have not helped to create a favourable environment for us, we are optimistic that the introduction of mandatory audit-firm rotation (“MAFR”) by 2023 and the expectation that the banks and systemically important insurance companies will appoint joint auditors, will present opportunities to regain the trust and confidence of more clients in the near future.

Overall, our outlook is positive. Our situation has not normalised, but we continue to make progress in stabilising the firm after our difficult, tumultuous period and I am confident in the solidity and resilience of the foundations of the renewed KPMG SA. Credit must be given to my colleagues in the leadership team for their courage and determination, as well as their unflinching commitment to taking the necessary, often tough, decisions required to navigate the firm through a most challenging time. I would like to express my gratitude to all stakeholders who have challenged, criticised and supported us with input regarding the building of the new KPMG SA. Our focus is now on deepening the honest relationships we have forged with our stakeholders and winning back their trust.

In closing, the Policy Board and I acknowledge the efforts and achievements of colleagues and management during the year. Your dedication and commitment to our ambition to be the most trusted and trustworthy professional services firm in South Africa have been impressive and inspiring. We still have much to do, but our clear purpose, unity, enthusiasm and energy make it feel like everything is possible, which I embrace and will continue to support. Thank you.



Professor Wiseman Nkuhlu

*Chairperson*  
*KPMG South Africa*

Please see our **Governance report** on page 64 of this report for further information regarding our governance bodies and progress made towards our objectives during the year.



# Message from our CEO

When I was choosing my career as a young man, it was the palpable aura of integrity radiated by the accountancy profession that convinced me to join the field. It is probably fair to say that the profession has lost its way in recent years. We have lost a good deal of the trust that was placed in us by the public, by the government, by the regulators and even shareholders. We took this trust for granted, but, as accountants, our trustworthiness is an essential quality that underpins everything else we do. It is for this reason that our vision for our firm is concentrated squarely on this quality. Our ambition is to be the most trusted and trustworthy professional services firm in South Africa.



## Cultural renewal

The culture of KPMG SA has been an area of key attention for me since I joined the firm in June 2019. I was delighted to discover the amount of good progress made and how far down the path of renewal the firm already was when I arrived, but it was still one of my top priorities. As a firm, we can put great controls in place, which we have, but when these controls fail, as even the very best controls will, it is only our culture that can save us. It is the choices our colleagues make in the moment, when no one is watching and when uncertainty or temptation are present, that will determine our success or failure.

This perspective is why we say that choosing to work at KPMG SA is making a commitment to a way of life. It is choosing to live with integrity. It is being willing to make the sacrifices needed to demonstrate our integrity. Being trusted and trustworthy is an internal dedication to ourselves, not an activity we can perform between eight in the morning and five in the afternoon. Ultimately, this is how we achieve and ensure high-quality engagements.

The process of renewing our culture has been uncomfortable and onerous. Our background and integrity checks are extensive and intrusive. Our mandatory independence policies and processes are comprehensive and arduous. Yet we recognise that we need to be beyond reproach.

*“When controls fail, as even the very best controls will, it is only our culture that can save us.”*

## Ethics training and citizenship engagements

Ethics training is a significant part of our cultural renewal process. It forms part of the induction process for new hires and we facilitated 33 ethics workshops for new and existing colleagues during the year. Over 1 000 of our colleagues attended these workshops and I was delighted to be among them. It was gratifying and insightful to debate the meaning of the term ‘professional integrity’ and to discuss how to navigate various pressure-related scenarios in a group of colleagues of all ranks and backgrounds. Our Chief Ethics Officer, Schalk Engelbrecht, is to be commended for the awareness he is raising among our colleagues regarding potential ethical challenges and issues.

I was also fortunate enough to attend a lunch hosted by the Independent Electoral Commission of South Africa. In thanking the 50 KPMG SA colleagues who assisted in the last election, the commission noted that the extra pairs of hands were actually more beneficial than donations of money. We are encouraging our colleagues to take part in these endeavours, which we call citizenship engagements, because getting

involved — through direct interactions with civil society and the communities around us — helps remind us why it is important for us to act in the public interest in our professional lives. It could be argued that the fact that auditing is typically conducted at a distance, in abstract, helped make it easier for the profession to disengage from its responsibility to act in the interests of the public.

### **Transformation: breaking out of our silos**

We believe that meaningful, genuine transformation is an organic process that requires more than statutory compliance. Ultimately, transforming our firm requires embracing diversity in all its forms — not just racial, but also differently-abled, gender and sexual orientation-related — and in appreciating the advantages an inclusive, diverse community of colleagues offers. Our ambition to become a fully transformed firm, representative of South Africa in all its diversity, is an integral part of our cultural renewal process, but we appreciate that it will take time to achieve.

We have great talent management and professional development initiatives in place but, as my children have taught me, it takes more than this. As South Africans, we have to break out of our segregated silos. We all have unconscious biases that shape our professional and personal lives. It may be uncomfortable, and even feel unnatural at first, but the process of authentic transformation starts with becoming aware of our biases and challenging them.

### **Positive progress in audit quality**

In terms of audit quality, I am pleased to note our significantly improved quality performance review (“QPR”) results during the year. These results reflect the hard work of my colleagues over the last two years and the positive impact of initiatives like our audit in-flight reviews – to be renamed ‘Second Line of Defense’ (“2LoD”) in the next financial period to be consistent with KPMG Global Audit Quality Transformation initiatives. The overall positive findings in the global compliance review conducted by KPMGI this year reflect our progress.

As we note in our audit quality transparency report, we are gratified by these improvements, but recognise that improving audit quality is a continuous journey. Our next step is to embed the various initiatives applied over the last 12 months so that these become part of what we consider ‘business as usual’.

### **Firm-wide improvement in quality performance reviews**

While our primary focus this year has been delivering high-quality audits, the improvements we have made to our risk management and internal controls have encompassed the entire firm. Accordingly, I am happy to report that the QPR results for our advisory and tax functions also improved significantly during the year: 69 per cent of advisory engagement leaders were reviewed and 97 per cent of the files assessed were either fully compliant with firm

policies and standards or required only slight performance improvement. Similarly, 42 per cent of tax and legal engagement leaders were reviewed during the year and all but one file of those assessed were fully compliant with firm policies and standards.

### **Defining and communicating our purpose**

It was gratifying to learn that 80 per cent of our colleagues took part in our annual Global People Survey (“GPS”) this year and that our overall engagement score increased by nine points to 76 per cent favourable, with significant increases in the areas of leadership, strategy and vision, and corporate citizenship. Obviously, this result needs to be considered in context and the increase is from a lower-than-ideal base, but it suggests that the hard work our leadership team has put into defining our purpose as a renewed South African firm, and in communicating this to colleagues, has been fruitful and appreciated.

### **KPMG International support**

It is also pleasing to note that KPMGI has observed the positive results of our internal culture and ethics-related initiatives and is considering rolling these out to other member firms across the network. It is great to be able to give something back in this way because the support we have received from KPMGI and the global network has been immense. We would not have made it through our difficult period without the assistance and encouragement

of KPMGI and the global network of fellow member firms. We have truly learnt the strength of our togetherness and unity. Instead of being isolated, we are more globally connected now than ever before.

## Developing the next generation of leaders

Our people are more connected now as well. As a community of colleagues, we are better informed on what is happening in the business and more engaged with each other. Our new levels of transparency and openness have made us more accountable to each other as well. All of this bodes well for the future. This is especially important in a very fast changing and complex local and global ecosystem.

In many respects, this is a great time to be a part of this firm. We are rebuilding ourselves as a firm of which we can all be proud. We offer colleagues better guidance and more support than has been typically available in the profession. Our focus on integrity and ethical decision-making means that our people are becoming rounded professionals with both the technical skills and character traits needed to serve their clients and the public interest with rigour and integrity. More than having the right qualifications, our people are developing the required qualities — the courage, candour and conviction — to become the next generation of global leaders the accountancy profession needs.

*“As well as the right qualifications, our people are developing the required qualities — the courage, candour and conviction — to become the next generation of global leaders the accountancy profession needs.”*

## Leveraging innovation

During the year, the KPMG Global Innovation Network (“GIN”) was formalised and, as one of the founding members of the GIN, we continued our persistent focus on technological innovation and on leveraging the sophisticated global KPMG solutions for our clients. We began the pilot deployment of our smart, digital audit platform, “KPMG Clara” (see page 46 for further information), extended our Data & Analytics (“D&A”) capabilities, launched our Powered Enterprise solution, and rolled-out our Celonis process mining solution.

We cemented a culture of innovation among our people by hosting our inaugural 2019 Internal Innovation Challenge. Teams of colleagues from Advisory were challenged to submit innovative ideas and shortlisted submissions were

developed into full solutions and presented to several of my colleagues and me in a final ‘dragon’s den’ style adjudication session. The winning solution flags enterprise resource planning (“ERP”) anomalies in real-time and the runner-up solution provides automated and affordable expected credit losses (“ECL”) reviews with appropriate audit evidence.

## A safe pair of hands

There is no better time to work with us than right now. Our focus and intensity remind me of the time when I had to travel to New York shortly after the September 11 terrorist attacks. Many people were worried that it wouldn’t be safe and suggested I should postpone my trip. Yet it turned out to be the best time to travel. The airport and airline security personnel were in a state of high-alert and everyone was focused and efficient. Extra checks and procedures were in place. It was a smooth, safe trip.

We are operating at a similar level of focus and intensity. To borrow the popular sporting idiom: we are the safest pair of hands on the pitch.

## Confident and optimistic

In closing, I would like to thank Professor Nkuhlu and my colleagues in the leadership team for their bold decisions and unrelenting energy while leading the firm throughout the year. I also thank each and every member of KPMG SA. Since joining the firm in June, I have been inspired

by your professionalism, enthusiasm and commitment to making this the most trusted and trustworthy professional services firm in the country. Your mettle, spirit and determination fill me with confidence and optimism as we look forward to the opportunities that lie ahead.



Ignatius Sehoole  
*Chief Executive Officer*  
*KPMG South Africa*

Please see **Our strategy** on page 26 of this report for further information regarding our strategy and progress made towards our objectives during the year.



# Update on our past issues

In line with our commitment to transparency, we provide an update on internal and external inquiries and investigations into work conducted by KPMG SA for the “Gupta-entities”, VBS Mutual Bank and the 2014-15 South African Revenue Service (“SARS”) report.

## KPMG International investigation

In our first integrated report, we addressed the widely reported allegations and public concern regarding the work KPMG SA performed for the Gupta family-owned South African businesses and in preparing a report for SARS in 2014-15. Our report on these matters followed a comprehensive investigation by KPMGI, with the support of external lawyers. Key findings of this investigation have been addressed and an overview of actions is available in our 2018 integrated report.

## IRBA investigations

Investigations into various engagements carried out by the firm for the “Gupta-entities”, VBS Mutual Bank and SARS initiated by the IRBA are ongoing. The IRBA has concluded its investigation into the “Gupta-entities” audit engagements as they relate to the KPMG SA firm. The firm has consented to the charges and the sanction imposed by the IRBA arising from the investigation. In 2017, we publicly acknowledged that there were shortcomings in the work performed on these audit engagements.

As reported in our previous annual integrated report, in April 2018, the firm announced that an additional programme of extensive audit quality file reviews had commenced to assess the commitment to quality and professionalism of each audit partner. We shared the findings of our review programme, and related remedial actions, with the IRBA to demonstrate our commitment

to improving audit quality. The IRBA investigations department has followed up with regards to a number of these engagement reviews and we continue to engage with the IRBA to close out this matter.

Since September 2017, the firm has reflected deeply on what needs to change and made significant reforms in a number of areas, including governance, leadership, client engagement and acceptance, audit quality processes, culture and ethics. We are proactively engaging with the regulator to close out the remaining historical matters.

## Ntsebeza inquiry

The Ntsebeza inquiry released its report to the SAICA in December 2018, with recommendations on the conduct of individual members who fell within its mandate. This report has not been published by the SAICA nor shared with KPMG SA.

The inquiry focused on the conduct of the SAICA members employed by KPMG SA between January 2013 and September 2017 for alleged breaches of the SAICA code of professional conduct.

The firm is aware that Mr J Wessels and two other colleagues are subject to some form of disciplinary action by the SAICA and that these actions concern work performed on the Gupta-entity audits and the SARS report.



In October 2019, the SAICA provided KPMG SA with formal confirmation that it will not be conducting disciplinary investigations against our firm.

### Zondo commission

KPMG SA approached the Zondo commission of inquiry in December 2018 and offered to appear before it, if required.

Members of the commission appreciated KPMG SA approaching them voluntarily but advised that they would consider the matters on which they would like KPMG SA to address the commission.

We are cooperating fully with the Zondo commission and have made three submissions of information relating to the 34 “Gupta-entities” and VBS Mutual Bank.

### Motau Report (VBS Mutual Bank)

Our understanding is that investigations into criminal liability are under way. We have provided information to the Hawks and members of the audit team are finalising their witness statements.

The “Motau Report” recommended that criminal action be taken against various parties, including a former partner at the firm, but there was no recommendation that criminal action be taken against KPMG SA.

### Nugent report

The Nugent report traversed, in detail, the problems at SARS, the causes of these problems, and recommendations for appropriate remedies made by the Nugent commission. No adverse findings were made by this commission against KPMG SA.

We understand that the IRBA investigation into the former KPMG SA director and lead partner in the SARS report is ongoing.

Our leadership, led by our Chairperson, is continuously engaging with SARS, including the new Commissioner, to restore our relationship with SARS and to rebuild public trust.

### Continued commitment and cooperation

KPMG SA remains committed to co-operating fully with ongoing inquiries and investigations. While we have already taken extensive steps to address issues concerning the firm, we are committed to making further changes should these inquiries identify additional matters.





# Commitment to good governance

## Our values

Our values are our core beliefs, guiding our actions and behaviours. They are important because it is not just what we do that matters, but also how we do it. Our values are at the heart of what it means to work for, and with, KPMG SA, shaping our decisions and defining our culture.

We monitor the extent to which our people feel we live our values regularly through our global people survey.

Our global values are now 20 years old and so, during 2020, our intention is to refresh these values, while maintaining the essence of our core beliefs.

### Our values are:



#### **We lead by example**

At all levels, we act in a way that exemplifies what we expect of each other and our member firms' clients.



#### **We work together**

We bring out the best in each other and create strong and successful working relationships.



#### **We respect the individual**

We respect people for who they are and for their knowledge, skills and experience as individuals and team members.



#### **We seek the facts and provide insight**

By challenging assumptions and pursuing facts, we strengthen our reputation as trusted and objective business advisors.



#### **We are open and honest in our communication**

We share information, insight and advice frequently and constructively, and manage tough situations with courage and candour.



#### **We are committed to our communities**

We act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities and protecting the environment.



#### **Above all we act with integrity**

We constantly strive to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

## Our culture

### Prioritising professional integrity

Our CEO has made renewing the ethical culture of the firm a key priority. Choosing to work at KPMG SA is choosing to live with integrity and to act with professionalism.

We define 'professionalism' as a combination of technical expertise and integrity channelled towards the common good (or public interest). In our industry, auditors apply knowledge of financial reporting standards and auditing with professional scepticism, objectivity and integrity to promote transparency and accountability in capital markets.

The 'integrity' inherent to professionalism is a function of character and of culture or environment. Professional services firms, like KPMG SA, must ensure that professionals with integrity are recruited, and that these professionals can perform their work in an environment that both supports and develops integrity. Prioritising professional integrity requires a focus on our culture – the beliefs, values, habits and practices that make up 'the way things are done' in our firm.

We believe that an ethical culture is the first outcome of good corporate governance and enhances moral sensitivity, ethical decision-making and the motivation to do the right thing. As an example, professional integrity is what prevents an auditor from softening their audit opinion to placate a client and secure future fees.

### Our ethics management programme

The many commentaries and analyses that followed recent failings in audit and professional services (in South Africa and abroad) also considered the culture in professional service firms. It has been suggested that the culture in professional service firms may run counter to the purpose of audit; specifically, the risk that the culture of a firm may favour commercial interests over the public interest and technical excellence.

To help address these risks in KPMG SA, an ethics management programme was developed and rolled out during the year. Its ongoing objectives include:

- Understanding the existing firm culture
- Creating awareness, and an understanding, of the ethical virtues and values required for a professional to fulfil their public interest function
- Introducing systems and processes that embed ethics in the daily workings of the firm
- Monitoring and reporting on the programme, as well as the ethics and culture of the firm.

### Culture risks

Culture risks were identified in 2018 using surveys and group discussions. The risks in audit and professional services can be described in terms of fragile balances between:

- A focus on commerciality and focus on the guardian role of an auditor

- Meeting reporting or signing deadlines and maintaining diligence and due care
- Productive working relationships with clients and objectivity.

More specific culture risks identified included:

- A reluctance to report suspicious activity (especially at more junior levels)
- Lack of transformation and inclusiveness in the profession (in employment figures and attitude)
- Insufficient time and effort dedicated to mentoring and professional development
- Strict compliance-focused approach.

Accordingly, the awareness and embedding initiatives of the KPMG SA ethics management programme have focused on these, and other identified, risks.

### Awareness and understanding initiatives

Professional integrity was promoted during the year through training and awareness initiatives aimed at enhancing ethical knowledge, developing ethical sensitivity and improving ethical judgement. These initiatives included the following standard and ongoing activities:

- An ethics training session at induction, and tailored ethics training for managers, senior managers and associate directors



- Annual ethics training workshops across all business units that include practical scenarios requiring participants to identify ethical concerns, and suggest a resolution based on moral reasoning
- A quarterly ethics newsletter.

In 2019, the professional duty to ‘raise your hand’ (i.e. whistleblowing) was also the focus of an internal marketing campaign.

### Embedding initiatives

Professional ethics are not merely an attitude, set of beliefs or body of knowledge, but find expression in processes that embed ethics in a professional services firm, including:

- **The ethics helpdesk**

A mailbox and telephone number for KPMG SA professionals who require confidential advice on any ethics-related matters. During the year, requests for advice were received on the following topics: the acceptability of corporate hospitality, accurate recording of time, fair treatment and fair sanction, audit quality, and the responsibility to report misconduct.

- **Integrity screening**

Significant career transitions (to associate director and partner) require a candidate to undergo integrity screening (i.e. a session that assesses moral sensitivity and moral reasoning). In 2019, 42 leadership candidates were screened: eight at partner level and 34 at

associate director level. Eleven candidates performed above expectation, 30 performed at expectation (including development recommendations) and only one performed below expectation.

- **KPMG SA ethics marshals programme**

A programme was developed to designate and train ‘ethics marshals’ — colleagues who act as local points of contact on ethics and who provide guidance and encouragement on ethics and professional integrity. Fifty-four colleagues volunteered to act as ethics marshals in their regions and business units. They have participated in training that covered the following topics: active listening skills, ethical decision-making processes, grievance reporting and management, whistleblowing, responsibly giving advice, the KPMG code of conduct, and the basic principles and policies of the firm.

### Monitoring and reporting

Having a formal ethics function and ethics management programme has resulted in a shift in attitude in KPMG SA, from viewing ethics and professional integrity as an assumed individual characteristic and accepted organisational aspiration to approaching professional integrity as both an individual and organisational virtue that requires cultivation and maintenance. Instead of assuming the existence and importance of ethics, it has become a variable that is consciously monitored and the subject of ongoing oversight.

Progress in executing the ethics programme, as well as its impact, is reported to management through the country risk partner and two board committees, namely the Public Interest, Social and Ethics Committee, of which the chief ethics officer is a member, and the Audit Quality Committee, to which the chief ethics officer is a permanent invitee. These reporting arrangements also demonstrate how ethics — and the culture in KPMG SA — is considered a significant component of audit quality.

