South African Reserve Bank

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South African Reserve Bank Notes Recent KPMG Developments

The South African Reserve Bank (SARB) has noted the recent developments regarding KPMG and in particular its audit of VBS Mutual Bank. The SARB continues to engage with KPMG as well as with banks that use KPMG as their auditors.

As stated last year, the SARB's interest in the KPMG matter stems from a public policy perspective, arising from the SARB's mandate to ensure the soundness and stability of South Africa's financial system. The SARB's view is that a capable and competitive audit and auxiliary services industry is essential for the maintenance of a healthy business environment.

The choice of auditor remains that of a firm, with due regard to the firm's need and commercial interest as well as the capacity and quality of the audit firm. The Prudential Authority's[1] regulation of this process largely deals with the capacity and quality assurance provision of the audit firm. We do not interfere in the process of who an institution appoints as their auditor.

Auditors play an important role in fostering market confidence in the financial statements of financial institutions. The quality of these audits also provides invaluable input into the work of regulators of financial institutions. However, the role auditors play should not be seen in isolation. The robustness and integrity of audits depends to a large extent on the strength of governance and the depth of an ethical culture within a financial institution. These are issues that we monitor constantly.

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[1] The PA, which operates within the administration of the South African Reserve Bank, is responsible for the prudential supervision of banks, insurers, co-operative financial institutions, financial conglomerates as well as certain market infrastructures and for ensuring that these institutions are managed safely and soundly.

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