



ABASA Briefing Pack

MEDIA STATEMENT

KPMG South Africa partners with ABASA to advance smaller, black-owned firms and transform the industry

Wednesday, 17 March 2021: KPMG South Africa today announced that the firm has entered a MOU with the Association for the Advancement of Black Accountants of Southern Africa (ABASA) – to be represented through the ABASA Business Forum - to create more meaningful and broad-based commitment to transformation in the profession, by providing training and providing market exposure to smaller black owned firms. KPMG is the first, and only, of the larger auditing firms to enter into such an agreement, focused towards skills development and actively promoting and advancing the growth of small black auditing firms.

According to Ignatius Sehoole, CEO, KPMG SA, “Transformation is one of KPMG’s strategic pillars, and we view this alliance with ABASA as an opportunity to support smaller businesses, grow skills and support a broader industry commitment to transformation. ABASA is a recognised organisation in the industry, which shares our objective of supporting diversity and growth, and was therefore a strong partnership choice for us.”

“As part of ABASA’s overall strategy we want to facilitate opportunity for our members to actively participate in economic decisions and socio-economic development. Through this MOU with KPMG SA, our smaller black accounting and/or audit practices will be given the opportunity to work directly with KPMG, as full team members on their client engagements – giving them extended opportunity into larger market opportunities and a diverse range of projects,” says Ashley Dicken President of ABASA.

KPMG is the first large firm to have entered into this agreement with ABASA to date. “We are very proud to work with ABASA on this strategic imperative,” adds Sehoole. “Certainly, if transformation in our sector is to be taken more seriously, then examining ways in which we can uplift the entire industry must be examined. Our commitment to supporting training and delivering full market exposure to smaller black firms, under the KPMG brand, will allow them to gain stronger insight into a full spectrum of clients, which can then be taken back into their own firms to help support growth and development.”

Once KPMG has completed their own internal risk processes, team members from these Firms will be integrated into the KPMG teams and will be trained on the KPMG audit methodology, using KPMG technology. KPMG will take full responsibility for the quality of all work delivered by the staff members and they will be required to comply with KPMG’s strict independence requirements and will also be provided with independence and ethics training as a prerequisite for this.

Firms working with KPMG on this programme will be chosen by an ABASA committee specifically dedicated to this initiative. This committee will work independently to on-board relevant smaller member firms and ensure those selected are correctly assessed in terms of their own business practices and have good standing memberships with not only ABASA but SAICA as well as IRBA.

About KPMG:

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited (“KPMG International”), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients.



About ABASA:

The Association for the Advancement of Black Accountants of Southern Africa (ABASA) was established in 1985 to promote the professional interests of Black persons engaged in the accounting profession. ABASA is committed and dedicated in this pursuit and is driven by the need to ensure that every black accountant and aspiring accountant can realize their full potential and aspirations.

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KEY MESSAGES

- KPMG SA is committed to doing more to support transformation within the CA sector. In fact, transformation is one of KPMG's strategic pillars.
- This alliance with ABASA seeks to ensure that training and market exposure is given to smaller black owned firms in South Africa
- KPMG is the first of the big four firms to enter into an agreement like this – reiterating the businesses continued commitment to transformation and leadership in the industry
- This alliance directly speaks to supporting ABASA members to actively participate in economic decisions and socio-economic development in line with the objectives of ABASAs National Strategic Plan
- Firms will be selected by an ABASA committee. The vetting process will be undertaken independently by the ABASA committee and include assessing the legitimacy of the businesses involved as well as their membership standing with SAICA and their IRBA registration. The Firms will also be subject to KPMG risk internal processes.
- ABASA is a 36-year-old organisation that has depth and reach in terms of members. With regards to the Business Forum – there is a depth of skill and should anyone not be seen to live up to their responsibilities the organisation will be able to dip into a wealth of experience and knowledge to ensure continuity
- This alliance creates a pool of resources that KPMG can utilise to support its team and client engagements

TALKING POINTS AND MESSAGING

It is important that as we communicate with the market, we make clear that:

- The firm is committed to creating more meaningful and broad-based commitment to transformation in the profession.
- KPMG is the first large firm to have entered into this agreement with ABASA Business Forum.
- If transformation in the sector is to be taken more seriously, then examining ways in which the entire industry can be uplifted must be examined.
- KPMG is committed to supporting training and delivering full market exposure to smaller black firms, under KPMG South Africa.
- This alliance between KPMG South Africa and ABASA will give smaller black firms stronger insight into a full spectrum of client engagement projects, knowledge, which they can take back into their own firms to help support growth and development.