A distinctive set of ethics has always been the marker of a profession. Auditing and professional services are no exception. It is our ethical integrity that allows us to produce quality engagements and to serve the public interest. This integrity is not a negative duty nor a prohibitor of action. Instead, at KPMG SA, ethical integrity is viewed as a professional condition to be developed and valued — a characteristic through which we fulfil our social function.

### Our governance model

Our governance has evolved significantly over the past two years. We have progressed from a traditional professional services firm that followed a self-governed partnership-based model to one that has embraced the principles of King IV™.

Our ambition of becoming the most trusted and trustworthy professional services firm in South Africa — conscious of our role in, and impact on, society — has focused our efforts on implementing and embedding



applicable good governance practices. We have benchmarked our governance practices to the recommended practices in King IV™ and are encouraged by the considerable progress with the implementing of King IV™.

A key change in 2019 was to make audit quality – a core Policy Board and CEO responsibility – the focus of a new Audit Quality Committee. As detailed on page 74 of this report, this enhances the depth and breadth of our governance structures to support the Policy Board in discharging its duties.

Additional information can be found in our **Governance report** on page 64.



### New appointments strengthen governance

Our governance has been further enhanced at Policy Board and executive level. It should be noted that, as a professional services firm, full compliance with King IV™ is not always possible and some of our specific governance challenges require unique solutions; for instance, in 2019, elections for new members to the Policy Board were held and shareholders voted to change the memoranda of incorporation to allow for another two independent non-executive directors to be appointed to the Policy Board from November 2019. Having a non-executive Chairperson and three independent non-executive Policy Board members is unique for a professional services firm and infuses the board and its committees with even more objective oversight, as well as the benefits of external experiences and perspectives that only independent and non-executive board members can bring.

In addition, to ensure an ongoing, appropriate balance of authority and accountability, we appointed our independent non-executive board members to chair the Policy Board, and committees for audit quality; public interest, social and ethics; nomination and remuneration; and combined assurance and reporting.

The appointment of our new external CEO and additions to the Executive Committee reflect further investments in the leadership capability of our firm.





**“Having four non-executive Policy Board members, three of whom are currently independent, is unique for a professional services firm and infuses the board and its committees with even more objective oversight, as well as the benefits of external experiences and perspectives that only independent and non-executive board members can bring.**

**The Policy Board (at 28 February 2020)**



Prof. Wiseman Nkuhlu  
*Non-executive Chairperson*



Ansie Ramalho  
*Independent non-executive lead director*



Imogen Mkhize\*  
*Independent non-executive director*



Prof. Benjamin Marx\*  
*Independent non-executive director*



Ignatius Sehoole  
*Chief Executive Officer*



Guiseppina Aldrighetti\*  
*Elected director*



Coenraad Basson\*  
*Elected director*



Kashmira Bhana\*  
*Elected director*



Zola Beseti  
*Elected director*



Devon Duffield  
*Elected director*



Nosisa Fubu\*  
*Elected director*



Mohammed Hassan  
*Elected director*



Modise Maseng\*  
*Elected director*



Makgotso Letsitsi  
*Executive: Transformation and Citizenship*

**Building on a solid foundation**

Despite our considerable progress, we recognise that good governance is a journey. We are confident that our practices will mature further over the coming year and that we have a solid foundation on which to achieve the governance outcomes of ethical leadership, good performance, effective control and increasing legitimacy with stakeholders.

\*Appointed post 30 September 2019. Changes from prior year:

1. Joelene Pierce stepped down from the Policy Board when she was appointed to the Executive Committee.
2. Pierre L Fourie retired on 10 July 2019
3. Makgotso Letsitsi rotated to replace Gavin de Lange as Executive Committee representative on the Policy Board



## Executive Committee (at 28 February 2020)



Ignatius Sehoole  
*Chief Executive Officer*



Gavin de Lange  
*Chief Operating Officer*



Rachel Campbell  
*Head of People*



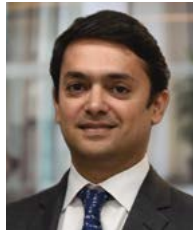
Makgotso Letsitsi  
*Head of Transformation  
and Citizenship*



Ron Stuart  
*Head of Markets*



Jan Vliegenthart  
*Country Risk  
Management Partner*



Mritunjay Kapur  
*Head of Advisory*



Duncan McLennan\*  
*Chair of Audit*



Joubert Botha  
*Head of Tax*



Ed Belstead  
*Cape Town Managing  
Partner*



Ugen Moodley  
*Durban Managing  
Partner*



Boitumelo Ngutshane  
*Head of Priority Accounts*



Joelene Pierce  
*Head of Financial  
Services Sector*



Safeera Loonat  
*Head of Energy Sector*

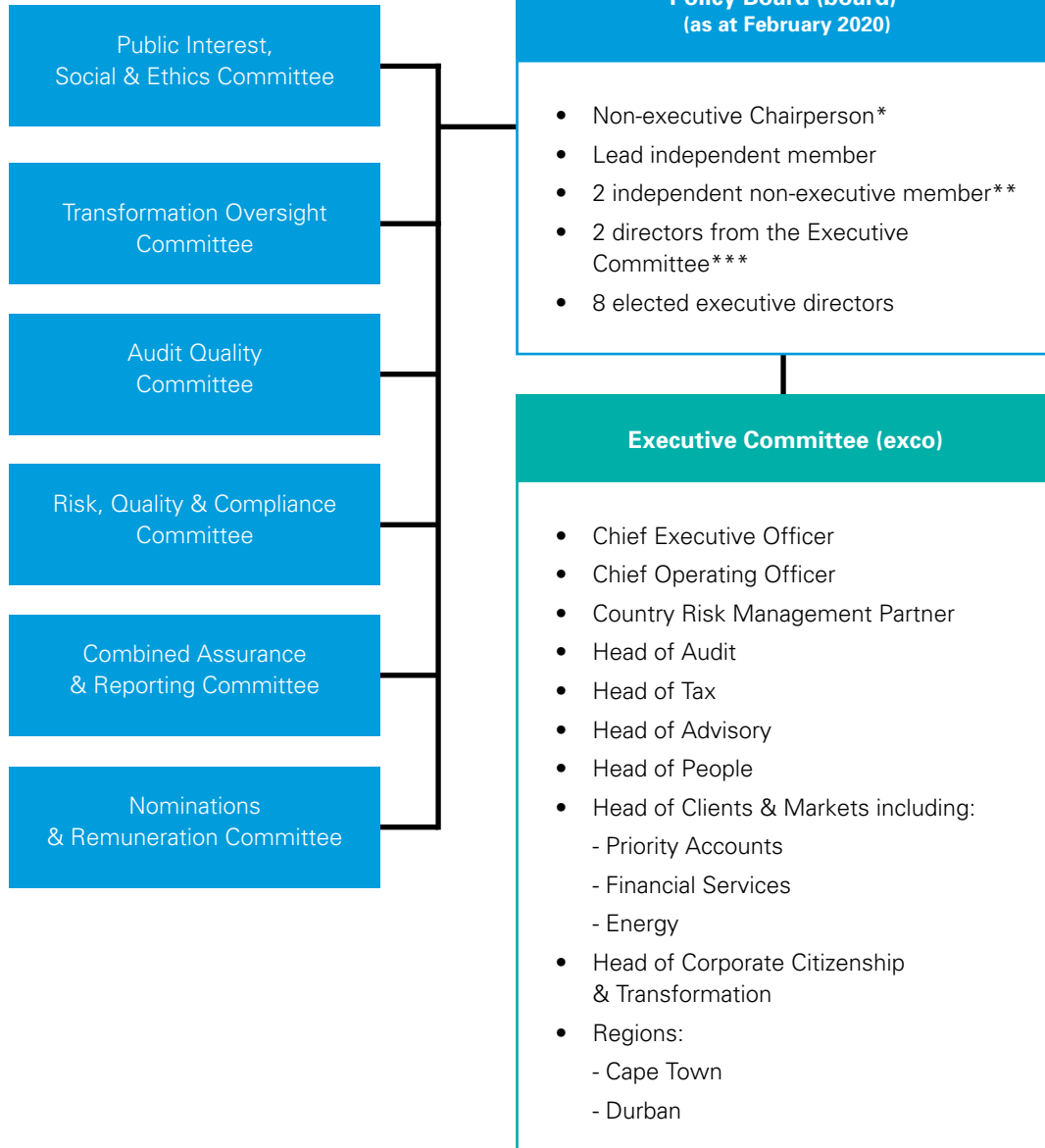
\*The Chair of Audit is a temporary appointment and therefore currently supported by the Audit COO, David Read.

Our governance principles, practices and outcomes are detailed in the **Governance report** from page 64.

Comprehensive information on our audit quality appears in our audit quality transparency report on our website: [www.kpmg.co.za](http://www.kpmg.co.za)



## Committees of the policy board



§ The duties of the Nomination and Remuneration Committee were fulfilled by the Policy Board. Formal constitution of this committee was deferred to 2020 to allow for members to comprise a majority of independent non-executive directors. Two additional independent non-executive directors were only appointed post year end.

\* In the period before appointing our new CEO, our Chairperson filled a temporary executive position. Once the CEO assumed office, our Chairperson reverted to a non-executive role. In due course, after an appropriate period and due consideration by the board, he may again be classified as an independent, non-executive Chairperson.

\*\* In October 2019, two additional independent non-executive members were appointed to the Policy Board.

\*\*\* Executive membership of the Policy Board is limited to two Executive Committee members: the CEO plus his nominated exco member, the Head of corporate citizenship and transformation

# Stakeholder engagement

As a professional services firm that contributes to the effective functioning of the South African economy and beyond, we have learned that our stakeholders extend beyond our clients and our people. The events of the past three years have shaken our society, corporate South Africa and the accountancy profession. At the same time, they have highlighted the importance and relevance of the services we provide. We have learned there has to be trust in who we are, the values we hold dear, what we do and how well we do it.

We have sought to learn and develop by engaging with our key stakeholders – going beyond our clients and people to include the government, regulators, business associations and civil society.

All these stakeholders have differing, and legitimate, expectations and our ongoing interactions have sought to establish credible trust levels. What we learn through these interactions, we assimilate and use to reshape

our conduct and culture so that there is a greater consciousness of our public trust responsibilities and awareness of how our work impacts on the public interest.

Please see 'Our stakeholder engagement plan' on page 55 of this report for further detail regarding our specific engagements with stakeholders during the year.





# Remuneration philosophy and policy

Our remuneration policies and models align with global best practices, drive implementation of our strategy and, more importantly, ensure that we adequately incentivise and create accountability around our public interest focus on quality, ethical behaviour and living our values.

Informed by our strategy and values, the remuneration model rewards performance that reflects an individual's contribution to medium and long-term value creation, as well as short-term or current year performance against his or her goals. We aim to pay market leading total reward when an individual's performance, together with the performance of the firm, exceeds expectations.

Our partner remuneration model comprises the following three elements:

- 1 Base pay:** A fixed percentage, typically, 64 per cent of total remuneration is a base salary.
- 2 Discretionary one-firm profit share award:** A set percentage of total remuneration, dependent on the firm achieving its goals.
- 3 Discretionary individual performance award:** An allocated percentage of total remuneration, based on relative in-year performance against balanced scorecard goals.

Total remuneration is determined individually, taking into account roles and responsibilities, experience, technical skills, specialist skills and leadership qualities against market values for such attributes.

Balanced scorecard goals are set against the following areas: quality, compliance and public trust, people, clients and financial performance.

A similar approach is applied to the management of colleague remuneration, including a one-firm bonus element and an individual performance-related bonus, based on a balanced scorecard.

Our performance management process ensures that goals and development plans are set each year, which include specific key performance indicators and targets. Partners and colleagues are allocated a performance manager to facilitate the quality completion of goal setting, and support through counselling and mentoring, which is facilitated through our performance management system.

## Average partner earnings

Average total partner earnings (before tax) for the 2019 financial year was R3.8 million (2018: R3.7 million).

Average partner earnings for executive management as defined in King IV™ (Policy Board and Executive Committee members), excluding our independent non-executive lead director, Chairperson and KPMG members from outside South Africa, amounted to R4.7 million per annum. The differential pertains to the relative leadership attributes, responsibilities and experience of the executive management team.

## Gender and race parity

Diversity is a critical component of our people value proposition, although we refrain from differentiating

remuneration of individuals based on their gender or race or any other diversity characteristic.

We are passionate about creating an inclusive and collaborative culture where everyone is supported to reach their full potential and ensuring that they are appropriately rewarded for the contribution that they make. Our approach to promotion and progression focuses on ensuring that a diverse group of talent progresses through the firm; however, we recognise that the full impact of our approach will take time to show in our data. We have robust processes and monitoring in place to ensure that our people are treated and paid fairly, meeting both our legal and moral obligations.

Our gender 'pay gap' differentials across the categories we monitor are all 15 per cent or less (2018: 10% or less) in favour of males as compared to females. Our ethnicity 'pay gap' differentials across 80 per cent (2018: 75%) of the categories we monitor are 10 per cent or less (2018: 10% or less). The remaining 20 per cent (2018: 25%) is within 10 to 17 per cent (2018: 10% to 14%) and continues to be the area of focus.

**Termination benefits**

There are no fixed term contracts or contractual termination benefits for partners, who are required to serve a three-month notice period upon resignation. As part of the continuation of our reshaping process during the year, regrettably, we had to retrench certain partners and colleagues. Retrenchment packages were calculated in accordance with regulations, supplemented by an ex-gratia payment.

**Independent non-executives**

Our independent non-executive directors, including our interim executive Chairperson, are paid a fixed director fee, based on their relative roles and responsibilities as directors, as determined by the Policy Board, taking market values into consideration.





“KPMG SA offers us a privileged space. Our recent past has encouraged us to pause, take stock, and address foundational questions, such as ‘What is the

role of an audit and professional services firm in society?’, ‘What does it mean to be an ethical auditor?’ and ‘What kind of financial and non-financial reporting will help society address developmental challenges, inequality and climate change?’ The fact that we are asking ourselves these questions makes KPMG SA an interesting place to be. I am optimistic about our future as a firm because we are not merely chasing money. At KPMG SA, we have the luxury of considering the purpose of our profession.”

- Schalk Engelbrecht, CBF Member



## OUR STRATEGIC INTENT

# Our strategy

With the initial stabilisation, resizing and revitalisation of the firm largely achieved in the previous year, the strategic focus shifted to positioning ourselves for responsible growth and becoming the benchmark for professionalism in our industry during the period under review.

Our “Welcome to Tomorrow” campaign was introduced during the year and will guide us through this current phase in our rebuilding process, but the close connection between this campaign and our strategy reflects their shared detailed objectives and our consistent progress.

### Our primary strategic objectives

Our “Welcome to Tomorrow” campaign describes KPMG SA as a firm centred on public interest with four primary objectives:

- Demonstrating the highest level of integrity
- Achieving the highest level of quality
- Becoming a genuinely transformed South African firm
- Being relevant to our market\*.

### What our strategy means to us

- We are a smaller, more agile firm focused on growing in our core competencies
- We are acutely sensitive to issues facing the profession and fully committed to acting in the public interest, with integrity and quality at the heart of everything we do
- We offer a great community in which to build a career
- We have a revitalised and focused leadership, guided by independent oversight and specialist skills
- We are locally focused and committed to playing a key role in delivering a positive future for South Africa
- We are also more globally connected than before, with international specialist resources in-country.

\* By delivering dynamic solutions as an integrated, agile multidisciplinary firm

### How we describe our strategy

We are an audit, tax and advisory firm, working with international and local clients.

In serving the public interest, we aim to be the most **trusted** and **trustworthy** professional services firm in our industry.

We are committed to playing a key role in delivering a positive future for South Africa.



**Our Global Purpose**  
Inspire Confidence and Empower Change

**Our Global Vision**  
Be the Clear Choice

**Our Global Strategic Pillars**



**Public**  
The public trusts us



**Client**  
Our clients see a difference in us



**People**  
Our people are extraordinary

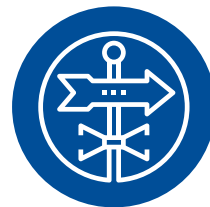


**Financial**  
Financial strength

**KPMG South Africa**  
Strategic Objectives



**KPMG South Africa**  
Strategic Responses



Leadership and Governance



Culture and Transformation



Benchmark for Integrity and Quality



Retain and Grow our Client Base



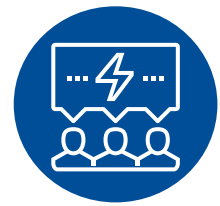
Engage and Empower our People



Get Operational Basics Right



Leverage Global Innovation and Investment



Work Collaboratively to Integrate Southern Africa

**Our Ambition**

To be the most trusted and trustworthy professional services firm in South Africa

# Linking performance to strategy

Building on the foundation of our previous integrated report, we link our performance to the eight strategic focus areas identified in our strategy. Each area has clear priorities and key performance indicators (“KPIs”). The following performance analysis is limited to our progress and challenges in the reporting period, and the linking of these to our strategic objectives and future priorities. We will report on more extensive KPIs and trends in performance over time in future reports.

## Leadership and governance



### Objectives

- Fit-for-purpose governance, leadership structures and resources
- Strong, appropriate tone at the top, focused on executing strategy and accountability.

### Achievements and milestones

- Appointed a new CEO on 4 June 2019
- Embedded partners from other KPMG member firms in the KPMG network, including Head of Advisory, Chairperson of Audit and Head of People.
- Formed Audit Quality Committee
- Added two independent non-executive directors to Policy Board
- Formal performance assessment of effectiveness of Policy Board and its committees
- Benchmarking assessment against King IV™ principles.

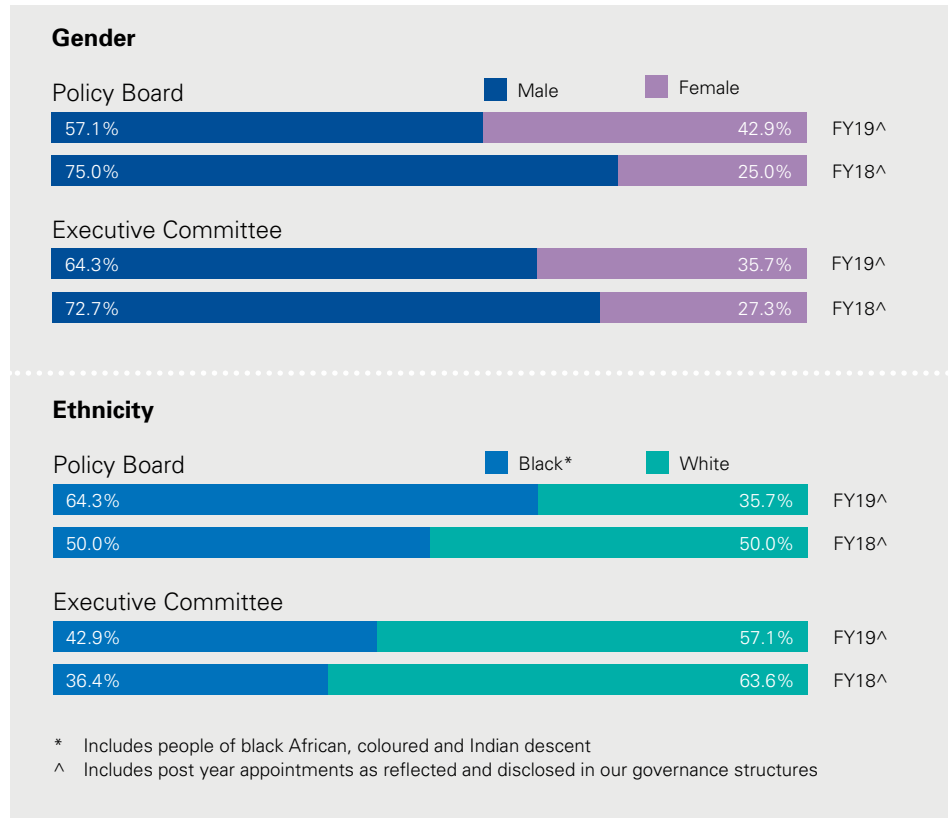
### Future Priorities

- Continued refining and maturation of governance model and processes
- Focus on ‘tone at the top’ and strategy execution accountability through Key Performance Indicator (“KPI”) management.



