

Gigaba orders Sasria to dump auditors KPMG

● Minister says firm does not comply with his vision

Moyagabo Maake

Finance Minister Malusi Gigaba has instructed Sasria, the state-owned specialist risk insurer, to fire KPMG and appoint another external auditor as controversy swirls around the audit firm's role in the purge at the South African Revenue Service (SARS) and an audit it conducted for an entity linked to the Guptas.

"The shareholder has not approved the reappointment of KPMG," Sasria MD Cedric Masondo said on Thursday. "We are in the process of sourcing another external auditor following our tender process."

Masondo says the insurer hopes to forward recommendations to Gigaba before the end of February.

A spokesman for KPMG did not comment on its latest client loss, which will result in its share of about R1.5m in audit

fees disappearing from its income statement. It shares Sasria's audit work with AM PhakaMalele, which Gigaba wants Sasria to retain and partner with a new audit firm.

In a letter seen by Business Day, Gigaba told Sasria chairman Adam Samie that he did not approve of KPMG's reappointment for the 2017-18 financial year, as it did not comply with his vision of transformation within the public sector.

"There is a reputational risk that would be placed on Sasria should the firm [KPMG] be found guilty of unprofessional and unethical conduct by the responsible authorities and regulatory bodies," he wrote.

Early in January, the Independent Regulatory Board for Auditors (Irba) said its investigation into the audit firm, initiated late in 2017, now extended

beyond the SARS "rogue unit" report that KPMG drafted and Linkway Trading, a company alleged to have received funds from the Vrede dairy farm project in the Free State, some of which wound their way to Vega Gupta's wedding at Sun City.

One line of investigation was near completion and would be tabled at Irba's next meeting of the investigating committee, which will make recommendations on any sanctions to the disciplinary advisory committee.

"In two matters, information which was requested from KPMG remains outstanding and the Irba continues to engage with KPMG to obtain the information necessary to complete these investigations," Irba CEO Bernard Agulhas said.

KPMG's chartered accountants ensnared in the drama are also facing the Ntsebeza inquiry

established by the South African Institute of Chartered Accountants, which is set to begin hearings this month. KPMG has continued to haemorrhage clients as the two inquiries drag on.

In the private sector, companies such as AVI, TFG, Sasfin, African Rainbow Minerals, the JSE, Hulisani and Interwaste — with more than R37m in audit fees combined — have dropped the auditing firm for the 2017-18 financial year.

Retailer Choppies, based in

Botswana, has called an extraordinary general meeting of shareholders just to rotate KPMG with rival PwC later in February.

maakem@bdfm.co.za

THERE IS A REPUTATIONAL RISK ON SASRIA SHOULD KPMG BE FOUND GUILTY





Bad news: KPMG continues to lose millions in audit fees as more of its clients walk away from the scandal-hit firm. / Reuters