



South African Reserve Bank

Thursday, 21 September 2017

SARB interest in KPMG matter a financial stability issue

The South African Reserve Bank has noted with concern the regrettable auditing practices and serious errors of judgement that occurred at KPMG, which led to enormous damage being inflicted on certain individuals, organisations, and the country as a whole.

South Africa has over many years been ranked highly because of, among other factors, the strength of our auditing standards and the soundness of our banks. As the regulator of banks, the SARB would obviously be concerned about any developments that question auditing standards or could potentially cast a shadow on the quality and reliability of sets of audited financial statements. Each of the big four banks in South Africa is required to have two auditors, and KPMG is one of two auditors in three of the big four banks. KPMG is also the sole auditors for two other banks and a number of insurance companies.

The SARB has also noted the commitment by the new management team of KPMG South Africa to fully own up to previous malpractices, and to engage with relevant parties and the South African public in order to regain their trust. Announcements made yesterday and last Friday, namely to have an independent investigation in addition to the internal investigation already undertaken, represent important first steps in regaining public trust. The success of these measures will greatly depend on the credibility of the initiatives embarked upon.

The SARB's interest in this matter is from a public policy perspective, arising from our mandate to regulate banks and ensure the stability of our financial system. We will engage banks and auditing firms primarily to understand the context so that we are better placed to manage any potential financial stability risks that may arise from the issues around KPMG.

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As for any business conducted with KMPG by SARB as an institution, we reserve our rights to review our position, but have for now decided to allow the independent investigation to run its course. Final decisions will be made after the findings of the independent investigation have been considered.

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