## Leadership diversity

Our leadership diversity is reflected as follows:



Despite the challenges of the last two years, our respectable levels of diversity at senior levels of the firm reflects our prioritising and embracing of diversity. We are satisfied with our progress to date, but we know that becoming the genuinely transformed firm to which we aspire is a journey.

## Leadership demographics

### Average Age (years)

	FY19	FY18
Policy Board	51	51
Non-executive directors	63.5	63
Executive Committee	48	50

As disclosed in preceding table, our leadership structures contain significant diversity and experience in terms of age, race and gender.

While we are excited about developing our young people and helping them become the next generation of global leaders the accountancy profession needs, we understand that there are no shortcuts to wisdom, and it is ideal to balance the enthusiasm of youth with the sagacity of experience. This balance is reflected in the average ages of members of our senior management and governing bodies.

Additional information in our **Governance report** page 64.



## Culture and transformation



### Objectives

- Culture of accountability, focused on quality, ethics and serving the public interest
- Inclusive and transformed firm that reflects the demographics and diversity of South Africa.

### Achievements and milestones

- Set the tone at the top embracing ethical culture and transformation
- Newly appointed CEO and Executive Committee
- Further strengthening of our governance structure – new Audit Quality Committee of the Policy Board
- Two additional independent non-executive board members appointed post year-end
- Culture and ethics initiatives – ethics training and workshops, ethics hotlines, increased sanctions policy and more frequent integrity and background checks
- Extensive engagement with stakeholders, including civil society
- Increased citizenship drives (pro-bono and employee volunteerism policies formalised)
- Policy Board and Executive Committee demographic representation improved
- Level 1 BBBEE rating retained [Jan 2020]
- Partner admission policy of a minimum of 50:50 Black/White representation
- Recruited/promoted new black partners
- New graduates recruited included 80% black intake
- Attrition rates normalised across all races
- Preferential procurement policy and process revised.

### Future Priorities

- Ongoing roll out of culture strategy and ethics programme
- Ongoing stakeholder engagement
- Implementing our transformation strategy and plan.

The process of renewing our culture has intensified this year. The process has been uncomfortable and onerous. Our background and integrity checks are extensive and intrusive. Our mandatory independence policies and processes are comprehensive and arduous. Yet we recognise that we need to be beyond reproach. We have continued our organic process of transformation during the year and intensified our ethics training programmes.

### Transformation Scorecard

Elements <sup>^</sup>	Target score	FY19		FY18	
		KPMG SA	Peer average*	KPMG SA	Peer average*
Ownership score**	25	25	24.6	25	24.6
Black ownership percentage ***	51%	28%	35.7%	32.6%	34.8%
Management control	19	14.6	12.3	14.8	12.2
Skills development	20	21.4	20.3	23.2	19.2
Enterprise and supplier development	40	37.0	41.1	36.2	39.9
Socio-economic development	5	5	5	5	5
<b>Total</b>	<b>109</b>	<b>102.9</b>	<b>103.4</b>	<b>104.1</b>	<b>101.1</b>
BBBEE level	1	1	1	1	1

\* The peer average is an internal calculation of our major competitors

<sup>^</sup> Defined as per Broad-Based BEE scorecard

\*\* Ownership score considers black ownership, youth ownership, female ownership and the entry of new black directors into the partnership

\*\*\* Black ownership considers the voting rights and economic interests (profit share, earnings etc.) of both male and female black (African, Indian, Coloured) partners



We consider transformation central to our sustainability and profitability, and an essential aspect of our commitment to serving our communities and having a positive impact on South African society. Our ability to maintain a level 1 BBBEE contributor rating for the third consecutive year [certificate issued in January 2020] is testament to our ongoing commitment and initiatives.

While our level 1 rating is an important metric and achievement for us, genuine transformation is an organic process and about much more than numbers. In 2019, we continued to deliver on our commitment to transformation by launching our renewed inclusion and diversity and social equality strategy, focused on delivering meaningful, dynamic change beyond scorecards.

Part of this renewed strategy is to ensure that transformation is achieved at all levels of leadership in the firm. While much work remains to ensure greater diversity at senior levels, the Policy Board now has 64.3 per cent black representation and 43 per cent female representation, while 43 per cent of our Executive Committee is black and 36 per cent is female. Overall, 58 per cent of our people are female and 61 per cent are black.

During the year, we enrolled 50 differently abled individuals in learnerships.

Two programmes that support our aim of fostering an inclusive and respectful culture are the KPMG SA Network of Women (“KNOW”) and the KPMG SA PRIDE network. A series of bi-monthly networking events were held during the year as part of the KNOW programme and the KPMG SA PRIDE network provides a forum and platform for colleagues who identify as LGBT+. The PRIDE network hosts events, creates awareness and understanding, and works with the leadership of the firm to ensure processes and policies are inclusive and non-discriminatory.

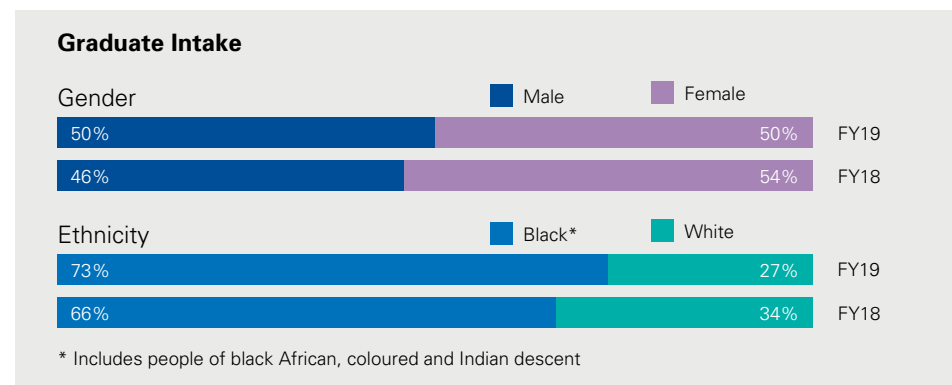
## Workforce demographics

Ethnicity	FY19			FY18		
	Black	White	Other	Black	White	Other
Partners	39	95	4	42	101	5
Colleagues*	1 186	636	52	1 293	816	60
<b>Total</b>	<b>1 225</b>	<b>731</b>	<b>56</b>	<b>1 335</b>	<b>917</b>	<b>65</b>

\* Permanent employees and graduate trainees

We continue to see inclusion, diversity and social equality as a commercial imperative for KPMG SA. Our Employment Equity targets across race, gender and disability are set within the context of anticipated business growth. Our ambition to be fully representative cuts across all levels of management and, each year, we realise greater progress, enabled by policy and practice, toward reflecting the demographics of our country and the clients we serve.

During the year, our focus shifted from the restructuring of the firm to strengthening our recruitment pipeline through concerted attraction and retention strategies, with a particular focus on black talent. A diverse talent pipeline at middle and senior management levels continues to be a challenge; within the year, this resulted in the revision of various inhibiting practices which sat within our talent development and performance management frameworks. Programmes aimed at providing support and development opportunities to all talent were developed and will be rolled out in the next financial year to counter the loss of diverse talent.





Our approach to graduate recruitment serves as the entry-point to realising our transformation-related aspirations. Whilst the CA qualification continues to be considered a critical skill in South Africa, only 29 per cent of registered CAs are black and only 38 per cent are female. Accordingly, we continue to invest in the Thuthuka Education

Upliftment Fund and our bursary scheme – of which 84 per cent was allocated to black learners in the reporting period.

We continue to focus our efforts on attracting results-driven individuals who are suitably qualified and who have the necessary career prospects in our sector. Our graduates are taken through an intensive training programme to ensure that they gain the skills required to be future leaders, both within KPMG SA and beyond. This effort is evidenced by the high absorption numbers we continue to enjoy, with more than 60 per cent of our trainees absorbed into employment upon completion of their 3-year traineeship.

**Talent by gender**

Gender	FY19		FY18	
	Male	Female	Male	Female
Partners	95	44	101	47
Colleagues*	759	1 115	886	1 283
<b>Total</b>	<b>854</b>	<b>1 158</b>	<b>987</b>	<b>1 330</b>

\* Permanent employees and graduate trainees

While we recognise that work remains to achieve gender parity at senior levels, we are pleased to report that our female representation remained proportionately stable in the review period at 57 per cent of our overall talent.

**Ethics training**

	FY19	FY18
Ethics workshops	33	25
Colleague participation (attendees)	1 181	731

Ethics training is a significant part of our cultural renewal process. In 2019, ethics and professional integrity was elevated and expanded within the strategy and operations of KPMG SA. It has been elevated from a set of mostly compliance-focused activities to a recurring topic in the weekly communication of the CEO, an area of focus for the Policy Board (with the chief ethics officer reporting to both the Audit Quality Committee and the Public Interest, Social and Ethics Committee), and a separate function (the Ethics Office) responsible for creating and maintaining an ethical organisational culture.

The elevation of ethics also led to an expansion of ethics-related activities (see 'Our culture' section on page 16 of this report for further detail). In the past, mostly Chartered Accountants who required Continued Professional Development hours attended annual ethics training workshops. In 2019, these workshops were expanded to include all colleagues (across all functions of the firm and from trainee to partner level). We facilitated 33 ethics workshops during the year. The workshops are not information disbursement sessions, but opportunities to develop moral sensitivity and ethical reasoning. Our colleagues who attended the workshops during this cycle debated the meaning of the terms 'professional integrity' and 'public interest' and discussed how to navigate various pressure-related scenarios in a group of colleagues of all ranks and backgrounds.

## Benchmarking quality



### Objectives

- Set the standard for the profession in audit quality and professional integrity
- Embed ethical decision-making and behaviours
- Close cooperation and continuous engagement with regulators.

### Achievements and milestones

- Formalised audit quality plan in January 2019
- Publication of our first audit quality transparency report
- Audit Quality Committee constituted, with independent non-executive chair
- Audit quality plan implementation
- Audit quality inflight reviews –focused on public interest entities prior to signing our opinions
- Review of partner portfolios
- Strengthened department of professional practice resources and capability
- Enhanced training and coaching of audit teams
- Ongoing constructive engagements with IRBA
- Closure of the SAICA Ntsebeza and Nugent inquiries with no adverse findings against the firm
- Continued accreditation with JSE and UK FRC
- Re-admission and/or affiliations with business leadership groups
- Ongoing responsiveness and testing for data security controls (e.g. cyber war-games and internal audits)
- IT policies revised against international standards on information security, acceptable use, data protection and privacy
- Mandatory training on data security and privacy
- Financial audit accreditations with the South African Reserve Bank (“SARB”) confirmed.

### Future Priorities

- Phased roll out of new audit technology and methodology
- Development and phased implementation of ISQM1
- Ongoing improvements in quality performance reviews.

### Quality performance reviews

As described in detail in our audit quality transparency report, we use a broad range of mechanisms to continuously monitor our performance during and after an engagement, responding to feedback and seeking opportunities for improvement. Integrated quality monitoring and compliance programmes enable us to identify quality deficiencies, to perform root cause analyses and to develop, implement and report remedial action plans, both in respect of individual engagements and the system of quality control of the firm.

Our integrated quality and monitoring programmes include the annual Quality Performance Review (“QPR”) programme, the annual Risk Compliance Programme (“RCP”) and the triennial Global Compliance Review (“GCR”) programme. The quality monitoring and compliance programmes are globally administered and consistent in their approach across member firms, including the nature and extent of testing and reporting. Participation in QPR, RCP and GCR is a condition of ongoing membership of the KPMG network.

While our primary focus has been delivering high-quality audits, the improvements we have made to our risk management and internal controls have encompassed the entire firm. As noted in the Advisory quality report (page 76) and Tax and legal quality report (page 78), the QPR results for our advisory and tax functions also improved significantly during the year: 69 per cent of advisory engagement leaders were reviewed and 97 per cent of the files assessed were either fully compliant with firm policies and standards or required only slight performance improvement. Similarly, 42 per cent of tax and legal engagement leaders were reviewed during the year and all but one file of those assessed were fully compliant with firm policies and standards. That one file achieved a green rating for engagement

execution, but a yellow rating for engagement set-up, suggesting that minor improvement was required for this aspect.

### **Audit in-flight reviews (2LoD)**

The primary objective of Audit in-flight reviews (“AFRs”) — to be renamed the ‘Second Line of Defense’ (“2LoD”) — is to proactively improve the quality of audit execution and documentation during the course of the audit and before audit opinions are signed.

As noted in our audit quality transparency report, the AFR programme is one of the most significant audit quality initiatives implemented during 2019. One of the highlights of the current year is how we believe this mechanism to have contributed to our improved QPR results.

Please refer to the KPMG SA audit quality transparency report for further information regarding the AFR programme (available on our website or by contacting our Head of Communications in the office of the CEO, Dudu Ndlovu, at [dudu.ndlovu@kpmg.co.za](mailto:dudu.ndlovu@kpmg.co.za)).

For further information regarding our integrated quality monitoring and compliance programmes, please refer to the KPMG SA audit quality transparency report and the supplementary quality reports of our various functions from page 74 of this report.



## Retaining and growing our client base



### Objectives

- Multidisciplinary collaboration within regulatory frameworks
- Technological innovation and deepened sector expertise through global connectivity
- Possibly winning significant new audit clients through our commitment to quality and public interest
- Possibly winning significant advisory and tax opportunities at non-audit clients through technological innovation and deepened sector expertise and global connectivity.

### Achievements and milestones

- Winning and accepting new clients across all functions that meet our revised risk acceptance and continuance criteria
- Re-appointment of KPMG SA by most audit clients at their Annual General Meetings (“AGMs”)
- Successfully bidding for and winning new Advisory mandates at key clients
- Obtaining back market permission at key clients that had disengaged KPMG SA in prior years
- Appointing a new, experienced head of communications in the office of the CEO
- Reduced adverse media and growing recognition of our changes and reforms published
- Responsible tax principles defined and adopted for applicable tax assignments
- Launched new globally developed client solutions to the market.

### Future Priorities

- Increased client contact and new work proposals for suitable clients
- Ongoing innovation, support and access to global solutions from KPMGI
- Formalisation of client satisfaction reviews
- Reclaim historic Advisory market share with a focus on Technology solutions
- Use mandatory audit-firm rotation-related opportunities to gain audit market share.

During FY19, the firm achieved a significant level of engagement with the market, focusing on current and prospective clients. Our engagements were aimed at C-level executives and non-executive directors and led by client lead partners. Our client lead partners were, in turn, supported by senior partners, our CEO and partners from other KPMG member firms in the KPMG network. Specific attention was given to communicating progress on our reforms supported by our 2018 integrated report. Clients were appreciative of the communication.

We retained the vast majority of our audit clients during the 2019 cycle of Annual General Meetings (“AGMs”). In addition, we secured significant new Advisory engagements in the closing six months of our financial period. It is also encouraging that we are being invited to respond to high value opportunities. While smaller today, we are focused on the core products and services needed by our current and future clients, and we are more connected to our US \$30 billion-strong global organisation than previously.

Our global firm has clearly demonstrated its commitment to retaining a strong firm in South Africa and to working with our significant client base across the region. This renewed connectivity brings the best of KPMG global talent to our clients in South Africa. Examples of this reinvigorated connectedness include senior audit, financial risk management, cyber, IT and advisory colleagues from around the world serving clients in South Africa, either directly on specific engagements or on a secondment basis.

### The KPMG Way

We are approaching our clients in a consistent way to ensure we deliver on that experience by leveraging on the KPMG Way. The KPMG Way is our global framework for bringing to life the KPMG Story for our clients, consistently, in all our interactions with them, ensuring that client-centricity is hardwired in our culture. The KPMG Way enables our people to deliver a compelling and consistent client experience, no matter where they are in the network.

## Number of clients per segment FY19

Segment	Function		
	Advisory	Audit	Tax
Enterprise	722	1 379	1 180
Global	145	167	203
JSE-listed	150	28	123
Government	173	122	49
<b>Total</b>	<b>1 190</b>	<b>1 696</b>	<b>1 555</b>

During the year, we serviced 2 327 clients in aggregate\* across our Audit, Tax and Advisory functions. We are pleased to report that KPMG SA was successful in being awarded three notable JSE-listed audit appointments subsequent to year-end. We have been appointed joint auditor to one of the largest financial services groups in South Africa, auditor to an emerging technology leader and auditor to a major branded casual dining chain.

\* Calculation eliminates duplications where client receives services from more than one function

## Priorities going forward

### Client and account management

Our client and account management process has been a priority focus for the past year and will continue to be a focus going forward. We have refocused our efforts in terms of how we go-to-market and shifted our focus to the following four specific areas in this regard:

### Client insights and engagement

**What:** Obtaining a robust view from our clients regarding how they view KPMG SA to ensure that we keep our focus on our client's strategic objectives.

**How:** Through effective relationship reviews and opportunity/engagement debriefs.

### Account management

**What:** Developing client-centric strategies that are validated with our clients to achieve their objectives and drive growth for both the client and KPMG SA.

**How:** Through dedicated client service teams with focused account plans that are aligned with our clients.

### Pursuits and opportunity management

**What:** Co-creating solutions and improving the way we engage with our clients to ensure opportunities are consistently managed in a disciplined and responsible manner.

**How:** Through our pipeline, qualification and opportunity management framework.

### Embedding the culture

**What:** Creating a sustainable framework by embedding client-centric behaviours in our day-to-day activities.

**How:** Through leadership's role and explicit 'tone at the top', positive and confident mindsets, coaching culture, discipline in accountability.

While shifting our focus to the preceding strategic areas, we continue to prioritise the public interest in everything we do.

### Sector prioritisation and focus

To deliver on our ambition and our growth targets, we need to bring leading insights and innovative solutions to our clients for their sector. National leaders are responsible for developing and driving sector development strategies in close consultation with lead partners and functional leaders in all of our regions to deliver on these needs within each sector. The objectives for our sector programme include:

- Build dynamic and diverse national sector networks (linked into our global sector networks) with strong focus on responsible growth, learning, innovation and celebrating success
- Position KPMG SA as a thought leader, shaping conversations on the future of the respective focus sector.

### Mandatory audit firm rotation (MAFR)

The introduction of MAFR is a 'game changer' in terms of the way we manage our business. Audit relationships with the largest South African companies will be limited to a maximum of ten years before they are required to rotate. Our audit clients' today may be our advisory clients tomorrow and vice versa. It is a time for being prepared, while also being responsible in the market through:

- Understanding the potential risks of auditor independence through rotational requirements of auditors and the restrictions on prohibited services in line with mandatory audit firm rotation.

This process is unprecedented in our history and we see this as an opportunity to work with clients we have never worked with before and to showcase our capability as a firm. We are already seeing an increase in the number of audit tenders and we are preparing to respond effectively to ensure we maintain a sustainable audit business into the future.

It should be noted that we cannot, and will not, be seen to do anything during either phase of our relationships with clients that could challenge the real or perceived independence or quality of an outgoing or incoming audit.

