



Indigenous Procurement Policy reform

KPMG submission

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Executive summary

This report is presented in response to the National Indigenous Australians Agency's (NIAA) invitation for responses to the reform process and possible options as outlined in the Indigenous Procurement Policy (IPP) Reform Discussion Paper.

As a leading professional services firm, KPMG Australia (KPMG) is committed to meeting the requirements of all our stakeholders – not only the organisations we audit and advise but also employees, governments, regulators – and the wider community. We strive to contribute in a positive way to the debate that is shaping the Australian economy and we are pleased to provide a response to the National Indigenous Australians Agency's (NIAA) Indigenous Procurement Policy (IPP) reform discussion paper.

In December 2021, KPMG launched its fifth Reconciliation Action Plan (RAP) - the third RAP to be acknowledged as 'Elevate' by Reconciliation Australia. Our RAP reflects KPMG's public commitment as a firm to contribute towards reconciliation between Indigenous and non-Indigenous Australians. KPMG recognises, values and respects the diversity of histories, cultures, countries and languages that exist in Aboriginal and Torres Strait Islander communities, and acknowledges Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia.

KPMG has recognised the potential of Indigenous businesses from the beginning of our reconciliation journey. As a Founding Member of Supply Nation (then AIMSC) we have been committed to socially diverse procurement over many years. Since 2010, we have procured more than AU\$7 million worth of goods and services from Indigenous business suppliers.

Our most recent reporting period shows that KPMG has also exceeded its supply chain target of 3%, with a performance of 4.73% financial year to the end of January 2024.

We have otherwise committed to a range of leadership projects in order to push our contribution further and create a real positive impact for our people, for Indigenous business, and for the community. This includes:

- We have allocated 25% of KPMG's pro bono budget to Indigenous engagements every year. Since 2013, KPMG has provided more than AU\$8 million worth of pro bono services to Indigenous organisations.
- KPMG is the only major accounting firm with an Elevate Reconciliation Action Plan (RAP). RAP organisations have a proven track record of embedding effective RAP initiatives in their organisation and are ready to take on leadership to advance national reconciliation.
- In November 2016, KPMG extended its Indigenous investment and acquired specialist Indigenous consultancy, Arrilla. Arrilla is an Indigenous majority-owned (51%) organisation joint venture between Shelley Reys and KPMG. The Arrilla Digital Cultural Awareness Program is mandatory for our people - achieving a 100% completion rate in FY23.
- In 2016, we published *Igniting the Indigenous Economy* – a ground-breaking report that brought together prominent Indigenous thinkers and KPMG specialists to provide tangible recommendations focused on economic development.
- KPMG supports an annual GO Foundation Scholarship for Indigenous students, a university scholarship with the Westermann Jilya Institute for Indigenous Mental Health and funds two secondary scholarships with the Australian Indigenous Education Foundation (AIEF).

In responding to the NIAA's discussion paper, KPMG has focussed on several of the reform options in the paper. KPMG's principal recommendations are:

RECOMMENDATION 1:

KPMG recommends major suppliers increase their target procurement spend with indigenous suppliers from 3% to 5% by 2030.

RECOMMENDATION 2:

KPMG supports requiring Indigenous businesses with IPP contracts to report Indigenous employment levels and subcontracting, including where the employment is being generated (i.e., metropolitan, regional, rural or remote).

RECOMMENDATION 3:

KPMG supports strengthening the IPP definition of First Nations business, which would require that an IPP business must be 51 per cent First Nations owned, managed and controlled.

RECOMMENDATION 4:

KPMG recommends that by 2035 business under the IPP should be 100 per cent First Nations owned, managed and controlled.

RECOMMENDATION 5:

KPMG supports the development of a formal complaints process to strengthen systems, processes and practises under the IPP.

RECOMMENDATION 6:

KPMG supports requiring major suppliers under the IPP to take an active role in educating Indigenous businesses in procurement processes and systems.

