



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

MINISTER OF FINANCE RESPONDS TO KPMG DEVELOPMENTS

The Minister of Finance would like to express deep concern about audit matters currently surrounding KPMG. These developments have created a bad image and have undermined the reputation of good governance and audit independence in one of the key sectors and institutions in our economy. These developments further threaten to undermine our efforts in reinforcing confidence and enhancing a climate for investments, both domestic and international.

The developments over the past week surrounding KPMG have reaffirmed our position that there must be mandatory rotation of audit firms. In this regard, government should explore possible regulations for both the public and private sector in an effort to ensure and preserve the integrity and good governance in the audit fraternity. This move will not only ensure that companies diversify their audit options but also build in a peer review oversight mechanism. It cannot be in the interest of good governance to have one audit firm auditing a company perpetually.

In the immediate term, and as a measure to restore confidence in audits, all of government and its entities must consider reviewing their work programs with KPMG, to ensure that their audit processes have not been compromised in any way, and to take appropriate steps if it has been compromised.

Recent developments further highlight the risks posed by market dominance and concentration of a few firms in key industries and offer yet another opportunity for introspections and reforms. We call for a concerted effort by all stakeholders to open up the sector to more players for a more de-concentrated and transformed audit sector.



It is our belief that despite the setback, not all is lost. We should all join hands in rooting out bad elements that undermine the optimal functioning of our promising economy and its globally reputable institutions.

It is therefore, warranted and critical that the relevant law enforcements and bodies such as the Independent Regulatory Board for Auditors (IRBA) look into this matter to identify and sanction those responsible for any wrong-doing.

Issued on behalf of the Ministry of Finance

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