We primarily see opportunities to provide advisory and tax services to those companies where we are not the auditors, bearing in mind that our relationship with such clients will evolve throughout the audit cycle. Strong account management, targeted relationship building, and effective opportunity and pursuit management are required to benefit from the growth opportunities provided by MAFR. Whilst these are integral components of our strategy, we have also developed a specific Game Changer programme.



## Engaging and empowering our people



### Objectives

- Attract, motivate and retain key talent
- Develop pipeline of inclusive leaders who will contribute to our public-interest objectives
- Embrace diversity, transformation and inclusion.

### Achievements and milestones

- Global People Survey ("GPS") results show significant improvement in strategy, leadership and communication
- New reward and recognition system
- Revised and additional benefits for our people
- Enhanced performance management system implemented post year end
- Updated colleague handbook
- Increased internal communication (e.g. weekly CEO newsletters)
- Attracting the top graduate resources we require
- Launched the colleague business forum to facilitate two-way, open communication across the firm.

### Future Priorities

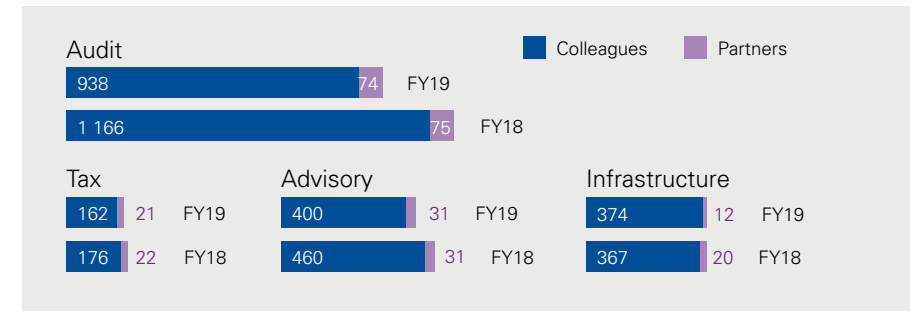
- Emerging leader programme to be developed and implemented for accelerated development
- Talent development programme for line management to nurture career progression
- Performance management – strengthening quality of conversations
- Embed wellbeing and recognition schemes (e.g. flexible working hours and online recognition system)
- To be a progressive employer.

## Workforce demographics

All data for colleagues includes permanent employees and graduate trainees.



Our reduction in headcount reflects the continuing reshaping of the business.



The split of our people across the different areas of our business has remained relatively constant this year.

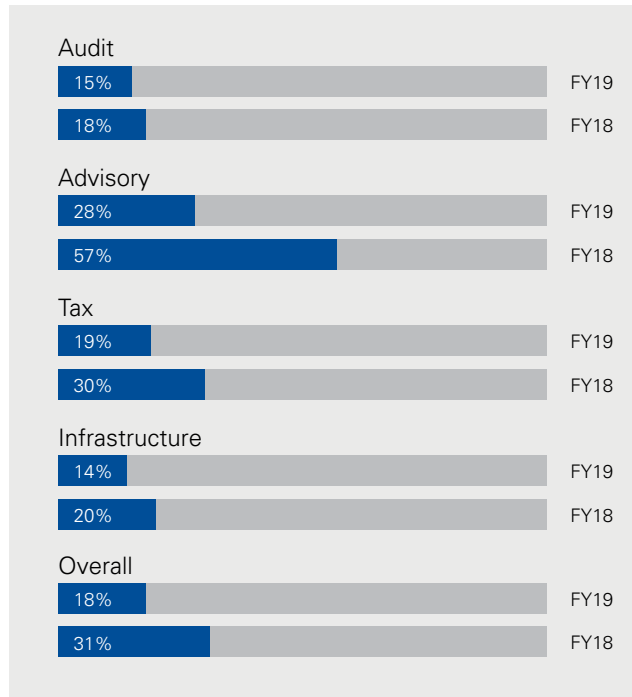
## Recruitment and retention

	FY19	FY18
No. of new hires	430	471
No. of partners admitted	9	7

While we consciously recruited fewer people in FY19, we are encouraged by the number of colleagues who are returning to KPMG SA.



## Attrition rates\*



\* Number of people who left the firm as a proportion of the average headcount during the 12-month reporting period.

Our high attrition rates in FY18 include the deliberate rightsizing of the firm. Similarly, our lower attrition rates in FY19 reflect the absence of retrenchments during the year. Our overall attrition rate for FY19 of 18 per cent is starting to compare more favourably to our target of 17 per cent. The highest attrition was in our advisory function at 28 per cent, which is a rate that we will focus on reducing in the year ahead.

## Employee engagement

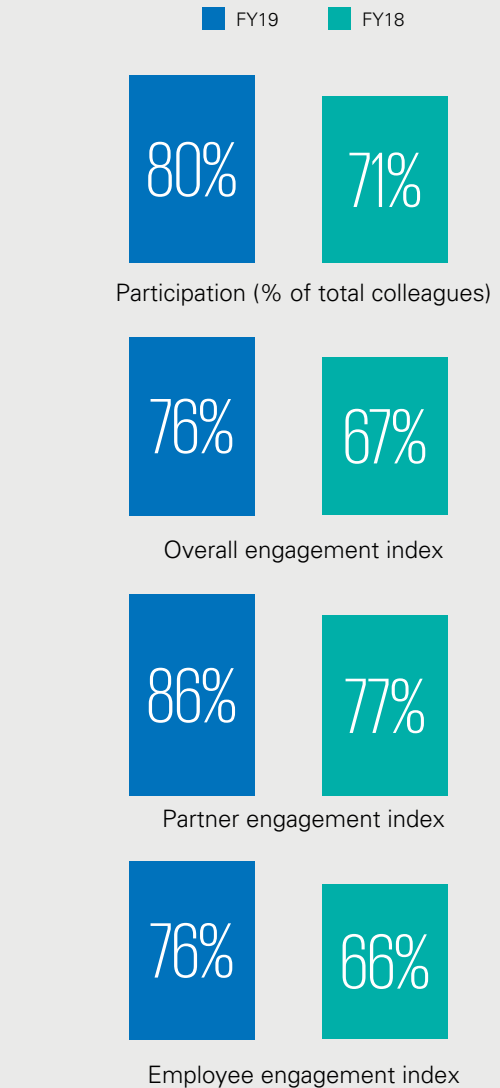
Employee engagement describes the extent to which our people are motivated to contribute to organisational success and are willing to apply the discretionary effort needed to achieve our goals. To measure employee engagement, we again administered our annual Global People Survey (“GPS”). The GPS measures 18 categories and each category comprises a series of items to which our colleagues respond on a 5-point rating scale. The employee engagement index is one of these categories.

Our employee engagement index is a percentage score made up of a combination of items covering a broader view of engagement that can be categorised as follows:

- Engaged – how attached an employee is to the company (rationally, emotionally and behaviourally)
- Enabled – how an employee considers the work environment to be supporting their productivity and performance
- Energised – how an employee evaluates their wellbeing at work (physically, emotionally and interpersonally).

Pleasingly, 80 per cent of our colleagues took part in the GPS in 2019 (2018: 71%) and our overall engagement score increased by nine points to 76 per cent favourable, with significant increases in the areas of leadership (+18 points), strategy and vision (+16 points), and corporate citizenship (+12 points). This positive shift in colleague sentiment can be attributed to specific actions that were taken during the year. We continue to encourage feedback as we develop our response plans into the future.

## Global People Survey Results



While the results suggest that our efforts are being well received by colleagues, we recognise that we still have much to do as we remain slightly behind the South African norm, but there is no doubt that this represents a very positive step forward.

Absolute scores in certain categories remain relatively low and need ongoing focus. These include: reward and recognition; open and honest two-way communication; career growth; dealing with under-performance; flexible working; and work-life balance. We aim to address these areas in FY20 through targeted programmes and initiatives.

## Benefits

During the course of 2019 we have undertaken a complete review of our benefits and recognition offering to ensure we remain competitive with the market and are offering the right level of support and flexibility to our people.

The review considered health and wellbeing, lifestyle, family and future and included support from external consultants to ensure we undertook an independent review of current market practice.

The outcomes of this review have resulted in several enhancements to existing benefits and the introduction of new benefits which came into effect on 1 January 2020. The outcomes have also led to enhancements in our leave policy i.e. all colleagues can now take a day off during the month of their birthday to celebrate. The enhancements were communicated to colleagues across a series of roadshows which were conducted countrywide and attended by some 70 per cent of colleagues.

Another area we focused on was the introduction of a range of agile working options, which also came into effect on 1 January 2020, to ensure that we are aligned with more progressive employers in the market – who recognise the need to provide flexibility so that colleagues can give of their best at work, but still manage their lives in line with other personal responsibilities they may have i.e. taking care of their families.

## Global mobility

### Short-term assignments (12 months or less)

	FY19		FY18	
	Inbound	Outbound	Inbound	Outbound
Audit	23	143	1	130
Advisory	13	1	1	5
<b>Total</b>	<b>36</b>	<b>144</b>	<b>2</b>	<b>135</b>

Short and long-term assignments through our Global Mobility programme, "GO", are both an attractive benefit and a retention tool for specialised skills. Similarly, GO builds the base of skills in the international KPMG network. It is a great opportunity for newly qualified chartered accountants to gain international experience and, as the SAICA qualification is highly regarded globally, assignees from South Africa are often a preferred choice among other member firms.

A new GO policy was released to KPMG member firms in January 2020, which will standardise assignment policies across the network. We anticipate that numbers of long-term inbound and outbound assignments will continue to grow as we are able to collaborate more seamlessly with member firms across the KPMG network.

### Long-term assignments (13 months or more)

	FY19		FY18	
	Inbound	Outbound	Inbound	Outbound
Tax	0	2	0	0
Audit	4	21	0	11
Advisory	4	1	0	18
Infrastructure	0	2	0	0
<b>Total</b>	<b>8</b>	<b>26</b>	<b>0</b>	<b>29</b>

A specific highlight of the program was the additional inbound secondments of significant global leadership capability including Head of Advisory, Head of People, Chairman of Audit and two Financial Services Partners in Cape Town.

## Skills development and training

### Training (average hours per person)\*

	FY19	FY18
All colleagues	61.8	53.3

\* Formal training events run by KPMG SA only (i.e. no external workshops or seminars or other CPD-related activities)

Over the last two years, we have continued to make significant investments in our formal learning and development programmes. Training hours (for Audit colleagues and partners in particular) are anticipated to increase in FY20 and FY21 with the implementation of KPMG Clara (see page 46 for further information).

### Skills development (R millions)

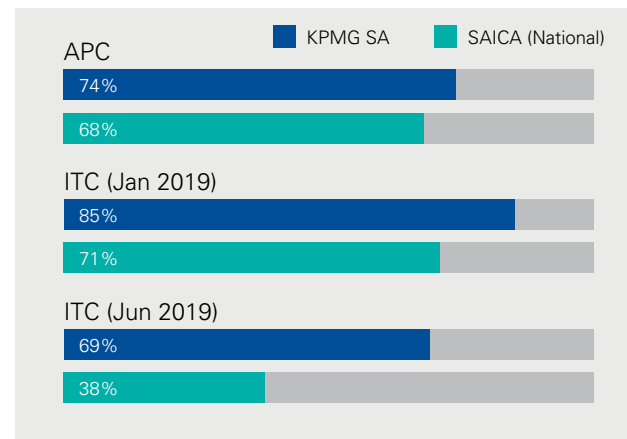
	FY19	FY18
CPD	R38.7	R53.6
Bursaries	R14.9	R13.6
Thuthuka Bursaries/Scholarships	R3.0	R2.8

Thuthuka is an initiative launched by the SAICA to enable defined previously disadvantaged candidates to study towards a Chartered Accountant ("CA") profession. The 'big four' firms (KPMG, PWC, EY and Deloitte) participate in providing scholarships/bursaries throughout South Africa.

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

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

### Pass rates FY19



Although our pass rate for the APC declined year on year, it remains higher than the SAICA national average of 68 per cent. Our candidates' first-time pass rate of 85 per cent also exceeds the SAICA average of 71 per cent.

Our candidate population has changed in line with the SAICA national demographic and 62 per cent of our candidates are African, Indian or Coloured. Over the past

ten years, we have contributed 1 176 African, Indian or Coloured members to the profession, many of whom have been on bursary programmes from KPMG, without which they would not have been able to qualify.

Individual KPMG SA candidates did exceptionally well, with three evaluated as highly competent and appearing on the SAICA honours roll. We have had at least one candidate on the honours roll since 2013. We are proud to report that one KPMG SA candidate was ranked first in the January 2019 ITC examination and three KPMG SA candidates were included on the November 2018 APC honours roll.

### Colleague business forum

During the year, we launched our colleague business forum ("CBF"). The CBF is an elected body of 23 colleagues appointed by our people along with two Executive Committee members. It is an informative and consultative forum that seeks to build a stronger link between the leadership and colleagues. Its primary objective is to serve as an advisory body that seeks to present innovative ideas and find solutions to issues impacting colleagues daily. CBF meetings will take place on a bi-monthly basis for a period of two years, whereby new representatives will be elected.



"We are excited that the firm took the decision to form the CBF, which provides colleagues with an opportunity to elect representatives who will advance their suggestions, ideas, concerns and views regarding any policies or practices of the firm. The CBF operates as a representative body for colleagues that is made up of twenty-three elected members and two exco members and creates an effective link between colleagues and partners as we rebuild KPMG SA. As members of the CBF, we are honoured to be elected to serve the interests of our colleagues and to contribute to the wellbeing of our people, and to create an environment in which few or no boundaries exist that could limit our potential. We want to ensure that KPMG is a great place in which to work and build a career. We look forward to collaborating and working together as a formidable team to exchange thoughts, ideas and, most importantly, suggest progressive solutions to matters effecting our colleagues."

- Mabutho Mthembu, Inaugural chair: CBF



## Getting the operational basics right



### Objectives

- Implement a world-class infrastructure and support operation
- Maintain sustainable, responsible growth and financial performance.

### Achievements and milestones

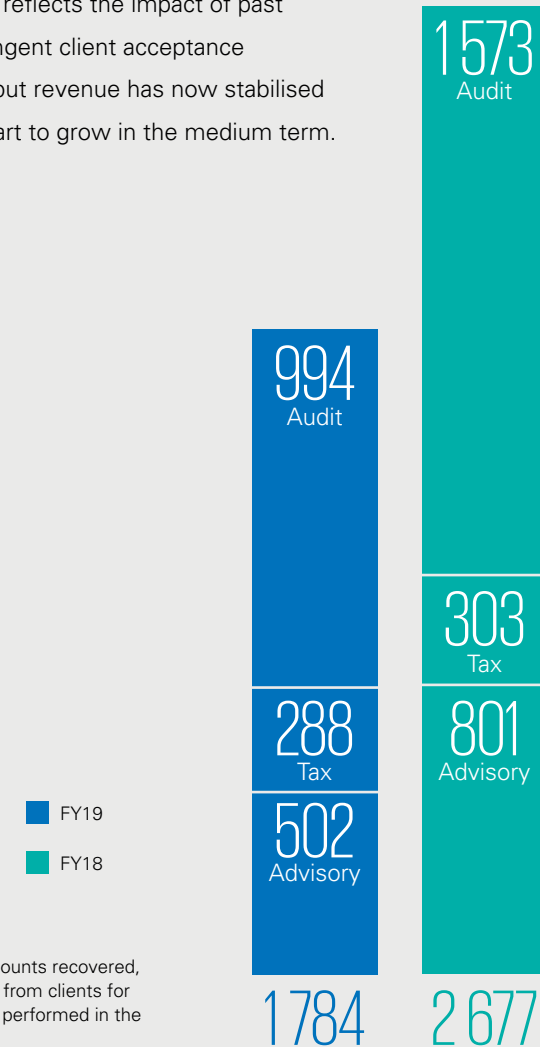
- Progress in implementing our five-year business plan
- Enhanced risk management and control
- Enhanced data sources on socio-political environment to inform our risk processes
- Enhanced reporting and monitoring of core operations through technology
- Right-size infrastructure to operations
- Centralised and streamlined support services function
- Opened our Cape Town office building and completed consolidation of Gauteng branches to KPMG Crescent
- We are no longer adding CFO and CIO responsibilities to the client-facing responsibilities of a partner, instead we have redesigned these roles to be full time positions filled by experienced professionals in these fields.

### Future Priorities

- Ongoing implementation of our strategy and business plans
- Build capacity for future growth
- Develop a digital strategy to keep pace with Industry 4.0
- Further enhancements and ongoing testing of our disaster-recovery and business continuity management plans.

### Revenue\* (Rm)

The drop in revenues reflects the impact of past events and more stringent client acceptance assessment criteria, but revenue has now stabilised and is expected to start to grow in the medium term.



\* Revenue represents amounts recovered, or deemed recoverable, from clients for audit and advisory work performed in the financial year.

Since 2017, the firm has also turned down any new assignments that fall outside its revised risk assessment criteria. This highly focused approach has significantly improved our ability to provide assurance of the highest standard to existing customers. In 2019, seven per cent of fee revenue was invested in risk and quality-related initiatives, such as our efforts to align with global best practices through independent risk reviews of processes and engagements, and the establishing of core internal functions to monitor quality continuously.

Our comprehensive remedial actions are starting to be recognised by old and new clients, industry bodies, government and civil society. This has resulted in bans being lifted and former clients again approaching the firm for audit and advisory work. While the impact of this recovery is not reflected in the revenue figures for this year, we are optimistic that it will become apparent in FY20 revenues.

### ISO compliance

The firm currently complies with, and is certified in, three International Organization for Standardization (“ISO”) standards:

- Health and safety (ISO 45001)
- Quality (ISO 9001)
- Environmental (ISO 14001).

Annual surveillance is performed for these standards, and recertification completed every three years. The next recertification review will be in November 2020.

In South Africa and globally, we are also investing in fundamentally redesigning our approach to the system of quality management to anticipate the International Standard on Quality Management (“ISQM”) 1, which will replace the current International Standard on Quality Control (“ISQC”) 1.

### Cost-saving initiatives

The reduction in revenue obviously required us to reduce overheads and scale operations to the reduced capacity; however, the task of cost control also generated a unique opportunity to explore best practice and streamline our support base.

During this process, the firm reduced its physical premises from 12 to four offices. This change in footprint has enabled us to consolidate previously geographically dispersed teams and operate through regional presences, while generating significant cost reductions in occupancy.

Refocused procurement processes during the year reduced the number of vendors the firm employs and extracted efficiencies from our current business partnerships.



## Leveraging global innovation and investment



### Objectives

- Support and provide solutions for the digital and technology transformation of our clients
- Leverage innovative and relevant technology in our solutions.

### Achievements and milestones

- Increased use of business metrics – enhanced technology-based monitoring controls across our electronic audit file population
- Increased use of electronic working papers in all functions
- Technology enhancements to our internal enterprise resource management systems
- Enhanced access to, and support from the KPMG network of member firms, including embedded leadership
- Powered Enterprise solution launched
- Celonis process mining solution rolled-out
- KPMG Clara deployment commenced
- Mobility 2030 disruption-strategies workshop hosted
- KPMG Global Innovation Network formalised
- Inaugural Internal Innovation Challenge held
- Cyber team bolstered in joint investment with KPMG India.

### Future Priorities

- Ongoing deployment of automation in our audit function
- Greater market penetration with cloud-based solutions for advisory clients
- Wider deployment of KPMG Clara
- Continued data and analytics development and enhancing cyber capabilities
- Deploying innovative business and technology-based solutions and support services in the Southern African market
- Deepening our strategic relationships with our key technology partners.