RECOMMENDATION 7:

KPMG considers that reporting obligations could be enhanced by better access to standardised data from Indigenous businesses.

If you would like to discuss the contents of this submission further, please do not hesitate to reach out.

Yours sincerely,

Glen Brennan

Partner, KPMG Indigenous
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Background

About KPMG

KPMG is a global organisation of independent professional firms, providing a full range of services to organisations across a wide range of industries, governments and not-for-profit sectors. We operate in 146 countries and territories and have more than 227,000 people working in member firms around the world. In Australia, KPMG has a long tradition of professionalism and integrity combined with our dynamic approach to advising clients in a digital-driven world.

KPMG insights

KPMG Insights

KPMG supports the Indigenous Procurement Policy (IPP) Reform Discussion Paper's ambition to be bolder in driving First Nations participation through major suppliers.

The Australian Government IPP requires suppliers with contracts subject to Mandatory Minimum Indigenous Participation Requirements to report progress against their Indigenous participation on a quarterly basis. KPMG has a mandatory minimum requirement for the purposes of the IPP in which at least 3.00% of the value of the Service Provider's Australian supply chain will be subcontracted to Indigenous enterprises over the period of the Contract. Our most recent reporting period shows that KPMG has exceeded its supply chain target, with a performance of 4.73% financial year to the end of January 2024.

To meet our actions and deliverables we report annually against our KPMG Reconciliation Action Plan, with the following actions:

- Allocate at least 3% of KPMG's procurement budget to Indigenous businesses each year;
- Renew Supply Nation membership annually;
- Establish, increase or maintain commercial relationships with at least 15 Aboriginal and/or Torres Strait Islander businesses annually;
- Annually review and implement the Aboriginal and Torres Strait Islander procurement strategy;
- Train all relevant staff in contracting Aboriginal and Torres Strait Islander businesses through Supply Nation or an equivalent organisation;
- Encourage our people to support small Indigenous businesses through Indigenous Business Month and other activities; and
- Promote campaigns and initiatives run by partners, such as Supply Connect and the Business Council of Australia's Raise the Bar Initiatives.

KPMG welcomes a higher target of 5% of procurement spend with Indigenous suppliers by 2030 for delivering contracts valued above 7.5 million. This would be an increase from the current minimum target of 3%. Setting high

targets for Indigenous procurement will support economic empowerment, accelerate business growth and drive community engagement and cultural competency within the major suppliers.

Employment targets

KPMG recognises the importance of providing employment opportunities and a culturally safe working environment for Indigenous peoples. This allows for tailored support and mentoring to enable meaningful Indigenous employment.

For more than a decade, KPMG has been on its own journey in relation to Indigenous employment. In 2015, KPMG was the first 'Big 4' firm to dedicate a full-time resource to Indigenous employment. The firm achieved the 2017–2020 RAP Indigenous hires target of 50, months ahead of schedule, and exceeded the target by five people. KPMG's goal is to hire 135 Aboriginal and Torres Strait Islander people by 2025 and we continue to make progress on this ambition. In FY22, we hired an additional 32 Indigenous employees and in FY23 an additional 19 Indigenous employees. Key elements of our commitment include:

- **Podmore:** We partner with the Podmore Foundation to identify opportunities to better facilitate employment and future study for indigenous students in Canberra.
- **Mentoring Indigenous students:** We have established mentoring partnerships with the Australian Indigenous Education Foundation and the Australian Indigenous Mentoring Experience where our employees support Indigenous students.
- **CareerTrackers Indigenous Internship Program:** In 2021, KPMG committed to piloting the CareerTrackers program by hosting seven interns during their winter and summer university breaks. CareerTrackers partners with both Universities and employment partner organisations to provide structured, ongoing and paid internship opportunities for Aboriginal and Torres Strait Islander University students.

