

KPMG issues statement on Gupta ties

Trevor Hoole, CEO of KPMG South Africa, has issued a statement on the auditing firm's relationship with the Gupta group and subsequent review processes undertaken.



Trevor Hoole, CEO of KPMG South Africa

"I want to make the following statement to update our clients and the wider public on the steps KPMG is taking to address the issues raised by various stakeholders regarding the work we previously performed for companies related to the Gupta family (the group). From the outset we have taken these allegations extremely seriously and the KPMG South Africa board immediately initiated a comprehensive review to establish the facts regarding the range of professional services we had delivered.

Review team

KPMG South Africa has worked collaboratively with KPMG International (KPMGI) on the review thus far. To reinforce confidence in the rigour of the review, we have determined KPMGI will independently lead all aspects of the comprehensive review. Accordingly, the review team is now being led by an experienced senior partner from the KPMG network, reporting directly to KPMGI's global vice chair of quality risk and regulatory, as well as to the South African board. Norton Rose Fulbright as external legal counsel, with support from various experts including appropriate senior counsel, continue to provide independent, expert, external views and opinions. All aspects of our work related to the Gupta group is being robustly reviewed, including client acceptance, execution and the quality of the work. Where any problems or issues are found, those KPMG individuals responsible will be held accountable.

Sars Report

We also note that KPMG has received criticism regarding the *Sars Report*. The review being conducted by KPMGI will be extended to include KPMG's role in this report. It is important to note that the engagement partner for the Sars project resigned from KPMG in March 2017. As with the above review, all aspects of the engagement, including client acceptance, execution and the quality of the work will be considered.

While the last audit opinions for the group were signed for the 28 February 2015 year ends, it is now clear that based on publicly-available information, KPMG should have resigned earlier than March 2016 and should have stopped working for the Gupta companies sooner than we did. In my judgement, we were too slow to recognise the wider public interest related to these matters, given the existing socio-political environment in South Africa. We fully understand that our client acceptance and continuance procedures must be improved to take account of this fact.

That said, neither our review of Linkway Trading, which is the subject of an IRBA investigation, nor the broader review into professional services rendered in the wider group has, to date, found any evidence that KPMG in any way supported or condoned alleged tax evasion or money laundering, nor that there was any dishonesty by the teams.

At the same time, we fully understand the criticism for the attendance at the Gupta family wedding in 2013 by four KPMG partners. The South African firm accepts that the partners should not have attended this wedding.

Further, our board has deemed it appropriate to take the following steps pending the conclusion of KPMGI's comprehensive review:

- The lead audit engagement partner has been suspended. We reiterate that our review, to date, has not found any evidence of dishonesty on the part of the partner.
- Two other partners who were connected to these matters will be relieved of their board and executive positions pending the outcome of the comprehensive reviews, and further actions will be taken as appropriate.

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Painful lessons learnt

On behalf of the partners and staff at KPMG, I wish to sincerely thank our many clients for allowing a fair and due process to follow and for affording us the opportunity to fully and robustly review this matter.

Mistakes have been made and painful lessons learnt. We commit to take every action necessary to apply these learnings to strengthen the way we work, and help restore the public trust we have earned over more than a century of commitment to the highest professional and ethical standards and dedicated service to South African businesses, the capital market and the wider public interest."

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