### Global investment and support

The extent and depth of global investment in supporting the South African practice has demonstrated the commitment and resolve of the entire KPMG network to the local firm. Significant support has been provided, not only financially, but also with numerous global resources being deployed into South Africa (“SA”) to provide key executive support and guidance to the local firm in effecting the necessary changes to restore the SA firm to strength.

These individuals, who all can demonstrate deep global skills and experience, have been supporting the local firm in key portfolios, predominantly on the ground in SA.

### Technology innovation and global connectivity

Our clients continue to embrace technology as means for consolidating and growing their business. Over the past few years, we have seen a shift in conversation to focusing on technology and how it can support client business objectives. Accordingly, we have chosen to focus on technological innovation and bringing innovative global solutions to our clients.

### Leveraging our global collaboration

#### Powered Enterprise

During FY19, KPMG launched our global Powered Enterprise solution into the market. The solution builds on decades of experience and investment in business processes and technology applications to provide a low-risk route to functional transformation to the cloud. This is a truly integrated solution that consists of a powered operating model, execution suite and managed services. We secured our first solution implementation for a large national JSE listed client in the current

year, which is being delivered by a combination of local resources and globally experienced professionals. We are looking to further enhance our position in the market with this unique solution.

### **Celonis**

We added another solution to our repository during the year: Process Mining by Celonis. This solution helps organisations to discover and visualize all business processes across the enterprise, and to analyse operative process data created by IT systems, providing greater business process transparency and optimisation. Its highly efficient algorithms can analyse vast amounts of data in real-time, contributing to an end-to-end operational intelligence platform. Business benefits to clients include:

- Complete transparency and visualisation of as-is processes
- Identification of previously unknown process weaknesses
- Optimisation, harmonisation and standardisation of processes
- Accelerated SAP S/4HANA process migrations
- Higher process quality and reliability
- Increased profitability.

The solution supported a wide range of our clients during the year through identifying non-compliant processes, increasing process transparency and efficiency, adding improved quality to internal audits, reducing manual

interventions in process execution, and reducing errors while improving operations consistency. Celonis has also been globally accredited as a KPMG SA solution for use on our external audits, which will add another technology dynamic to the KPMG Clara platform and technology capabilities.

### **KPMG Clara**

During FY19, we commenced with the pilot deployment of our smart, digital audit platform, “KPMG Clara”. KPMG Clara is a KPMG global integrated platform that houses our existing digital capabilities, such as general ledger and sub-ledger analytics, automated audit procedures, process mining, pattern analysis and our client collaboration portal. It has been designed to incorporate new capabilities as they become available based on our global development roadmap and as generated by individual member firms. Improved technology will result in greater audit coverage, broader insight and more data and analytically skilled teams.

### **Leveraging our local partnerships: Mobility 2030**

With the world on the cusp of a mobility revolution, KPMG SA hosted a workshop to explore the arrival of Electric Vehicles, Autonomous Vehicles, Mobility-as-a-Service and what this entails for the Mobility ecosystem in the country. The event brought together organisations from multiple sectors to define and develop strategies for one of the greatest disruptions in years. The participants had an opportunity to engage

in exciting new conversations that looked at possible new enterprises and jobs within the region, how to ensure the competitiveness of South Africa in a new Mobility Ecosystem – and the impact of Green House Gas to global trade for South Africa. Senior leaders and decision makers from 15 different organisations took part, spanning car manufacturers, infrastructure, finance, government, logistics and more, representing an unprecedented opportunity to engage and collaborate across the value chain.

### **KPMG Global Innovation Network**

In 2019, KPMG formalised its Global Innovation Network. Growing from a small group of interested colleagues, KPMG SA is one of the member firm representatives on the network that is sharing methodologies and experiences to benefit KPMG clients globally.

With start-ups typically ahead of the disruption curve, they are a good source to explore future scenarios. KPMG Matchi, a part of our Emerging Technology business manages a database and supporting solutions focused on the latest and most innovative emerging technologies. Matchi currently supplies information for client Ignition Centre workshops in the United States of America (“USA”).



## Innovation Challenge

A highlight of the year was the first Innovation challenge competition run by KPMG SA – the 2019 KPMG Internal Innovation Challenge. A final ‘dragons’ den’ presentation session was attended by our new CEO and an electronic vote casting against set criteria culminated in a winner for the year.

Stretching their minds to generate new solutions for clients, the Advisory team cemented a culture of collaboration by hosting the 2019 KPMG Internal Innovation Challenge. Colleagues were rewarded not only for winning ideas, but also for participating throughout the process.

Ideas were submitted electronically and reviewed by both colleagues and an evaluation panel. Shortlisted ideas were developed into full solutions and presented to executives who selected the winning and runner up team.

“Technovate” was the winning team and they created an interactive Machine Learning / Artificial Intelligence (“ML/AI”) software application that runs behind an Enterprise Resource Planning (“ERP”) system while analysing the data in real time. This allows anomalies to be detected and flagged as they occur.

The runner up, “Team IFRS 9 for corporates”, developed a cloud-based application that provides an automated and affordable expected credit losses (“ECL”) review with appropriate audit evidence.

The winning teams and participants were invited to attend the two day design thinking training at the Hasso Plattner School of Design Thinking.



“It is always a great feeling to see the light at the end of the tunnel and it is brighter now than it has been for many years at KPMG SA. Quality and consistency are our top priorities and I am confident that the processes implemented recently will position us at the front of the curve in terms of delivering quality to our clients. Technological and digital innovation are creating new opportunities and will generate growth in the future, and I believe that we are in a position to take advantage of these. KPMG SA has always been an exciting place to work and it is now more so than ever.”

*- Rhenier Jordaan, CBF member*

## Integrating Southern Africa



### Objectives

- An integrated Southern Africa practice.

### Achievements and milestones

- Designed an integrated legal and governance structure for all of the Southern Africa practices
- Developed centralised strategic leadership, along with go-to-market initiatives, mobility of resources and shared services.

### Future Priorities

- Implement broader functional integration and central oversight.

KPMG Southern Africa comprises eight countries, including separate practices in South Africa, Namibia, Botswana, Zambia and eSwatini that are managed in aggregate, and independent practices under licence to South Africa in Zimbabwe, Mozambique and Mauritius.

KPMG is well represented in Southern Africa. With South Africa as the largest and anchor practice of the region, we have a presence in most of the neighbouring countries where we regionally service the needs of our local and global clients. This includes our offices in Namibia, Zimbabwe, Botswana, Zambia, Eswatini, Mauritius and Mozambique.

We are currently in a process to operationally integrate all the Southern African regional KPMG practices to support our collective client delivery, strengthen our risk and control environment and leverage cost efficiencies. The integration is being considered both operationally, driven by the South African Executive Committee, as well as on a country basis.

We anticipate that this will result in centralising some of our operational support structures in South Africa, to leverage the enhanced capability and controls implemented and achieve cost efficiencies and economies of scale for the smaller practices. In addition, we have invested in our technology and communications architecture in the region to further leverage our global systems and information technology (“IT”) platforms for enhanced consistency and monitoring. We anticipate these initiatives will gain improve the quality of the work we deliver to clients

and provide greater capacity within our region to focus on serving our clients.

KPMG regularly looks at how to ensure it is best placed to meet the changing needs of the sectors it works in. Sometimes this means we make changes to our business, which can include member firms leaving the KPMG network. This is a decision we never make lightly. Subsequent to year-end and after much consideration, KPMG has decided to withdraw from the eSwatini firm.

We have offered the eSwatini firm six months to help them transition and will continue to work with them throughout this period. This would mean that KPMG will cease its operations in eSwatini by 30 September 2020.

During this transition period, we will ensure that the exit is conducted in an orderly way and that all outstanding client commitments until the end of September 2020 are honoured.

# Our material risks and opportunities

In a world where change is the only constant and agility is a competitive advantage, it is essential that we are aware of, and respond to, our environment and the forces that shape it.

Geopolitical shifts, trade wars, populist movements, climate change, technological disruptions and local challenges are now common occurrences. This requires a strategy that can adapt to these new realities.

At KPMG SA, we invest time and resources in monitoring global and local landscapes and ensuring our strategy and plans remain fit for purpose. Our ambition of becoming the most trusted and trustworthy professional services firm in South Africa is informed by ongoing stakeholder engagements that afford us the opportunity to appreciate other perspectives and an enhanced ability to recognise where there may be legitimate expectations.

## Determining material matters

For a firm committed to generating societal value for all our stakeholders and the environment, we depict this in the way we define our material risks and opportunities as matters that can substantively affect the ability of our firm to create value over the short, medium and long term. The process of determining material matters is summarised in the subsequent paragraphs and in the diagram at the bottom of the page.

## Progress in managing our material risks and opportunities

Within the context of our external environment and internal operations, ongoing stakeholder engagements and implementation of our enhanced risk management processes, there has been a significant improvement in managing our most material matters over the past year.

Implementation of our enterprise risk management (“ERM”) policy and framework continues to mature. Our strategic risk register, which documents inherent and residual risk status, controls and mitigating actions, has been used and reported on throughout the year to the Risk, Quality and Compliance Committee. This oversight has been strengthened by completing bottom-up or functional risk workshops and developing risk registers that merge our strategic responses to operational matters, ensuring improved accountability by executive and functional leaders across the firm.



In addition to accepted practices of risk management and rolling out our ERM framework, we have taken a quantum leap this year by deploying the KPMG Global Dynamic Risk Assessment (“DRA”) solution to risk identification.

### Dynamic risk assessment (DRA)

The leading proprietary risk management methodology of KPMG – DRA – overcomes some limitations in common tools, for example, the sole use of risk registers that focus on individual risks and not necessarily systemically important risks. Systemic risks are those likely to trigger a cascading effect and catastrophic losses. Research suggests that, typically, several related risks need to materialise for a company to suffer catastrophic losses/failure and understanding the connections between risks is necessary for more effective management.

The DRA approach allows companies to understand better the interconnections between individual risks and how these tend to group to become a risk cluster, with a more catastrophic impact than a single risk event materialising in isolation.

### Applying DRA to KPMG SA

In 2019, the firm embarked on its own DRA process to test and validate our view of strategic risks on our risk register, and to confirm that our actions have been directed to the correct areas. The DRA results confirmed that our top strategic risks are correctly reflected.

Notably, the results showed that the residual risks of *audit failures/litigation* and *inappropriate clients and services*, while always inherently important and a top priority for our firm, no longer feature among those with the highest residual values. This is a welcome reflection of our extensive work and changes over the past two years to improve our risk management and audit quality.

Similarly, the risks of *data protection* and *focused execution and change management* have also received ongoing attention and did not feature as highly in DRA results as they do under conventional risk management approaches.

The DRA results also provided useful insights on how our individual risks are interconnected and can form risk clusters. The key potential risk clusters identified are as follows:

- **Public trust and reputation**

Our top strategic risk – public trust, reputation and social licence to operate – has component parts: *public trust/market permission/licence to operate* and *brand/reputation*, which both impact on our *financial strength*.

This risk cluster confirms our strategy and activities in stakeholder engagement, communication and brand management. It validates our ambition and informs our actions to become the most trusted and trustworthy professional services firm in South Africa.

- **Conduct, culture and quality**

Our second risk cluster proves there is no trust without quality by highlighting the interplay between the component parts of *conduct/culture*, *quality* and *people*.

It confirms our strategic focus on building an ethical culture, implementing our audit quality plan and revitalising our people-related policies and practices.

- **People and transformation**

This risk cluster confirmed that *transformation* and *people* (attracting, retaining and motivating engaged people) are critical risks in our firm, and highlighted the importance of managing any leadership and strategy risks.

In combination, these risk clusters validate our focus on looking after our people and implementing our transformation strategy. Equally, our new governance structure and leadership team are critical components in implementing our strategy.

- **Future role of technology**

This risk cluster illustrates the interconnectedness of our *technology*, *people*, *strategy* and *financial strength* risks. If we do not manage all these risks, the collective

consequences could be severe. However, our strategy incorporates mitigating technology and people-related risks and our financial strength. We also understand that our approach to technology plays a role in the people we attract, motivate and retain.









We have invested heavily in internal systems and processes, and we are currently deploying an automated solution in our audit function. For our advisory clients, in keeping with the 4th industrial revolution (“4IR”), our services include cloud-based solutions (such as KPMG Powered Enterprise), as well as data and analytics via our information and technology function.

The DRA process has deepened our understanding of our strategic risks by revealing their interconnected nature. We now have a fuller appreciation that risk management cannot be performed on any one risk in isolation of others that may be impacted by it. A key learning from the DRA exercise is that our people risk is the most readily affected when risk events occur, but the exercise also confirmed that a clear strategy and sound execution will mitigate the risk clusters and all other controllable risks.




### Linking our material risks and opportunities to our strategic responses




The following table outlines our top strategic business risks and opportunities, and links these to the key actions we have taken over the past year to mitigate risks or capitalise on opportunities, and how these actions augment our strategy.





#### Our Strategic Responses

			
Leadership and Governance	Culture and Transformation	Benchmark for Integrity and Quality	Retain and Grow our Client Base
			
Engage and Empower our People	Get Operational Basics Right	Leverage Global Innovation and Investment	Work Collaboratively to Integrate Southern Africa

Our strategic responses are detailed in the **Linking performance to strategy** section on pages 28 to 48 of this report and have been presented as icons in the following table to demonstrate the link between our strategy and our material risks and opportunities.

Risk	Link to strategic response	Risk trend
<p>Public trust, reputation and social licence to operate</p> <ul style="list-style-type: none"> <li>Ensuring our behaviour fully acknowledges the public-interest nature of our work and rebuilds public trust</li> <li>Understanding the social and political context in which we operate to avoid being perceived as naïve, detached or arrogant</li> <li>Ensuring we have, and are seen to have, the right governance and accountability models in place</li> <li>Contributing to restoring the reputation of the chartered accountancy and auditing profession as guardians of ethics, transparency and accountability.</li> </ul>	 <p>Leadership and governance Culture and transformation Be the benchmark for quality and integrity</p>	<p>Decreasing</p>
<p>Transformation</p> <ul style="list-style-type: none"> <li>Continuing to contribute to the transformation of the accounting, advisory, tax and auditing profession in South Africa, in terms of qualified professionals, management control and ownership of KPMG SA and professional firms</li> <li>Playing a meaningful role in the transformation of the South African social and economic universe.</li> </ul>	 <p>Culture and transformation Engage and empower our people</p>	<p>Stable in the interim. Long term - increasing</p>
<p>Audit failures, litigation, regulatory investigation</p> <ul style="list-style-type: none"> <li>Performing audits of high quality in line with applicable standards</li> <li>Effectively managing litigation, regulatory investigations and any other matters that could impact the reputation and stability of the firm</li> <li>Creating an environment that supports quality audits, including board and committee-level oversight, with robust quality-control processes and structures aligned with global standards.</li> </ul>	 <p>Culture and transformation Be the benchmark for quality and integrity</p>	<p>Decreasing</p>

Risk	Link to strategic response	Risk trend
<p>Ability to attract and retain required skills and align culture and behaviours with our values</p> <ul style="list-style-type: none"> <li>Ensuring our remuneration remains competitive and we continue to provide clear career development opportunities and job security</li> <li>Maintaining a sense of belonging through our current challenges</li> <li>Restoring the morale and motivation of our people and enabling a culture centred on public interest and quality in everything we do.</li> </ul>	 <p>Leadership and governance Culture and transformation Engage and empower our people</p>	<p>Decreasing</p>
<p>Embracing and responding to new trends and technologies</p> <ul style="list-style-type: none"> <li>Being able to anticipate, respond to, and capitalise on disruptive and innovative technologies for the firm and our clients across all sectors (e.g. robotics, internet of things, data and analytics, artificial intelligence, block chain, automation and social media enablement)</li> <li>Matching skills and solutions quickly and effectively to growth areas.</li> </ul>	 <p>Retain and grow our client base Get operational basics right Leverage global innovation and investment</p>	<p>Decreasing</p>
<p>Proactive regulatory engagement</p> <ul style="list-style-type: none"> <li>Managing, and remaining responsive to, regulations that impact our business model, including mandatory audit-firm rotation, restrictions on non audit services and independence</li> <li>Ensuring sound relationships and constructive engagement with audit and other regulators, responding actively and appropriately to regulatory input.</li> </ul>	 <p>Leadership and governance Be the benchmark for quality and integrity</p>	<p>Decreasing</p>

Risk	Link to strategic response	Risk trend
<p>Appropriate clients and services</p> <ul style="list-style-type: none"> <li>• Accepting and retaining only those clients that are consistent with our brand values</li> <li>• Delivering services that are, and are perceived to be, legal, ethical and in compliance with professional standards and our core competencies</li> <li>• Being aware of the socio-political landscape when undertaking work in the public and private sectors to ensure that the public interest is always served.</li> </ul>	 <p>Culture and transformation Be the benchmark for quality and integrity Retain and grow our client base</p>	<p>Decreased and stabilised</p>
<p>Data protection</p> <ul style="list-style-type: none"> <li>• Protecting confidential client and/or personal data from cyber-attack or failures of internal controls.</li> </ul>	 <p>Be the benchmark for quality and integrity Get operational basics right</p>	<p>Stable</p>
<p>Economic growth and stable government</p> <ul style="list-style-type: none"> <li>• Growing professional leaders who can contribute to the economy and society of our country by providing education, employment, service delivery, poverty eradication, reduction in crime and corruption, leadership, governance and upliftment of human dignity</li> <li>• Focusing the firm on serving business and society, and playing a key role in helping to create a positive future for South Africa and the accounting profession.</li> </ul>	 <p>Leadership and governance Culture and transformation</p>	<p>Increasing</p>
<p>Focused execution and change management</p> <ul style="list-style-type: none"> <li>• Having a business model that is agile enough to adapt to external and internal influences</li> <li>• Executing our strategy against our business plan and objectives in a period of rapid change</li> <li>• Ensuring sufficient resources for strategy execution and effective change management</li> <li>• Communicating and engaging with relevant stakeholders on our strategic plan.</li> </ul>	 <p>Leadership and governance Get operational basics right</p>	<p>Decreasing</p>



# Our stakeholder engagement plan

## Overview of engagements in 2019

We group our broad community of stakeholders into the following three primary clusters: people, business and society:



### Engaging with our people

We appreciate that, to a great extent, we are our people. Having appropriately skilled and motivated people, who share our renewed sense of purpose and our commitment to acting with integrity and the highest ethical standards, is key to our business continuity and our ambition to be the most trusted and trustworthy professional services firm.

Over the past two years, KPMG SA people have demonstrated incredible strength and resilience in a very difficult period, which has also impacted their families and communities. The loss of over 1 000 colleagues over

the past two years has placed additional pressure on our people and we continue to manage the impact of right-sizing the firm.

Our people have expressed the need for transparency, timely communication and meaningful engagement with our leadership. In the review period, we have used our business unit meetings, reward roadshows and the Global People Survey as channels for colleague engagement. Our weekly CEO newsletter enhances timely communication with colleagues.

We have also established an elected colleague representative body, known as the colleague business forum ("CBF"), to facilitate regular engagement between KPMG SA leadership and our people on matters that critically impact our business and people.

Matters related to diversity and inclusion, more specifically the sense of belonging for all our people, especially black professional colleagues and the lesbian, gay, bisexual and transgender ("LGBT+") community of colleagues, remain a priority. Focused interventions are under way to enhance wellbeing in the workplace, which will be monitored and assessed through the CBF.

Our engagements have also been focused on our bursary scholars, graduates and alumni for their critical views as people who are a direct extension of our network.

### **Engaging with business**

As partners, peers and the voice of accountability, the business community has had a significant interest in events of the past two years. In response, we have increased our engagements with stakeholders from this community, openly sharing our lessons and updating them on progress with our remedial actions.