- **Emerging Indigenous Executive Leaders Program (EIELP):** Each year, KPMG sponsors an Indigenous colleague to attend the Emerging Indigenous Executive Leaders Program, run by UNSW. The Emerging Indigenous Executive Leaders Program (EIELP) focuses on developing executive-ready Indigenous future leaders. Upon completion of the program, and submitting a strategic project, participants will receive a Certificate of Executive Management and Development which recognises formal professional development and credits towards select AGSM MBA qualifications.
- **Inspiring Future Indigenous Talent:** Since 2016, KPMG has supported seven Indigenous University students across five partner Universities via the KPMG Indigenous Tertiary Scholarship Program. Recipients of the Indigenous Tertiary Scholarship have the opportunity to participate in the KPMG Vacation and Graduate programs, with four of the students joining KPMG in the Graduate Program and continuing onto successful careers within the firm.
- **National KPMG Indigenous Employee Network (KIN):** The KIN provides each new Aboriginal or Torres Strait Islander recruit with a safe space and support as they navigate their way within the firm. The KIN also has an important role to play in contributing to the firm-wide conversations around cultural awareness and Indigenous inclusion.
- **Indigenous Employment Consultant:** Since 2015, this full-time role has been dedicated to identifying, recruiting and supporting Aboriginal and Torres Strait Islander employees.
- **Cultural Leave:** Implementation of Cultural Leave for Indigenous colleagues, which ensures that Aboriginal and Torres Strait Islander colleagues are supported to participate in community life and cultural events.

KPMG supports requiring Indigenous businesses with IPP contracts to report Indigenous employment levels and subcontracting. By requiring them to report on employment, it will ensure the suppliers have confidence that they are empowering First Nations employees. At this stage we are, however, mindful of burdening Indigenous

businesses and stifling entrepreneurialism with employment targets and as such recommend that they are not included as part of the reforms.

KPMG also considers that suppliers could benefit from data about where the jobs are being generated. This will allow suppliers to support communities, particularly in rural and remote areas, where we know that access to meaningful employment can be difficult to obtain.

Ownership, management and control

KPMG welcomes strengthening the IPP definition of First Nations business, which would require that an IPP business must be 51 per cent First Nations owned, managed, and controlled. It is hoped that this will positively influence how the business operates and how profits and proceeds are distributed to the benefit of First Nations peoples.

The administrative process for changing structures to meet the stricter eligibility criteria, including company constitutions and shareholder agreements, should be expedited and fees waived.

KPMG considers that by 2035, the goal should be that business under the IPP be 100 per cent First Nations owned, managed and controlled. Reforms to the IPP should consider this goal, including whether it is feasible to build in more ambitious ownership, management and control targets over the longer term. This would continue to stimulate Indigenous and economic empowerment into the future.

Other reforms to deliver greater benefit

Complaints mechanism

KPMG welcomes introducing a stronger verification process to make sure a business is 51% First Nations owned, managed, and controlled. Further to this, on occasion, major suppliers and Indigenous businesses may encounter issues when operating under the IPP. KPMG supports the development of a formal complaints process to strengthen systems, processes and practises under the IPP. This could be used, for example, to help tackle the issue of 'black cladding' and used to hold major suppliers to account for commitments made under the scheme. This will safeguard the

robustness of the program and ensure it meets its objectives, instilling confidence in all participants.

[Educating Indigenous businesses on procurement processes](#)

KPMG considers that major suppliers have a role to play in educating Indigenous businesses on procurement processes and systems. KPMG supports requiring major suppliers under the IPP to take an active role in this education process. This is an important next step on the IPP journey as Indigenous businesses continue to evolve and grow.

[Access to improved data](#)

While KPMG is broadly supportive of a more ambitious approach to IPP, we consider that reporting obligations could be enhanced by better access to standardised data from Indigenous businesses. To address this, Indigenous businesses could be required to provide quarterly reporting on areas, such as employment data, that are accessible to major suppliers through an ABN search in a dedicated portal. This will streamline the reporting process for major suppliers, in turn promoting participation and better outcomes for Indigenous businesses.



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