

Can KPMG fix what's broken?

By  Nicci Botha

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KPMG International is scrambling to salvage the tattered remains of its local operation to the extent that its chairman has stepped out of the hallowed corporate eyrie to visit South Africa.



John Veihmeyer, chairman of KPMG International. Photo: YouTube

As part of the strategy, John Veihmeyer, chairman of KPMG International and the newly appointed CEO of KPMG South Africa, Nhlamu Dlomu, met with former finance minister, Pravin Gordhan, and Mcebisi Jonas, his former deputy, last week in an attempt to mend fences. However, the latter pair said they would reserve their rights to pursue the matter.

Gordhan was implicated in the infamous Sars report as being complicit in setting up a 'rogue' investigation unit to spy on tax payers during his role as commissioner at the tax office. The report was intended as an internal document, but found its way in the public domain. This accusation dogged Gordhan's tenure as finance minister, and contributed to his dismissal from office.

The report also caused serious reputational and professional damage to other Sars office bearers, including deputy commissioner, Ivan Pillay; his adviser Yolisa Pikie; group executive, Johann van Loggerenberg; spokesperson, Adrian Lackay; and group executive, Peter Richer. All of whom were ousted as a result.

"We shared our strong feelings and disapproval of the manner in which KPMG SA has been involved in the validation of

state capture and corruption in respect of both the Sars and companies of the Gupta family," said Gordhan and Jonas in a joint statement.

"We insisted on full and proper disclosure of the role of various parties in the state capture project and the manner in which KPMG staff seem to have colluded in these processes - including, the complete disregard shown by the management of KPMG," Gordhan and Jonas said in a joint statement.

"KPMG has a moral duty to account for their conduct to the South African public and they have to be frank, unequivocal and transparent in their disclosures if they wish to restore their own reputation."

Investigation

It seems that the audit firm's statement issued on 15 September, in which it announced the purge of KPMG South Africa's executive body, including CEO, Trevor Hoole and chairman of the board, Ahmed Jaffer, was not enough to appease public outrage. KPMG International has now announced it would be commissioning an independent investigation.

"The investigation will be led by a senior South African legal figure, who is completely independent of both KPMG South Africa and KPMG International. We are in active discussions to identify a credible, senior, independent legal figure to lead the investigation. The leader of the investigation, along with the scope, terms of reference and proposed timeline will be announced very shortly. Our preference is for the investigation to be completed as quickly as possible," said John Veihmeyer, chairman of KPMG International.

He went on to say that the probe would determine whether there is any evidence to suggest KPMG South Africa partners or staff were complicit in illegal activities by the Gupta family and their businesses, and whether there were any failings or collusion in the work performed and conduct of KPMG South Africa in relation to the Sars report.

Bleeding clients

But things are still looking bleak. KPMG South Africa continues to bleed clients. Sygnia Asset Management was the first to jump ship, followed by Sasfin, Hulisani and Deneb. Other JSE-listed companies, namely Absa, African Oxygen, Bidcorp, DRDGold, Esor, Gaia Infrastructure Capital, Interwaste Holdings, Investec, Lonmin, Randgold & Exploration, Sibanye Stillwater, Vunani and Wesizwe Platinum have all said they are reviewing their relationship with the audit firm.

In addition, Business Leadership South Africa has terminated KPMG's membership and The Board of the Institute of Directors in Southern Africa has temporarily suspended any co-branded partnerships.

Sars joins the fray

In a bizarre twist, KPMG's erstwhile client, Sars, is now gunning for the audit firm, after the retraction the rogue unit report saying that "the auditors had no right to withdraw its report as it was no longer the audit firm's property". It has also threatened to "report KPMG to the minister of finance with the aim to blacklist KPMG for its unethical, immoral, unlawful and illegal behaviour", among other thing.

Whatever the outcome of this sorry saga, it strengthens the case for mandatory audit firm rotation, lobbied by the Independent Regulatory Board of Auditors and recently passed by National Treasury. But in broader terms, it also calls into question the efficacy of corporate governance in South Africa, or whether it's merely lip service to pretty up annual reports and meet JSE requirements.

ABOUT NICCI BOTHA

Nicci Botha has been wordsmithing for more than 20 years, covering just about every subject under the sun and then some. She's strung together words on sustainable development, maritime matters, mining, marketing, medical, lifestyle... and that elixir of life - chocolate. Nicci has worked for local and international media houses including Primedia, Caxton, Lloyd's

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