Our engagements with clients are richer now. We are more deliberate about inviting their inputs as we reshape our business. We are open in sharing the lessons we have learned and the concrete steps we are taking to establish performance standards even better suited to the needs

of the broader corporate sector and the society in which it operates.

Our engagements with regulators remain proactive, aiming to deepen accountability for our organisation, while identifying structural issues in the wider profession that require reform to ensure it remains relevant and trustworthy.

We have found significant value in developing closer relations with other business stakeholders (beyond clients and regulators) who have acted as sounding boards and expanded our perspective.

Our ongoing efforts to be transparent and accountable appear to have been received well by most stakeholders in the business community. Feedback during the year has been encouraging and positive, reflected in clients being retained and new work mandates being secured from new and existing clients.

### **Engaging with society**

The importance of our role as the guardian of public interest, and related expectations, were key lessons learned from our experiences of the last two years.

Our society stakeholders have been our harshest critics. They have also been among our greatest instructors. They reminded us of our higher purpose and prompted us to establish our own public interest commitment:

***"We commit to support and strengthen the societies in which we operate, and the prospects of those who live in them, through work delivered to the highest ethical, professional and societal standards and expectations.***

***We aspire to serve as a business leader and guardian of public interest by leveraging our skills and knowledge for the benefit of the profession, our people, society and our clients.***

***We commit to engage in business activities that positively impact the society in which we work.***

We have engaged with our society stakeholders individually, through KPMG SA-convened gatherings and sharing information via public platforms. A key topic has been the status of investigations into the firm and our remedial actions. These engagements show that civil society remains frustrated at the lack of adequate consequences for transgressions by individuals and private institutions in terms of corruption and state capture.

Together with the rest of South Africa, we await the outcomes of the Zondo commission of inquiry. For our part, we continue to cooperate with all inquiries and investigations and have made three submissions of information to the Zondo commission.

Feedback from our society stakeholders has enabled us to formulate a clear citizenship and public interest strategy — a plan that details how we will continue to embed conscious and ethical conduct in all our business activities. This critical pillar of our reform initiatives is being driven by a dedicated and experienced team of professionals, working closely with the Chairperson, CEO and the chair of our Public Interest, Social and Ethics Committee.

### Activities and outcomes

The following table (overleaf) summarises expectations and issues raised during the year by key categories of stakeholders (illustrated on page 55), and our responses.



“Over the past three years, KPMG SA has had to self-reflect as an organisation and, on an individual level, each person has had to reflect deeply on his or her role and the impact his or her decisions have on our communities. The resilience and grit demonstrated by my KPMG SA colleagues during a difficult period gives me great hope for the future of the firm. As the Africa Tax Coordinator, I am also optimistic about the future of KPMG on the continent because I see the determination of our teams to deliver high quality work to global and local clients consistently. It is energising!”

- Preshnee Govender, CBF member



Profile/description	Methods of engagement	Key concerns and expectations	Our response
<p><b>Clients</b></p> <ul style="list-style-type: none"> <li>• Global multinational corporations</li> <li>• South African global businesses</li> <li>• Local businesses: from SMEs to large enterprises</li> <li>• KPMG member firms</li> <li>• Private equity</li> <li>• Public sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Client acceptance risk reviews</li> <li>• Board and non-executive director engagements</li> <li>• Senior management meetings to update on supplier performance and delivery governance</li> <li>• Audit Committee meetings and formal presentations</li> <li>• Update letters and external reports</li> <li>• Dissemination of thought leadership</li> <li>• Industry forums.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Has KPMG SA the necessary resources and a sustainable business model to continue servicing us in the medium term?</i></li> <li>• Impact of public trust risk on stakeholder relationships</li> <li>• Brand acceptance in the market generally, and public sector specifically</li> <li>• Managing differing expectations by direct and indirect stakeholders</li> <li>• Understanding market drivers, including civil society expectations, regulatory changes and technology disruption</li> <li>• Regular and transparent communication</li> <li>• Continuity of client service teams</li> <li>• Remaining relevant in the market in a multidisciplinary way, despite current staffing constraints.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular client meetings by engagement partners and senior leadership</li> <li>• Monitor our market profile through leading-edge social media listening tools</li> <li>• Various global partner meetings and presentations</li> <li>• Appointing a new head of communications in the office of the CEO</li> <li>• A segmented and targeted client portfolio plan</li> <li>• Leveraging global investments in technology and associated delivery platforms</li> <li>• Cross-functional collaboration to provide competitive solutions within regulatory frameworks</li> <li>• Technological innovation and sector expertise through global connectivity</li> <li>• Issuance of thought-leadership publications.</li> </ul>

Profile/description	Methods of engagement	Key concerns and expectations	Our response
<p><b>People</b></p> <ul style="list-style-type: none"> <li>• Partners</li> <li>• Colleagues</li> <li>• Alumni</li> <li>• Graduates</li> <li>• Universities.</li> </ul>	<ul style="list-style-type: none"> <li>• Townhall meetings, people communications (e-mails, on-screen-pop-up messaging), business unit meetings</li> <li>• Culture, ethics and support workshops</li> <li>• Annual Global People Survey (GPS)</li> <li>• Counselling and career development/ performance management programmes.</li> </ul>	<ul style="list-style-type: none"> <li>• Need for transparency and speed at which information is cascaded to colleagues</li> <li>• Assurance that issues have been dealt with fully and no more surprises</li> <li>• Job security, promising future and career plans</li> <li>• Strong leadership and clear strategy, with accountability, and aligned culture</li> <li>• Public interest and values-driven organisation</li> <li>• Remuneration and incentives/ accountability aligned with market and strategic key performance indicators.</li> </ul>	<ul style="list-style-type: none"> <li>• More intensive culture, ethics and legacy issue workshops and engagements</li> <li>• Comprehensive remedial plans, together with culture alignment programmes</li> <li>• Establishment of a robust business plan and strategy to position for the future</li> <li>• Revitalised remuneration, incentive and benefits programmes.</li> </ul>
<p><b>Regulators/professional associations</b></p> <ul style="list-style-type: none"> <li>• Independent Regulatory Board for Auditors (IRBA)</li> <li>• Institute of Internal Auditors (IIA SA)</li> <li>• JSE</li> <li>• SAICA</li> <li>• South African Reserve Bank (SARB).</li> </ul>	<ul style="list-style-type: none"> <li>• Formal investigations and inquiries</li> <li>• Formal inspections and findings reports</li> <li>• Enquiries and reporting</li> <li>• Update letters and reports</li> <li>• Meetings and presentations</li> <li>• External reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to deliver constantly high-quality audits, compliant with standards and regulations</li> <li>• Upholding of professional standards, including independence and ethical behaviour</li> <li>• Compliance with regulatory requirements (e.g. Banks Act on appointment of auditors for banks, accreditation of JSE-listed auditors)</li> <li>• Market concentration within the auditing and auxiliary professional services sector</li> <li>• Advancing transformation within South African context.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancement of leadership and government reforms with new non-executive directors included in the board and several committees focused on reforming KPMG SA governance</li> <li>• Embody of quality and risk management reforms</li> <li>• Transformation and diversity programmes implemented</li> <li>• Commitment to transparency and sustainability in external reporting.</li> </ul>

Profile/description	Methods of engagement	Key concerns and expectations	Our response
<p><b>Government</b></p> <ul style="list-style-type: none"> <li>• Auditor-general of South Africa</li> <li>• Ministry of Finance</li> <li>• Ministry of Public Enterprises</li> <li>• South African Revenue Services (SARS)</li> <li>• Ministry of Communications</li> <li>• Ministry of Trade and Industry</li> <li>• Ministry of Higher Education/ Universities</li> <li>• Development Bank of SA</li> <li>• Industrial Development Corporation</li> <li>• Eskom</li> <li>• Gauteng Province</li> <li>• Johannesburg Metro Municipality</li> <li>• Ekurhuleni Metro Municipality</li> <li>• Telkom</li> <li>• Parliament</li> <li>• National Treasury</li> <li>• KZN Provincial Treasury.</li> </ul>	<ul style="list-style-type: none"> <li>• Formal presentation to standing committee on public accounts (SCOPA)</li> <li>• One-on-one meetings, presentations and engagements</li> <li>• Updated thought leadership reports.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Was the response of the firm to recent shortcomings decisive enough?</i></li> <li>• <i>Were transgressors subjected to appropriate consequence management?</i></li> <li>• <i>How do we manage the association risk of a continued relationship with KPMG SA?</i></li> <li>• Concerns on upholding professional standards and ethics in nature and quality of work undertaken for Guptas, SARS and VBS Mutual Bank</li> <li>• Determining if there was a lapse in risk management and practice disciplines, bringing into question quality of audit performed on behalf of the office of the auditor-general</li> <li>• <i>Is there more bad news to come?</i></li> <li>• Ability of KPMG SA to regain public and regulatory trust</li> <li>• Achieving transformation targets.</li> </ul>	<ul style="list-style-type: none"> <li>• Fact finding through coherent and extensive stakeholder engagement programme, underpinned by a dynamic communication strategy (baseline report, integrated and audit quality transparency reports)</li> <li>• Leadership and governance reforms, including quality and risk management reforms</li> <li>• Intensive investigations to identify primary causes and commitment to extensive remedial plans</li> <li>• Establishing a dynamic business plan and strategy (aligned to global)</li> <li>• Adopting cross-functional collaboration to provide public sector-aligned solutions within regulatory frameworks</li> <li>• Technological innovation and public-sector expertise through global connectivity.</li> </ul>

Profile/description	Methods of engagement	Key concerns and expectations	Our response
<b>Business Associations</b>			
<ul style="list-style-type: none"> <li>• Business Unity South Africa</li> <li>• Business Leadership South Africa</li> <li>• Black Management Forum</li> <li>• Banking Association South Africa</li> <li>• Association for the Advancement of Black Accountants of Southern Africa</li> <li>• African Woman Chartered Accountants</li> <li>• Institute of Directors SA</li> <li>• Institutional investors.</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings and presentations</li> <li>• Update letters and reports</li> <li>• External reporting.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Is KPMG SA adopting a zero-tolerance approach to corruption?</i></li> <li>• Ability to deliver constantly high- quality audits, compliant with standards and regulations</li> <li>• Upholding of professional standards, including independence and ethical behaviour</li> <li>• Advancing transformation within South African context</li> <li>• Commitment to true ethical reform</li> <li>• Sharing lessons learnt with wider business community</li> <li>• Participating in the various enquiries and investigations.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancement of leadership and government reforms with new non-executive directors included in the board.</li> <li>• Embodiment of quality and risk management reforms</li> <li>• Transformation and diversity programmes</li> <li>• Commitment to transparency and sustainability in external reporting</li> <li>• Sharing of lessons learned at various business forums</li> <li>• Focused on delivering constantly high- quality audits, compliant with standards and regulations.</li> </ul>
<b>Society</b>			
<ul style="list-style-type: none"> <li>• Social justice institutions</li> <li>• Anti-corruption and ethical leadership organisations</li> <li>• Education sector non-profit organisations</li> <li>• Faith-based communities</li> <li>• Political stakeholders</li> <li>• Media</li> <li>• General public.</li> </ul>	<ul style="list-style-type: none"> <li>• Bilateral and multilateral engagements</li> <li>• Formal engagements with KPMG SA board and exco</li> <li>• Public forums – business, civil society, academia</li> <li>• CEO media roadshows</li> <li>• External communications.</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency on KPMG SA reforms</li> <li>• Progress update on all open matters and investigations</li> <li>• KPMG SA role in contributing to strengthening and reforming the broader profession through lessons learned</li> <li>• KPMG SA commitment to, and delivery of, its public-interest mandate through its work, maintaining ethics and integrity in all it does, and contributing to socio-economic development</li> <li>• Demonstrable cultural shift in line with our public-interest recommitment.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued commitment to transparency and accountability by participating at public forums, continued stakeholder engagement and external reporting</li> <li>• Continuous evaluation and revision of stakeholder engagement plan</li> <li>• Our strategy places the public interest, ethics and quality at its centre</li> <li>• The citizenship and public interest strategy and programmes are focused on elevating awareness and ethics across the firm</li> <li>• A focused social investment strategy ensures continued contribution to communities. This is enabled by employee volunteering and pro-bono services</li> <li>• 54 organisations were reached through the Public Interest Fund</li> <li>• 21 organisations were reached through the KPMG Foundation.</li> </ul>

## Looking ahead: embedding stakeholder engagement into our business

We have expanded our approach to include a wide range of stakeholders who materially influence and impact our business – and who are influenced or impacted by it. This approach is aligned with the principles of responsible corporate citizenship and the mandate to create shared value for stakeholders. Deep and rich engagements have been embarked on, informed by various prioritisation mechanisms in place across our people, business and society stakeholder clusters.

The next step is to work towards embedding stakeholder-centricity into our approach to business. Working directly with our Chairperson, CEO, and Head of Communications, we will spearhead a centre-led approach to stakeholder engagement and management. Among other steps, this will require formalising oversight and monitoring mechanisms, continuously evaluating the effectiveness of engagement and management activities, and establishing clear roles and responsibilities.







"Audit quality continues to be a key priority for each and every one of us and I have, personally, grown so much over the past few years. I am optimistic about the opportunities that are presenting themselves to the firm and our people as a result of our perseverance, dedication and commitment. I am proud to be part of this journey. A quote from Roy T. Bennett is resonating with me at KPMG SA at the moment: 'Don't be pushed around by the fears in your mind. Be led by the dreams in your heart.'"

- Fatima Khan, CBF member



## GOVERNANCE

# Governance report

This report gives our stakeholders insight into our governance principles, bodies, practices and outcomes. Its aim is to provide additional information on how our governance has matured since the release of our last integrated report. We have considered King IV™ best practice and disclosure recommendations in compiling this report.

### Policy Board composition, structure and progress report

Given our ongoing commitment to ethical and effective governance, our governance structure and practices have been designed to support our ambition of becoming the most trusted and trustworthy professional services firm in South Africa. Accordingly, further governance enhancements were made in 2019.

Consistent with the prior reporting period, our governance model seeks to ensure that our Policy Board, in consultation with the Executive Committee (“exco”), sets the strategic direction of the firm effectively and that it maintains adequate, independent oversight of strategy execution through close monitoring of performance and the control environment.

The Policy Board is supported by a number of committees focused on key functional governance areas. Exco reports to the board and has two directors that sit on the Policy Board, as well as a number of invitees to ensure sufficient engagement and discussion at board level.

KPMGI has observers who attend Policy Board meetings and partners have been seconded from elsewhere in the network to sit on exco. These partners bring specialist skill sets and diversity to the leadership team, supporting best practice, greater connectivity with the rest of the network, and sharing a wealth of experience.

Our governance bodies as at 28 February 2020 are shown on page 21.

Our Policy Board and Executive Committee members are shown on pages 19 and 20.

### Company board structure

KPMG SA is the collective trading name for KPMG Incorporated (“KPMG Inc”) and KPMG Services Proprietary Limited (“KPMG Services”). The partners of KPMG SA are directors in one or both of KPMG Inc and KPMG Services and as directors they have delegated, without abdicating responsibility, to the respective Policy Boards of each company in accordance with the memoranda of incorporation. The Policy Boards therefore act as the committees of the Board of Directors of each entity. The Policy Board of both entities sits co-timeously as they comprise the same members and consider issues common to both entities. When matters arise that are specific to one entity, then the Policy Board members who are directors of that entity will vote in respect of such matter; for example, in the context of governance matters relating to the audit business as a whole and audit quality, in particular. For ease of understanding, references to ‘board’ or ‘Policy Board’ refer to the Policy Boards of both entities.

### Policy Board composition

KPMG SA has recognised the merits of having a balanced board and the value to be derived from diversity, independent views and advice informed by relevant skills and experience. No individual director has dominance or unfettered power on the Policy Board.

In 2019, elections for new members to the Policy Board were held and shareholders voted for additional members (our elected Policy Board members) who added to diversity and representivity from across the functions in the firm to the Policy Board. Acknowledging the benefits of independent, non-executive members on the Policy Board, shareholders also voted to amend the memoranda of incorporation so that an additional two independent, non-executive members could be appointed. Having four non-executive members, three of whom are independent, on the Policy Board provides further impartial oversight and objective advice, infused with the benefits of outside experience and capacity to ensure that our committees can be constituted with sufficient independent membership.

We are proud of the calibre and experience of our non-executive and independent Policy Board members. Our Chairperson, Professor Wiseman Nkuhlu, is a leader acknowledged for his life-long commitment to the auditing and accounting profession. We are grateful for his service as executive Chairperson for the period December 2018 June 2019, prior to our new CEO taking office. He continues now as a non-executive Chairperson of the Policy Board and, in due course, the Policy Board will reassess his directorship classification against accepted independence criteria with a view to reclassifying him as an independent non-executive Chairperson.

Ansie Ramalho, our lead independent member of the Policy Board, played a significant role in leading the Policy Board during the CEO transition period, and ensuring that

performance assessments of the members of the board and its committees took place. Her experience as the project lead for the King IV™ report and directorships on other boards has brought a higher level of professionalism to our governance processes.

Professor Benjamin Marx, previously an independent member of several board committees, has been appointed as a Policy Board member (effective 11 March) and chair of our new Audit Quality Committee. His expertise in the accounting and auditing fields and his independence bring objective and impartial oversight to the key audit quality initiatives of the firm.

We are also delighted to welcome Imogen Mkhize, our newest independent non-executive, who was appointed as a Policy Board member on 11 November 2019. Her expertise in matters ranging from ethics to information technology, in conjunction with her years of experience as a director in both executive and independent non-executive capacities, will further enhance the skill sets of our Policy Board and enable us to achieve our strategic goals.

Our new CEO, Ignatius Sehoole, took office on 4 June 2019. This was a highlight for our executive team and the wider firm. Ignatius is a chartered accountant by profession, former executive president of the SAICA and has been a director of numerous blue-chip companies. Since his arrival, his message to the firm, its clients and stakeholders has been clear: We aim to establish KPMG SA as the most trusted and trustworthy professional services firm.

Ignatius made several changes to the exco so that it could further implement the strategy of the firm and provide a succession platform for developing a diverse and transformed group of leaders for the future. Consistent with good governance practices, representation of exco members on the Policy Board is restricted to our CEO and one other exco member – our executive: transformation and citizenship from 1 October 2019. Prior to that, the chief operating officer (“COO”) also sat on the Policy Board. Other exco members (e.g. the country risk management partner and COO) and general counsel may attend by invitation for all or part of Policy Board meetings to report back on functional matters, but they do not vote on any Policy Board decisions.

### **Policy Board charter and effectiveness**

In line with good governance principles, our governance structures and processes are aligned to drive our purpose, vision and strategy. Our Policy Board has a board charter and work plan and its committees also operate with terms of reference and work plans. Committees report back to the Policy Board after their meetings. The company secretary, Essop Sather, a professional with over 35 years’ related experience with JSE-listed and private companies, continued providing secretariat services to the Policy Board and its committees during the year.

In 2019, the Policy Board separated the Risk, Quality and Compliance Committee to create the Audit Quality Committee. Oversight by this committee on audit quality matters is important to our goal of re-establishing trust and

delivering services while being conscious of our public-interest responsibilities. Our first audit quality transparency report provides more detail on audit quality and our systems of control.

Following the shareholders' resolution to amend the memoranda of incorporation to allow for the appointment of four independent non-executives, the Policy Board resolved to defer creation of a Nomination and Remuneration Committee so that its membership could comprise only independent non-executive directors. In the current period, given the importance of aligning strategy and behaviours, nomination and remuneration matters were overseen by the Policy Board.