MEDIA AND MARKET Q&A:

- 1 **How many staff will KPMG take this year?** – We plan to include at least 20 staff members from the platform on our audits in the forthcoming year. Our recent audit client wins, and current client base, will allow us to grow the number of staff joining our teams and build scale over time.
- 2 **Which clients or sectors will they work in?** – Small black accounting firms will join our audit teams across industry sectors, which include Financial Services, Consumer Markets, Industrial and Mining
- 3 **How long will their work/training engagements likely to be?** We anticipate staff joining our teams on our larger clients which typically run for approximately 3 months of the year at different times, depending on their financial year ends.
- 4 **What type of training will be given by KPMG?** – The training would span across technical (accounting, audit and tax); governance and ethics; soft skills (creative and original thinking, leadership, business development); technology (MS Office, audit technology tools) etc. The training would be made available to staff of all Firms on the platform (not limited to staff who join our audit teams).
- 5 **What is the sustainability of this programme for ABASA and KPMG?** We see this as a long term programme which would not be limited to KPMG. As the platform matures, it would also be made available to our competitors to ensure that larger scale transformation is achieved in the accounting and audit profession.
- 6 **Which smaller black firms will be targeted and why?**
The ABASA selection process will consider the following:
 - Applicants who are ABASA Members in good standing from an individual and business membership perspective. Affiliation with ABASA through membership communicates a commitment by the applicant to the process and the organization. Membership status also binds the applicant to the requirements of the MOI of ABASA which requires certain conduct from our members which align to the professional behavior which will also be required from beneficiaries if this initiative and risk management needs of KPMG and any other partner that may join
 - Registration of the applicant with the applicable regulatory body (SAICA and IRBA) with the same reasons mentioned above for ABASA membership. ABASA is working with regulatory bodies to coordinate this identification process.
- 7 **What does a smaller firm have to do to apply or qualify for this opportunity?**
ABASA Communications team has circulated communication through social media platforms and through membership system inviting smaller black firms who meet the registration criteria to add their names to the database and submit their business profiles to ABASA for the onboarding and vetting process.
- 8 **What is the real tangible benefit to KPMG to undertaking this MOU?** Since our client commitments are focussed around our client financial year ends, having access to staff from Firms on the platform will allow us more flexibility in the staffing of our teams during these busier times. However, it is important to note that this programme is being undertaken, not because KPMG will need the additional resources, but because we want to make a difference to the broader transformation in the profession – beyond our own transformation.
- 9 **Will ABASA be examining any other of the Big 4 firms to enter into a similar agreement?**
Yes, ABASA is currently in talks with other firms not limited to the big 4 to discuss the possibility of rolling our similar arrangement. The success of this pioneer arrangement with KPMG would therefore serve as a strong proof of concept for future expansion of the initiative.
- 10 **Who is held liable for the due diligence of joint client work and ensuring independence is maintained?** We as KPMG will take fully responsibility and remain accountable for the quality of all work delivered by the staff members on our teams. Staff members would be trained on the KPMG audit methodology, they will utilise KPMG technology and they will be fully integrated members of our teams. The selected ABASA platform members will be required to comply with KPMG's strict independence requirements and will also be provided with the regular independence and ethics training as a prerequisite for this.



- 11 **How will KPMG manage client confidentiality when sharing such information with these smaller selected businesses?** The contracting with each of the Firms contains strict clauses around confidentiality of client information and each staff member would be required to sign a confidentiality and independence declaration prior to joining our teams.
- 12 **How will KPMG and ABASA manage the issue of IP and where this belongs in these partnerships?** Staff members would be trained on the KPMG audit methodology, they will utilise KPMG technology and they will be fully integrated members of our teams. The ownership of the intellectual property should therefore remain unaffected.
- 13 **Should anything go wrong on accounts that ABASA beneficiaries have worked with KPMG – who will be held liable?** We as KPMG will take fully responsibility and remain accountable for the quality of all work delivered by the staff members on our teams. ABASA platform staff members will receive on the job training and coaching and will be fully integrated into our audit teams and subject to our quality requirements and processes.
- 14 **How will the independent selection body ensure that the correct beneficiaries are selected and that a fair process is followed to create fair opportunity?**
The representation on the selection committee needs to facilitate an inclusive collaboration of business knowledge and skill with the appropriate gender representation and administrative capacity to ensure that the process is executed transparently and with the necessary communication to stakeholders. The appointment of an experienced ABASA Past President as the committee lead provides additional independence and seasoned oversight over the process.

SPOKESPEOPLE:

Ignatius Sehoole, CEO, KPMG SA
Ashley Dicken, President, ABASA