

KPMG to cut jobs, send in partners to save South African operation

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Joseph Cotteril



KPMG will parachute in executives and cut hundreds of local jobs to rescue its troubled South African business. Ryan Stuart

KPMG will parachute in executives and cut hundreds of local jobs to rescue its South African business, following a [client exodus over scandals](#) including the firm's ties to the members of the Gupta business family who have been accused of corruption.

In a statement on Monday (Tuesday AEST), the big four accounting and consulting firm said that up to 400 people would leave KPMG South Africa and some offices in the country would be closed in order to "take into account recent client losses and current levels of demand for certain services".

It said the rescue would also involve "embedding in the firm for an extended period a number of senior KPMG partners from across the international network", including at board level.

The firm will retain 130 partners and more than 2000 employees in South Africa while it withdraws to four large offices in Johannesburg, Cape Town, Durban and Port Elizabeth, it said.

The restructuring underlines the scale of the crisis confronting KPMG in South Africa, [where it has lost significant clients](#) including Barclays Africa and government institutions in recent months – part of the fallout from being embroiled in the broader furore over the Guptas, the biggest political scandal in South Africa's post-apartheid history.

Brand damage

[KPMG South Africa's chief executive resigned, and several partners left last year](#) as it apologised for work, including audits, for a company linked to alleged money-laundering by certain members of the Gupta family – who have been accused of controlling government business through their friendship with Jacob Zuma, the former president. Both the Guptas and Mr Zuma deny wrongdoing.

The India-born brothers left South Africa this year when the ruling African National Congress [forced Mr Zuma to resign in favour of Cyril Ramaphosa](#), who has promised a fightback against corruption.

KPMG's domestic reputation has been battered further by the collapse of VBS, a mutual lender that it gave clean audits despite regulators finding subsequent evidence of irregularities.

"KPMG South Africa is an important part of our global firm," said Bill Thomas, KPMG International's chairman. The decision to embed executives was "evidence of the significant investment KPMG International is providing to help ensure KPMG South Africa can continue to focus on trust, quality and integrity", he added.

Regulators in the country are investigating KPMG over the Gupta audit work. Last week the firm resigned from the South African Institute of Chartered Accountants to avoid conflicts of interest over the probes.

'Difficult day'

Nhlamu Dlomu, KPMG South Africa's chief executive, said the restructuring "is a difficult day for us" but after losing clients the firm "simply did not have the business for the employees we had".

Partners from KPMG International will take up positions on the South African unit's board and executive committee, as well as dealing with clients directly. The group also sent partners in the immediate wake of the Gupta scandal.

"We don't interpret this as a takeover" by KPMG International, but the executives and partners sent to South Africa "will stay until the job is done", Ms Dlomu said.

KPMG operations in other countries are also under pressure. In August the firm paid more than \$US6.2 million (\$8 million) to resolve a dispute over its audits of US company Miller Energy Resources.

Then this year a [UK Financial Reporting Council probe into KPMG's audits of Carillion](#), the builder that collapsed under a mountain of debt in January, led to calls for the [big four firms to be broken up](#).

KPMG's restructuring in South Africa comes as [McKinsey, the global management consultancy](#), is seeking to extricate itself from its own entanglement in the Gupta scandal by [returning fees from work for a state-owned group that was tainted by association with the family](#).

McKinsey has also weathered client losses in the country including several local banks and Coca-Cola's South African arm.

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