

Parliamentary Joint Committee on Corporations and Financial Services
Inquiry into the regulation of auditing in Australia
KPMG responses to Questions on Notice, received 23 December 2019

A. Audit failures

Question 1:

Over the last ten years, how many civil cases have been found against KPMG in which audit quality was a significant component in the statement of claims? Please provide details of such instances.

Response:

None.

Question 2:

Over the last ten years, how many civil cases have KPMG settled in which audit quality was a significant component in the statement of claims? Please provide details of such instances.

Response:

We have resolved past claims against us following the corporate collapses of Westpoint Corporation Pty Ltd, Octaviar Ltd, Allco Finance Group Ltd, Bill Express Ltd, City Pacific Limited and Equititrust Limited. In the limited claims that have been brought against us, we have stood by our work and we have defended the claims. Our decision to resolve each claim was a commercial decision based on the legal costs involved and the inherent risks of litigation. In recent years we have had very few claims brought against us.

Question 3:

Over the last ten years, how many companies have gone into receivership where: KPMG audited the final annual financial report; and where there was material misstatement in the final annual financial report?

Response:

Multiple factors contribute to a company's collapse. Receivers do not typically identify material misstatements once an entity has been placed into receivership and communicate this to the auditor. We are not aware of any such material misstatements and stand by our work.

Set out below is a list of ASX listed companies that have gone into liquidation, while we were the auditor, in the past 10 years.

Year	Name	Going concern raised in Audit Opinion
2010	MRI Holdings	Yes
2011	Nylex Ltd	Yes
2012	CP1 Limited	Yes
2013	Gunns Limited	Yes
2014	Forge Group Limited	No
2015	WDS Limited	No
2016	Mirabela Nickel Limited	Yes
2019	Arrium Limited	Yes

In respect of each of the instances that meet the conditions in Question 2:

Question 4:

Were the auditors involved dismissed?

Response:

No. As mentioned above, we stood by our work.

Question 5:

Were the partners managing the file penalised financially, including through the withholding of performance payments?

Response:

Yes, where appropriate.

Question 6:

Were there any other actions that KPMG took in response?

Response:

We constantly seek to improve our systems and processes and to embed knowledge from our experiences, which includes from litigation. This is reflected in our continuous improvement processes.