Good governance requires accountability by those charged with directing and controlling the organisation. In 2019, the lead independent director led the Policy Board and its committees through a formal performance assessment process. The focus of these assessments addressed the Policy Board mandate/committee terms of reference, composition, discharge of duties, future focus areas and contributions made by the respective chairs, members, attendees and the company secretary. In summary, the results showed good progress, with areas of improvement identified for future focus. These are incorporated into the comprehensive report on the activities of the Policy Board and its committees in the sections that follow. The report describes current-year developments and achievements, as well as future focus areas, with the latter informed by the results of the performance assessments.

In addition, we assessed the application of recommended practices in King IV™ considered relevant to the firm. Substantial progress has been made, with more information provided in the sections on governance functional areas.



"I believe in our commitment to be the most trusted and trustworthy professional services firm in South Africa. I believe that our clients will respond positively when we display the highest level of integrity in everything that we do. My colleagues are resilient, dynamic and determined to have a positive impact on society and the communities in which we serve. I am, therefore, optimistic that the KPMG SA team is able to deliver a world-class service, exceed expectations and add value to the South African economy in a sustainable manner."

- Pooven Naidoo, CBF member



## Policy Board and committee meeting attendance

Policy Board and committee meeting attendance for the year ended 30 September 2019.

	Policy Board		Combined Assurance & Reporting Committee	Risk, Quality & Compliance Committee	Public Interest, Social & Ethics Committee	Transformation Oversight Committee	Audit Quality Committee
	Scheduled	Special					
Total meetings held in the year	8	8	8	4	4	3	2
Chairperson	Wiseman Nkuhlu		Zola Beseti	Benjamin Marx / Devon Duffield <sup>1</sup>	Ansie Ramalho	Jolene Pierce	Benjamin Marx
<b>Non-executive</b>	<b>Actual attendance / possible maximum attendance of meeting</b>						
Wiseman Nkuhlu	8/8	8/8		3/4			1/2
Ansie Ramalho (independent)	8/8	6/8		3/4	4/4	3/3	
Benjamin Marx~ <sup>o</sup> (independent)				4/4			2/2
Imogen Mkhize~ (independent)							
<b>Elected board members</b>							
Zola Beseti	6/8	7/8	8/8				
Devon Duffield	8/8	7/8		4/4			2/2
Pierre Fourie#	5/7	6/7	6/8	3/4			
Mohammed Hassan	7/8	7/8				3/3	
Joelene Pierce <sup>^</sup>	7/8	7/8			2/4	3/3	
Lance September <sup>ˆ</sup>	1/1	1/1				1/1	
Giuseppina Aldrighetti*							
Coenraad Basson*							
Kashmira Bhana*							
Nosisa Fubu*							
Modise Maseng*							
<b>Executive Committee board members</b>							
Nhlamu Dlomu <sup>ˆ</sup>	1/1	1/1					
Ignatius Sehoole	1/1						
Gavin de Lange <sup>^</sup>	7/8	7/8					
Makgotso Letsitsi*							

\* Appointed to the Policy Board on 1 October 2019

<sup>^</sup> Resigned as Policy Board members on 30 September 2019

# Resigned as a director of KPMG Services Proprietary Limited and KPMG Incorporated on 30 September 2019, and as a Policy Board member on 7 August 2019

~ Appointed as independent non-executive directors of KPMG Services Proprietary Limited and as Policy Board members on 11 November 2019

<sup>o</sup> Professor Benjamin Marx was appointed as a director and a Policy Board member on 11 November 2019; however, he attended sub-committee meetings in his capacity as independent chair of the Risk, Quality and Compliance Committee on 15 November 2018. He was appointed as an independent chair of the new Audit Quality Committee on 16 April 2019.

<sup>ˆ</sup> Resigned as CEO, director and Policy Board member of KPMG Services Proprietary Limited on 14 November 2018

<sup>ˆˆ</sup> Resigned as a Policy Board member on 18 December 2018 and as a director of KPMG Services Proprietary Limited and KPMG Incorporated on 31 March 2019

<sup>1</sup> Devon Duffield assumed the chair of the Risk, Quality and Compliance Committee on 15 May 2019

## Policy Board progress report

\* These functional areas will be assumed by the Nomination and Remuneration Committee going forward.

Members (November 2019)	Functional area oversight	Objective	Progress report	Future focus areas
<ul style="list-style-type: none"> <li>Prof Wiseman Nkuhlu (chair)</li> <li>Ansie Ramalho (lead independent non-executive director)</li> <li>Prof Benjamin Marx (independent non-executive director)</li> <li>Imogen Mkhize (independent non-executive director)</li> <li>Ignatius Sehoole (CEO)</li> <li>Makgotso Letsitsi (executive: transformation and citizenship)</li> <li>Giuseppina Aldrighetti</li> <li>Coenraad Basson</li> <li>Kashmira Bhana</li> <li>Zola Beseti</li> <li>Devon Duffield</li> <li>Nosisa Fubu</li> <li>Mohammed Hassan</li> <li>Modise Maseng.</li> </ul> <p><b>Invitees</b></p> <ul style="list-style-type: none"> <li>Gavin de Lange (COO)</li> <li>Jan Vliegenthart (country risk management partner)</li> <li>Paul Daly (general counsel).</li> </ul> <p><b>Number of meetings</b></p> <ul style="list-style-type: none"> <li>Scheduled: 8</li> <li>Special: 8.</li> </ul>	<ul style="list-style-type: none"> <li>Strategy</li> <li>Ethics</li> <li>Performance and quality management</li> <li>Stakeholder engagement</li> <li>Reporting and communication</li> <li>Remuneration*</li> <li>Policy Board composition*</li> <li>Policy Board effectiveness*</li> <li>Appeals*.</li> </ul>	<p>To provide a leadership role to KPMG SA by steering the firm and setting its strategic direction, approving policy and planning to give effect to the purpose and vision of the firm, overseeing and monitoring implementation and execution of strategy and planning, and ensuring accountability for performance via, inter alia, reporting and disclosure. The Policy Board is assisted by its committees in overseeing the various governance functional areas but remains primarily responsible and accountable. Ultimately, the Policy Board will strive to achieve outcomes aligned with King IV™:</p> <ul style="list-style-type: none"> <li>Ethical culture</li> <li>Good performance</li> <li>Effective control</li> <li>Legitimacy.</li> </ul> <p>The entire Policy Board fulfils duties on remuneration, nomination and appeals as follows:</p> <ul style="list-style-type: none"> <li>To assess and approve the remuneration philosophy and policies of the firm to ensure that we attract and retain partners and colleagues of the right calibre and skills, and to motivate them to achieve exceptional performance aligned with our strategic priorities and vision.</li> </ul>	<ul style="list-style-type: none"> <li>Continued rebuilding trust with stakeholders</li> <li>Encouraged further inculcation of an ethical culture</li> <li>Received and oversaw the governance processes and functioning of Policy Board committees</li> <li>Constituted the new Audit Quality committee and oversaw execution of the audit quality plan</li> <li>Approved membership of the new exco</li> <li>Focused on implementation of strategy by exco and approved new or revised policies</li> <li>Monitored implementation of performance against the business plan and approved necessary adjustments</li> <li>Reviewed performance assessments of the Policy Board and its committees, including approved areas of future focus</li> <li>Following the board-election process, adjusted composition of Policy Board committees to ensure sufficient independence, appropriate skills and experience</li> <li>The Policy Board met 16 times during the year to fulfil its responsibilities on nomination and remuneration matters</li> <li>Enhanced internal and external reporting and communication.</li> </ul>	<ul style="list-style-type: none"> <li>Constitute the Nomination and Remuneration Committee</li> <li>Provide more in-depth board training, particularly in light of newly elected and appointed board members</li> <li>Robust oversight of implementation of strategy</li> <li>Agree detailed delegation of authority</li> <li>Expand Policy Board and committee performance evaluations to include individual Policy Board member and company secretary assessments</li> <li>Ensure improved communication to internal and external stakeholders.</li> </ul>

## Combined Assurance and Reporting Committee progress report

Members	Functional area oversight	Objective	Progress report	Future focus areas
<ul style="list-style-type: none"> <li>Zola Beseti (chair)</li> <li>Prof Benjamin Marx</li> <li>Giuseppina Aldrighetti</li> <li>Edson Magondo</li> <li>Modise Maseng.</li> </ul> <p><b>Invitees</b></p> <ul style="list-style-type: none"> <li>Gavin de Lange</li> <li>Ryan McDougall</li> <li>Duncan Smith</li> <li>Dr Kerry Jenkins (from July 2019).</li> </ul> <p><b>Number of meetings</b></p> <p>8</p>	<ul style="list-style-type: none"> <li>Reporting</li> <li>Combined assurance.</li> </ul>	<p>To direct and oversee that combined assurance (comprising the various assurance functions and services) results in an effective control environment and the integrity of internal and external reporting, including oversight of the quality and effectiveness of the financial and integrated reporting of the firm, finance function, external audit, internal audit and systems of internal controls.</p>	<ul style="list-style-type: none"> <li>Oversaw the 2019 annual financial statements and considered the business plan and going-concern matters</li> <li>Monitored enterprise resource planning systems upgrades</li> <li>Finalised combined assurance framework and approved a combined assurance plan</li> <li>Post year end approved an internal audit charter and scheduled internal audit reviews. Received and approved a King IV™ assessment report</li> <li>Oversaw and reviewed the annual integrated report.</li> </ul>	<ul style="list-style-type: none"> <li>Oversee effective execution of the combined assurance model and plan, including using internal audit for additional assurance</li> <li>Ensure assurance processes continue to mature</li> <li>Strengthening of financial controls and management reporting.</li> </ul>

## Risk, Quality and Compliance Committee progress report

Members	Functional area oversight	Objective	Progress report	Future focus areas
<ul style="list-style-type: none"> <li>• Devon Duffield (chair from 15 May 2019)</li> <li>• Prof Benjamin Marx (chair from 1 November 2018 to 15 May 2019)</li> <li>• Prof Wiseman Nkuhlu</li> <li>• Ansie Ramalho</li> <li>• Kashmira Bhana.</li> </ul> <p>Invitees</p> <ul style="list-style-type: none"> <li>• Ignatius Sehoole</li> <li>• Jan Vliegenthart</li> <li>• Dr Kerry Jenkins</li> <li>• Functional risk heads.</li> </ul> <p><b>Number of meetings</b></p> <p>4</p>	<ul style="list-style-type: none"> <li>• Quality in advisory and tax functions</li> <li>• Enterprise risk and opportunity management</li> <li>• Technology and information</li> <li>• Regulatory compliance.</li> </ul>	<p>To direct and oversee that enterprise-wide risk is managed in a way that supports KPMG SA in setting and achieving its strategic objectives. In particular, directing and overseeing compliance with applicable laws and non-binding rules, codes and standards, including quality standards.</p>	<ul style="list-style-type: none"> <li>• Oversaw tax and advisory quality monitoring activities and improvement initiatives</li> <li>• Oversaw internal and external investigations and remediation plan development (refer to page 13 — Update on our past issues)</li> <li>• Oversaw hot-line reporting processes and responses</li> <li>• Oversaw development of strategic, functions and infrastructure risk registers that include assessment and evaluation of risks and reporting on mitigation activities</li> <li>• Approved dynamic risk assessment that shows the connectivity and velocity of strategic risks and how risks operate in clusters</li> <li>• Oversaw regulatory universe maintenance and scanning activities</li> <li>• Received assurance on monitoring compliance to selected legislation</li> <li>• Reviewed status and progress of IT disaster-recovery and business continuity plans, as well as security and privacy frameworks</li> <li>• Received, reviewed and commented on outcomes of RCP, GCR, Legacy and reputational matters reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening of mitigation of risks</li> <li>• Oversee that adequate and effective responses are in place to manage risk clusters</li> <li>• Advance ERM to set risk appetite and tolerance levels in line with ERM policy and framework</li> <li>• Enhance compliance system</li> <li>• Ensure oversight of southern African practices.</li> </ul>



**Public Interest, Social and Ethics Committee progress report**

Members	Functional area oversight	Objective	Progress report	Future focus areas
<ul style="list-style-type: none"> <li>• Ansie Ramalho (chair)</li> <li>• Nosisa Fubu</li> <li>• Makgotso Letsitsi</li> <li>• Mohammed Hassan</li> <li>• Dr Schalk Engelbrecht.</li> </ul> <p><b>Invitees</b></p> <ul style="list-style-type: none"> <li>• Prof Wiseman Nkuhlu</li> <li>• Ignatius Sehoole</li> <li>• Rachel Campbell</li> <li>• Dr Kerry Jenkins</li> <li>• Farzanah Mall</li> <li>• Yoliswa Msweli.</li> </ul> <p><b>Number of meetings</b></p> <p>4</p>	<ul style="list-style-type: none"> <li>• Corporate citizenship</li> <li>• Ethics</li> <li>• Stakeholder engagement.</li> </ul>	<p>To ensure that the governance outcomes of having an ethical culture and legitimacy are realised in KPMG SA by directing and overseeing:</p> <ul style="list-style-type: none"> <li>• Cultivating the characteristics and conduct by members of the Policy Board and its committees that display integrity, competence, responsibility, accountability, fairness and transparency</li> <li>• That KPMG SA is an ethical organisation</li> <li>• That KPMG SA is, and is seen to be, a responsible corporate citizen by its stakeholders and the public</li> </ul> <p>Including oversight of:</p> <ul style="list-style-type: none"> <li>• Managing stakeholder relationships</li> <li>• Setting the right tone on ethics and integrity in KPMG SA</li> <li>• Ensuring that public interest, social and ethics activities are coordinated, communicated and addressed holistically</li> <li>• Maintaining a culture of openness, that encourages people to consult and share problems, knowledge and experience to achieve quality work in a way that properly considers the public interest</li> <li>• Acting as a safeguard of public interest by reporting significant matters of non-compliance (where these have not, or are not, being expeditiously and satisfactorily addressed).</li> </ul>	<ul style="list-style-type: none"> <li>• Oversaw progress on implementing the culture work plan, including projects on pulse surveys, partner 360° feedback</li> <li>• Oversaw progress on executing ethics strategy and work plan, including ethics workshops, newsletters and functioning of ethics hotlines and speak-up campaigns</li> <li>• Oversaw implementation of corporate citizenship programme and engagement of civil society groups</li> <li>• Reviewed process for completing disbursement of funds to relevant education and anti-corruption organisations</li> <li>• Oversaw development of corporate social investment strategy</li> <li>• Recommended approval of policies on employee volunteerism and pro-bono work.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve measurement of operational impacts and ensure that these are commensurate with the outcome of serving the public interest.</li> </ul>

## Transformation Oversight Committee progress report

Members	Functional area oversight	Objective	Progress report	Future focus areas
<ul style="list-style-type: none"> <li>• Joelene Pierce (chair from 1 October 2018 to 30 September 2019)</li> <li>• Nosisa Fubu (chair from 1 October 2019)</li> <li>• Ansie Ramalho</li> <li>• Coenraad Basson</li> <li>• Zola Beseti.</li> </ul> <p><b>Invitees</b></p> <ul style="list-style-type: none"> <li>• Ignatius Sehoole</li> <li>• Rachel Campbell</li> <li>• Makgotso Letsitsi</li> <li>• Dr Kerry Jenkins.</li> </ul> <p><b>Number of meetings</b></p> <p>3</p>	<ul style="list-style-type: none"> <li>• Transformation and inclusion.</li> </ul>	<p>To direct and oversee the transformation strategy and its positive outcomes in KPMG SA, including:</p> <ul style="list-style-type: none"> <li>• Reviewing the appropriateness and completeness of the transformation framework, strategy and plan</li> <li>• Ensuring the transformation strategy is in line with the Broad-Based Black Economic Empowerment Act, Employment Equity Act and all other relevant legislation, charters and codes of governance</li> <li>• Reviewing and challenging the appropriateness of KPMG SA transformation targets</li> <li>• Regularly monitoring the progress of the firm against targets, and making recommendations to the Policy Board for improvement.</li> </ul>	<ul style="list-style-type: none"> <li>• Revitalised the transformation strategy and ensured alignment with the business strategy and employment equity plan</li> <li>• Oversaw the development of policies and processes to operationalise the transformation strategy (e.g. partner admission policy, transformation policy and graduate intake practice)</li> <li>• Received progress reports from the National Transformation Committee (operational committee) on strategy and implementation</li> <li>• Oversaw development of the employment equity plan</li> <li>• Oversaw the BEE verification process.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue addressing both barriers to, and opportunities for, transformation and inclusion</li> <li>• Embed transformation into our culture and core strategy.</li> </ul>



## Audit Quality Committee progress report

Members	Functional area oversight	Objective	Progress report	Future focus areas
<ul style="list-style-type: none"> <li>• Prof Benjamin Marx (chair)</li> <li>• Prof Wiseman Nkuhlu</li> <li>• Devon Duffield</li> <li>• Imogen Mkhize.</li> </ul> <p><b>Invitees</b></p> <ul style="list-style-type: none"> <li>• Ignatius Sehoole</li> <li>• Coenraad Basson</li> <li>• Duncan McLennan</li> <li>• Neil Morris</li> <li>• Jan Vliegenthart.</li> </ul> <p><b>Number of meetings</b></p> <p>2</p>	<ul style="list-style-type: none"> <li>• Audit Quality.</li> </ul>	<ul style="list-style-type: none"> <li>• To support the Policy Board in ensuring the firm is complying with its duties under ISQC1</li> <li>• Oversee all matters on audit quality and assess policies, projects and practices aimed at enhancing audit quality</li> <li>• Evaluate proposed initiatives and projects to address identified audit quality issues arising from internal and external audit inspection findings and other relevant data sources, including root cause analysis</li> <li>• Assess the strategic prioritisation, resourcing and scheduling of actions to be reflected in audit quality projects</li> <li>• Monitor and oversee controls and processes in place for audit quality, including risk management in audit quality</li> <li>• Hold the exco, led by the CEO, accountable for monitoring and oversight of root cause analysis processes, and implementation and execution of improvement plans</li> <li>• Noting and concurring with any recommendations made to the Policy Board on aspects of the performance management system, and reward and recognition arrangements linked to audit quality</li> <li>• Ensuring communications in the firm on audit quality matters are made, and seen to be made, from leadership (i.e. CEO and/or delegates)</li> <li>• Oversee stakeholder and regulatory relationships and interactions on audit quality.</li> </ul>	<ul style="list-style-type: none"> <li>• Accepted the terms of reference and composition of the Audit Quality Committee and compiled a work plan</li> <li>• Oversaw the development, execution and implementation of the audit quality plan, shared with the IRBA in January 2019</li> <li>• Monitoring audit in-flight reviews conducted with a focus on high-risk public interest entities, as part of audit quality improvement initiatives (i.e. support for audit professionals prior to signing an audit opinion)</li> <li>• Overseeing the piloting of new global audit methodology, KPMG Clara</li> <li>• Further embedding ethical culture initiatives (i.e. an ethics function and roll out of an ethics programme, supported by revitalised performance management, recognition and reward systems)</li> <li>• Oversaw results of quality performance reviews (i.e. monitoring engagement-level performance)</li> <li>• Oversaw results of regulatory inspections</li> <li>• Consolidated our Gauteng practice and closed some smaller regional offices</li> <li>• Provided input into, and oversight of, the audit quality transparency report.</li> </ul>	<ul style="list-style-type: none"> <li>• Oversee development and enhancement of use of audit quality indicators</li> <li>• Oversee alignment of global network approach to new ISQM1 – system of quality management that will replace ISQC1</li> <li>• Oversee continuation of audit-in-flight reviews as second line of defence as part of audit quality improvement initiatives</li> <li>• Continue deploying KPMG Clara.</li> </ul>

# Audit quality report

The following is a summary of the key audit initiatives implemented during the year.

