

HCI unit may dismiss KPMG as auditor over Gupta links

By [Ann Crotty](#)

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KPMG looks set to lose another JSE client as investment company Deneb, which is part of the Hosken Consolidated Investments (HCI) group, launches a review of KPMG's role as the company's auditor.



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HCI CEO Johnny Copelyn would not comment on the review or a possible link to KPMG's exposure to the Gupta family other than to say the process of changing an auditor was complicated and needed shareholder approval. "At this stage I can only say we're in the process of a formal review of KPMG as Deneb's auditor."

Grant Thornton, which is not one of the big four audit firms, audits most of the companies in the HCI stable. There is no requirement for a listed company to inform shareholders when it changes auditors, nor is there a requirement on the audit firm to notify the Independent Regulatory Board for Auditors.

Andre Visser, GM of issuer regulation at the JSE, said a listed company had to notify the JSE within 24 hours of taking the decision to terminate the appointment of auditors. The auditor had also to provide reasons for the termination. "The JSE will assess the reasons and may then ask for a Sens announcement."

In the US, the Securities and Exchange Commission obliges companies to issue a notice when they intend changing their auditors and another when changes have been completed.

One local regulator speculated that the more lax South African disclosure requirements reflected how rarely JSE-listed companies changed auditors. To date, Sygnia is the only company that has formally announced that it had fired KPMG because of its previous work with companies linked to the Gupta family.

On Monday, 28 August, Sygnia CEO Magda Wierzycka welcomed the move by Deneb. She said the process of changing auditors was not complicated. A board decision to change firms could be implemented immediately and the move approved at a subsequent annual general meeting of shareholders.

Wierzycka announced the Sygnia decision at the end of July after a meeting with KPMG partners at which she attempted to ascertain how KPMG could have missed "a big money-laundering exercise" related to the financing of the infamous Gupta wedding.

Wierzycka, who emphasised that she had no issues with the KPMG team that worked on Sygnia, was unhappy with the response to her questions.

"The meeting didn't dispel in my mind the perception that adequate oversight was not exercised," she said.

By the close of business on Monday, KPMG had not responded to questions from *Business Day* about whether any other listed companies had indicated they were reviewing their relationship with the firm.

The list of KPMG clients includes some of the largest companies on the JSE, such as British American Tobacco, BHP Billiton, Old Mutual and Investec. The list also includes South African banks Absa, Nedcor and Standard, which refused to provide banking services for Gupta-related companies.

Source: Business Day

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