

Haydar Tuncer

From: Rajnish Padarath
Sent: Thursday, 23 December 2021 9:54 AM
To: Thea Eszenyi; Luci Tucker; Chelsi Williams; Neil McCorquodale
Cc: Douglas Niven
Subject: CPA ends KPMG cheating investigation, takes no action [SEC=OFFICIAL]

Hi everyone

See article below. This makes reaffirms our position that we would not be picking this as a sample for our QC work on RCA in the new year.

Regards

Raj

Accounting body CPA Australia has ended an investigation into systemic exam cheating by KPMG partners and staff, taking no action.

The wrongdoing, which involved KPMG partners and staff cheating on courses that covered independence, audit and accounting rules, continued for at least five years until early 2020 and involved 18 partners and more than 1100 staff at the firm.

[The US audit watchdog](#), the Public Company Accounting Oversight Board (PCAOB), fined the firm \$US450,000 (\$631,400) and specified a series of actions KPMG must take to fix its culture, in mid-September.

CPA Australia president and chairman Merran Kelsall told members last week that the body was "satisfied that KPMG Australia has addressed the matter appropriately", but she did not specify if any CPA members had been involved in the cheating in the message.

"CPA Australia has concluded a thorough investigation into misconduct involving KPMG Australia's internal professional development program," Ms Kelsall wrote in an email to members.

"During our investigation, we reviewed evidence and other information supplied by KPMG Australia. This included the results of a root cause analysis by the firm, as well as information about internal sanctions and remedial actions applied following the discovery of the misconduct.

"In addition, we reviewed the report and decision of the United States audit regulator, the Public Company Accounting Oversight Board (PCAOB), into this matter. We are satisfied that KPMG Australia has addressed the matter appropriately and introduced measures to prevent a recurrence."

The CPA move to investigate the cheating is notable given the body's history of governance problems. A [member uprising](#) at CPA, over the \$1.8 million pay of then-CEO Alex Malley and his CPA-funded personal marketing, ultimately led to Mr Malley being fired in 2017 and [the entire board resigning](#).

CPA is not the primary professional body for KPMG partners and staff, despite having more than 168,000 members across 100 countries.

The main professional body tasked with training and disciplining KPMG partners and staff is Chartered Accountants ANZ. About 11 per cent, or roughly 11,400, of the 104,000 full members at Chartered Accountants were [auditors from KPMG, Deloitte, EY and PwC](#) as of 2019.

Chartered Accountants ANZ belatedly launched an investigation into the exam cheating more than 18 months after being told about the misconduct. ~~Not 15-2021~~

The body began its probe after a series of articles in The Australian Financial Review in which it [initially insisted that it had to wait](#) for KPMG to formally respond to the PCAOB report.

A Chartered Accountants ANZ spokeswoman said the investigation would be completed by March, 2022.

"Following the decision by the PCAOB, an investigation was launched into the matter," she said.

"This investigation by our independent Professional Conduct Committee is currently underway, with an expectation to conclude by March."

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