KPMG SA set a leading example for the profession when we published our first audit quality transparency report, specifically focused on audit quality. In that report, available on our website or by contacting our Head of Communications in the office of the CEO, Dudu Ndlovu, at [dudu.ndlovu@kpmg.co.za](mailto:dudu.ndlovu@kpmg.co.za), we share more information on what we do in our audit practice, and how we do it to ensure we deliver audits of the highest quality.

In line with our objective of achieving the highest standards, we formalised our comprehensive audit quality plan in January 2019. We then concentrated on executing and monitoring progress against this plan, with quarterly updates to the IRBA.

## Audit quality plan highlights

- Understanding that our culture drives audit quality, the plan went beyond stipulating an ethics function to include recruitment, training and individual performance evaluations. This will ensure that our teams are fully equipped to make the right decisions in difficult circumstances
- Constituted a new committee of the Policy Board, independently chaired and focused purely on audit quality
- The final pillar of ensuring the highest audit quality standards was introducing a proactive and extensive review programme for current and future engagements, focused on public interest entities, that

provides support to our professionals prior to signing an audit opinion. We completed 174 reviews during the year. Initially known as audit in-flights reviews, this initiative will continue in the next financial period and be renamed second line of defence (2LoD) to align with KPMG global audit quality transformation initiatives.

Simultaneously, we supported the IRBA profession-wide drive to enhance the use, and reporting, of audit quality indicators. We currently use a number of internal indicators, such as quality performance review ratings and metrics on training, risk management, and compliance with independence requirements as well as mandatory ethics training. We aim to enhance and automate our monitoring processes for audit quality indicators in the near future.

## Investing in the future of audit

Our global initiatives to transform audit quality are focused on investing in the future of audit. We are investing significantly in technology and workflow systems aligned to international standards on auditing. Improved business metrics, which are technology-based monitoring controls across our electronic audit file population, were piloted in 2019. These improve our oversight and central, real-time monitoring of compliance with applicable professional standards.

In South Africa and globally, we are also investing in fundamentally redesigning our approach to the system of quality management ahead of the adoption of the new International Standard on Quality Management (ISQM 1), which will replace the International Standard on Quality Control (ISQC 1).

## Looking ahead

KPMG has a long history and culture that demonstrates its commitment to excellence, deep expertise, exceptional talent and rigorous processes. We will leverage these as we strive to achieve the highest standards of audit quality and to be the most trusted and trustworthy audit firm in South Africa.

Specifically, we will maintain our relentless focus on complying with auditing standards, and address areas for improvement identified in our monitoring reviews and regulatory inspections.

Our inaugural audit quality transparency report is a public expression of our commitment. We are confident you will find it informative.

Please see our **audit quality transparency report: Driving audit quality in South Africa**, available on our website or by contacting our Head of Communications in the office of the CEO, Dudu Ndlovu, at [dudu.ndlovu@kpmg.co.za](mailto:dudu.ndlovu@kpmg.co.za), for further, detailed information regarding our approach to audit quality and our progress towards our objectives during the year.



“Change is the only constant. It affects us all in different ways, depending on how we deal with it. The many strides that KPMG SA has made over the last three years to rebuild trust within the South African community prepares us for a good future. I am confident that the recent changes made to our benefits and remuneration practices will ensure that colleagues who have the best interests of the firm, the profession and our country at heart will not leave but stay.”

- *Hendry Mashego, CBF member*



# Advisory quality report

The following is a summary of the key advisory initiatives implemented during the year.

## Client engagement and approval processes

Our dedicated risk management partner for the advisory function continues to manage risks and uphold quality aspects in our service delivery to clients. We have also centralised approval for client and engagement assessment processes through this partner, dependent on the risk profile of the client.

Our advisory engagement acceptance process has been significantly enhanced and now includes:

- Greater probing and understanding of the requirements of medium and high risk clients
- Intended use of the KPMG SA deliverable
- Any risks associated in performing the engagement for medium and high risk clients
- The advisory risk management partner now reviews the scope of the engagement prior to approval as well, ensuring that we take a robust view on accepting an engagement or not
- We continue to assess the potential risks of all significant engagements and perform a robust review prior to approvals being granted.

## Policy updates

We have updated our advisory policies, including our engagement quality control review/second partner policy, rapid early-start policy, and risk oversight policy. These updates have been applied throughout the advisory business.

We plan to implement an automated working paper tool for the advisory business in the near future to help enhance compliance to firm policies, along with the efficient and effective delivery of services to clients.

## Quality performance reviews

We completed our quality performance reviews (QPRs) in July 2019 and continued to ensure that a good coverage of partners are reviewed: 69 per cent of advisory engagement leaders were reviewed in 2019, compared to 71 per cent in 2018.

The results of our 2019 QPRs are as follows:

- Compliance assessment — 97 per cent of files reviewed were either fully compliant with policy or required some performance improvement
- Quality of work assessment — 90 per cent of files reviewed were either fully compliant with policy or required some performance improvement.

Following the QPR process, we prepared detailed plans to achieve complete compliance and quality in future reviews.

### Internal audit services review

Our Internal Audit Services unit was subjected to external reviews in terms of the Institute of Internal Audit Standards (IIAS). As it did in previous reviews in 2013 and 2016, the unit received a Generally Conform (Green) rating again in 2019.

### Risk oversight meetings

We continue to hold risk oversight meetings with engagement teams working with significant clients or involved in significant engagements. At these meetings, the country and advisory risk management partners satisfy themselves that risks are being adequately managed by the engagement teams and that client delivery is the top priority.

### Random quality reviews

As part of our continuous efforts to improve our internal quality control measures, we are also performing more regular random quality reviews of working paper files.

### One-advisory principle

The one-advisory principle has gained significant momentum. We continue to offer an integrated solution to our clients so that they can manage their risks, controls and processes in a coordinated manner.

### Looking ahead

The global accreditation programme for advisory is complete and being rolled out to all member firms. South Africa will be adopting this in the near future.



# Tax and legal quality report

The following is a summary of the key tax and legal initiatives implemented during the year.

## Centralised risk management

We operationalised our tax and legal risk management team during the year. This team is responsible for all pre-engagement processes and manages a centralised, standardised risk request process. The team enables client-facing colleagues to spend less time on pre-engagement processes and more time on delivering services to clients.

The quality and turnaround processing times for our client engagement, acceptance and continuance processes have improved significantly as a result and the team processed over 2 000 related requests during the year.

We also introduced quality and risk management technical opportunity-sharing sessions for partners and associate directors across the business unit.

## Quality performance reviews

We were reviewed by the KPMGI quality performance review (QPR) team as part of our annual QPR programme and achieved an overall green rating. The review covered 42 per cent of all engagement leaders under two headings:

- Engagement set-up (how well were the risk policies of the firm adhered to during acceptance of the client and set-up of the engagement)
- Engagement execution (how high was the quality of the advice delivered to the client).

We achieved a 100 per cent green rating for engagement execution and only one yellow rating (improvement required, but the firm was not put at risk) on engagement set-up.

## Career development and transformation

In terms of our people, the main areas of focus for the year were career development and transformation. Career development plans were put in place for all colleagues and a new goal-setting scorecard introduced. E-learning solutions were enhanced, and active training monitoring was introduced to ensure all colleagues receive timely, regular and relevant training and development.

Twenty-eight colleagues were promoted during the year, 71 per cent of whom were previously disadvantaged persons and 64 per cent were female.

Our goal was to retain our people at every level by respecting, recognising and rewarding their efforts. We are satisfied to report that we retained 91 per cent of our partners – one partner retired and one resigned – and colleague attrition rates decreased during the year. Male and female attrition rates decreased 3-5 per cent, with a notable 13 per cent decrease in the attrition rate for Indian colleagues.

## Women in Tax Africa initiative

We were delighted to host the first Women in Tax Africa (WiTA) on 2 September 2019. This session brought

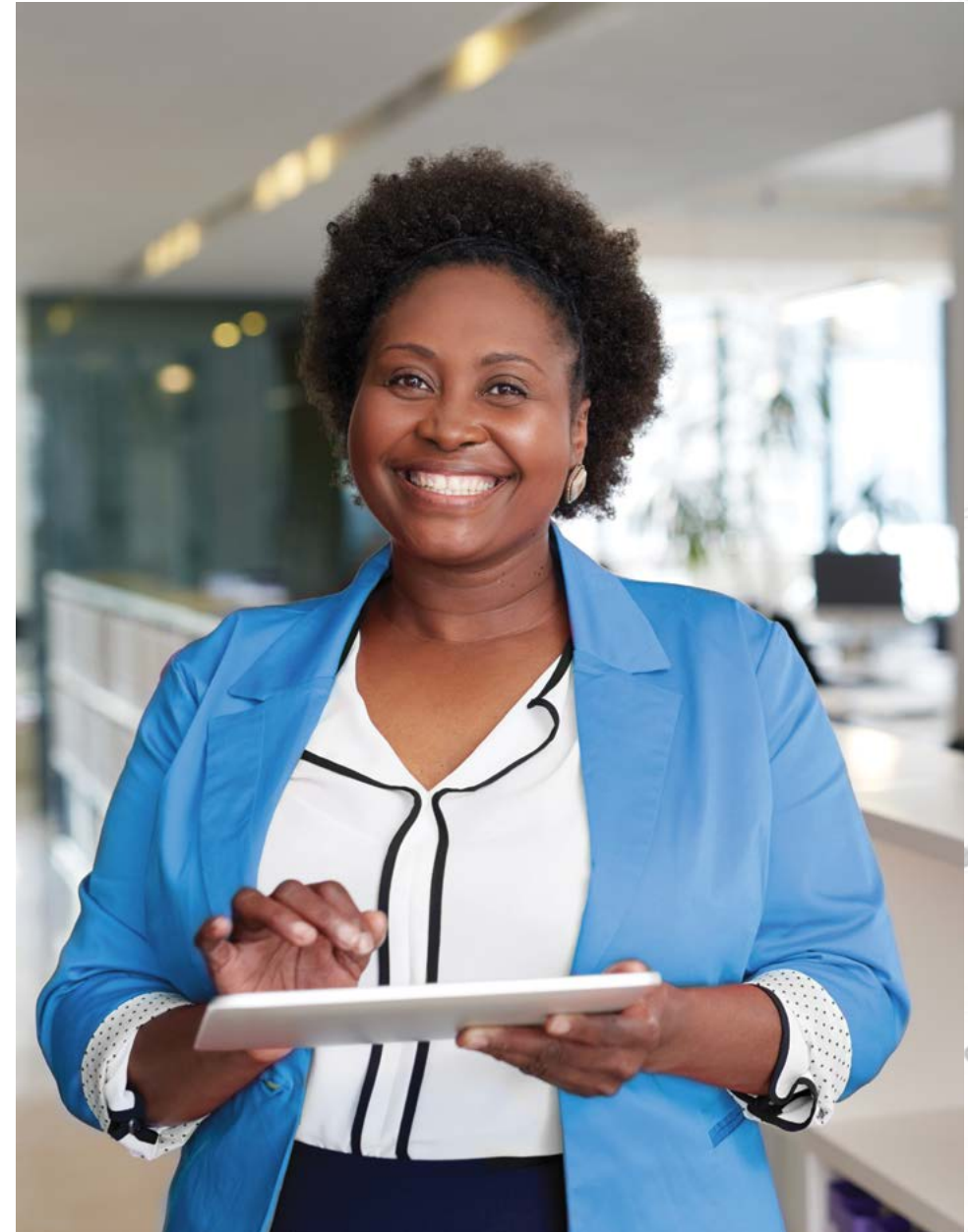


together KPMG women from across the region in the first of a series of conversations about gender parity in tax leadership. The overarching goal of WiTA is to provide a platform of engagement across the diverse number of countries the Africa Tax practice represents for different levels of female colleagues to engage with senior leadership (both male and female).

We were encouraged by our senior partners, both men and women, who facilitated the conversation and the women who brought their truth to the table: describing the challenges they face, exploring what solutions work best, challenging their leaders on effective advocacy for the advancement of women in the workplace. There is plenty of work to be done, but this honest and robust conversation was a great first step.

### Looking ahead

We will continue to expand our centralised risk management process in Cape Town and Durban, and to start conducting in-flight reviews of client engagement, acceptance and continuance processes approvals. We aim to build on our career development and diversity efforts by focusing on our transformation pipeline and introducing alternative training initiatives.



# Glossary

AGM	annual general meeting
APC	The SAICA assessment of professional competence
AQI	audit quality indicator
AQP	audit quality plan
AQR	audit quality review
BBBEE	broad-based black economic empowerment. Also BEE
CBF	colleague business forum
Clara	KPMG Clara is a KPMG audit global integrated platform that houses our existing digital capabilities, such as general ledger & sub-ledger analytics, automated audit procedures, process mining, pattern analysis and our client collaboration portal.
CSI	corporate and social investment
DRA	KPMG global dynamic risk assessment
EQCR	Engagement Quality Control Reviewer
ERM	enterprise risk management
ERP	enterprise resource planning
GCR	global compliance review
ICT	information and communications technology. Also IT
IIA SA	Institute of Internal Auditors South Africa
IIAS	Institute of Internal Audit Standards
IIRC	International Integrated Reporting Council
<IR>	integrated reporting under the IIRC framework
IR	industrial relations
IRBA	South African Independent Regulatory Board for Auditors
ISO	International Standards Organization
ISQM 1	New International Standard on Quality Management 1, replacing International Standard on Quality Control (ISQC) 1
ITC	The SAICA initial test of competence

JSE	JSE Limited, South Africa's primary stock exchange
King IV™	King Report on Corporate Governance for South Africa 2016
KPMGI	KPMG International Cooperative
KPMG Inc	KPMG Incorporated, registration number 1999/021543/21, a South African private personal liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. See KPMG SA
KPMG Services Proprietary Limited	KPMG Services Proprietary Limited, registration number 1999/012876/07, a South African private company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity. See KPMG SA
KPMG SA	KPMG South Africa operates through two entities: KPMG Incorporated for audit services, and KPMG Services Proprietary Limited for our advisory and tax services
LGBT+	Lesbian, Gay, Bisexual, Transgender/Transsexual, plus other groups
Policy Board (Polco)	KPMG Incorporated ("KPMG Inc") and KPMG Services Proprietary Limited ("KPMG Services") have their own Policy Boards constituted in terms of their own memorandum of incorporation. The Policy Board is a committee of the board of directors and all authority of the board of directors has been delegated, without abdicating responsibility, to the Policy Board.
QPR	quality performance review
RCP	risk compliance programme
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service
SDG(s)	United Nations Sustainable Development Goals
SME	small and medium enterprises



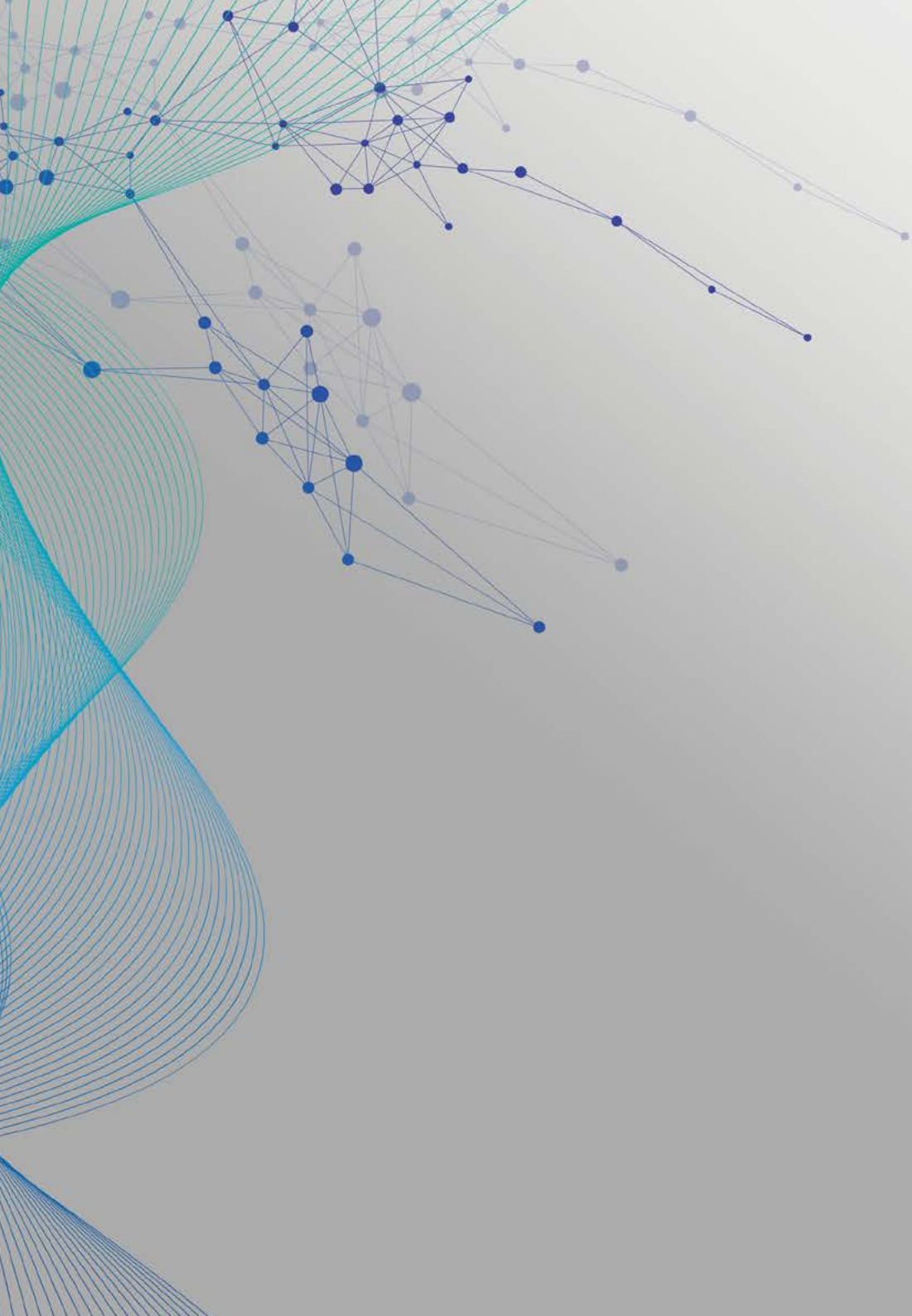
"The firm has gone through a lot and I firmly believe that it has come out on the other side stronger, which shows that there is resilience and true character within the firm. I believe that the world belongs to the bold and the courageous, to the people who are prepared to challenge the status quo, to those who face their fears and have the bravery to do great things. KPMG SA is becoming a home for such people. It is a firm that strives for continuous learning and development, innovation and ground-breaking moves and this excites me about the future at KPMG SA."

- Conrad Mmotsa, CBF member

## CONCLUDING REMARKS

Thank you for taking the time and effort to read this report. We hope that it has presented you with a satisfying and meaningful overview of the current strategic priorities and activities of the firm. Through this report, we have tried to present an unambiguous and balanced description of our progress towards our objectives. We trust that this report will enable you to make knowledgeable and confident decisions about KPMG SA and your working relationship with us.

We welcome your feedback and suggestions as we continue to develop our integrated reporting. Your comments are important to help us ensure we meet your disclosure expectations and improve future reports. Please contact the Head of communications in the office of the CEO, Dudu Ndlovu, on +27 (0)11 647 7111 or at [dudu.ndlovu@kpmg.co.za](mailto:dudu.ndlovu@kpmg.co.za)



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