

## Internal Audit

### Approach

KPMG Services (Pty) Ltd commenced providing outsourced internal audit services to the group from 1 July 2020, following a Section 197 transfer of the team. As part of this process, KPMG integrated 23 in-house internal audit associates into the KPMG Advisory Practice. These associates have been absorbed into the established structure to create a new and enhanced internal audit capability that can work seamlessly across all parts of the group's business.

A three-year risk-based internal audit plan was developed and aligned to the strategic pillars of the group after considering:

- Significant risk areas as identified during the dynamic risk assessment, divisional risk assessment process and a dedicated IT risk and controls assessment
- Materiality and the requirements of the JSE LR regarding internal financial controls
- Potential external audit requirements and alignment to a combined assurance approach
- Focused sessions with all trading divisions to understand hotspots
- Consideration of latest and global audit best practices and KPMG insights
- Impact of the new enterprise resource planning (ERP) system and leveraging the use of technology

The internal audit plan therefore includes the following focus areas:

- Enterprise risk management, business continuity and combined assurance
- Internal financial controls
- External audit support and control self-assessment
- Technology, governance, risk and compliance
- Specialist technology and pro-active monitoring
- Forensics
- Cyber security
- IT project assurance
- Acquisitions (e.g. Power Fashion)

### Methodology and Independence

KPMG's internal audit methodology is aligned to the Institute of Internal Audit standards and aims to provide independent, objective assurance to add value and improve the group's operations. KPMG confirms its independence for FY2021.

For the financial year ending 3 April 2021, work performed has been summarised and results reported to the committee as it pertains to the governance, risk management and internal control processes within the various parts of the group.

### Conclusions

#### *Governance, risk management and combined assurance*

The maturity of the group's risk function was assessed to determine how risk management is integrated into the group's operations. The overall maturity rating placed the group at the early stages of a mature environment. Management has

committed to enhancing the process, ultimately moving to the desired maturity level over the next two years.

The draft combined assurance policy outlines the integrated combined assurance process. It translates the combined assurance policy into a combined assurance plan to identify the various lines of assurance and assurance providers involved per key risk. A high-level combined assurance maturity assessment will be performed to identify the next steps in the group's combined assurance journey.

### Internal control processes

The reviews as per the FY2021 internal audit plan conclude that based on the scope of work and approach, the results of the reviews performed to date indicated some enhancements are needed within the group's internal control environment. The results of the reviews are reported to the committee regularly during the year.

### Statement by Internal Audit

For the financial year ending 3 April 2021, after taking into consideration:

- The FY2021 internal audit plan
- The scope of the internal audit work and the approach followed
- The limitations of coverage and sampling
- Representations, self-assessments and other information provided by management,

KPMG believes that, based on the significance and nature of findings as reported by internal audit, the internal control processes evaluated are at an acceptable level.

