

KPMG woes worry Reserve Bank

The Reserve Bank will meet representatives of SA's banks to raise concerns over possible negative consequences should auditing firm KPMG be forced to close its doors over the South African Revenue Service (Sars) scandal it was embroiled in, people familiar with the matter said on Wednesday.



As banks are required by regulations to have two auditing firms, their ability to rotate auditors and to secure the auditing services required by large and complex institutions could be at risk should one of the big four auditing firms such as KPMG go out of business.

KPMG is the joint auditor of four of SA's largest banks.

The meeting comes as concerns grow in government and business circles that KPMG is on the brink of implosion and that this could have a range of negative effects - from disruption of banks to job losses and an enhanced perception of the risk of doing business in SA.

KPMG is the employer of 3,500 people.

The Reserve Bank would not comment on the scheduled meeting, saying that it regularly engaged with the regulated sector and that "it was not the policy of the [Bank] to comment on these engagements".

Mayihlome Tshwete, the spokesman for finance minister Malusi Gigaba, said the minister was taking advice and would soon make a public comment.

But while arguments are now emerging that the death of KPMG would not be good for SA, there remains a strong view among some business leaders and civil society groupings that the firm must close if public trust is to be re-established in the auditing profession.

There is also a strong view that KPMG has not sufficiently apologised for the damage done by its Sars report into a so-called rogue unit, which partly led to the firing of Pravin Gordhan as finance minister, the removal of some of its most skilled staff as well as the undermining of its operational competence. Newly appointed KPMG CEO Nhlamulo Dlomu stressed in media interviews on Wednesday that the company was "deeply regretful".

"Sorry is never going to be good enough.

"We apologise unreservedly for the pain caused to the individuals and institutions," she said in an interview on 702.

Dlomu said that although KPMG International had intervened and had apologised on behalf of KPMG SA there remained a need for a "South African process".

Dlomu said that she and the KPMG team were engaging extensively with regulators and clients to advise them of the steps taken.

Source: *Business Day*

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