

Press Release

Foreign Affiliates of KPMG, Deloitte, BDO Charged in Improper Audits

FOR IMMEDIATE RELEASE

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Washington D.C., March 13, 2018 — The Securities and Exchange Commission today charged foreign affiliates of KPMG, Deloitte & Touche, and BDO for their involvement in audit work that circumvented the full oversight of the Public Company Accounting Oversight Board (PCAOB).

The firms agreed to settle the charges by paying penalties or disgorging their profits from the audits.

According to the SEC's orders, the Zimbabwe affiliates of Deloitte & Touche and KPMG improperly audited the majority of assets and revenues of a publicly traded company without registering with the PCAOB. The two principal auditors – KPMG's affiliate in South Africa and BDO's Canadian affiliate – were registered with the PCAOB but improperly relied upon the work of the two unregistered foreign component auditors to complete their audits of the company. This violated PCAOB standards requiring sufficient analysis and inquiry when using the work of another auditor.

"It's in the best interest of Main Street investors that all firms substantially involved in the audit of a public company are properly registered with the PCAOB so they are subject to the oversight necessary to ensure accuracy and prevent fraud," said Scott W. Friestad, Associate Director of the SEC's Division of Enforcement. "These unregistered foreign component auditors performed significant audit work outside the PCAOB's regulatory purview, and the principal auditors failed to consider the registration status of these firms as they used their work."

The SEC's orders find that Deloitte & Touche Chartered Accountants in Zimbabwe and KPMG in Zimbabwe violated Section 102 of the Sarbanes-Oxley Act, and BDO Canada LLP and KPMG in South Africa engaged in improper professional conduct, violated Rule 2-02 of Regulation S-X, and caused the audit client to violate its reporting obligations.

Without admitting or denying the findings, BDO Canada agreed to pay a \$50,000 penalty, KPMG in South Africa agreed to pay a \$100,000 penalty, Deloitte in Zimbabwe agreed to pay disgorgement and interest totaling \$99,057, and KPMG in Zimbabwe agreed to pay disgorgement and interest totaling \$141,305.

The SEC's investigation was conducted by Andrew Elliott and supervised by Mr. Friestad and Amy Friedman. The SEC appreciates the assistance of the PCAOB.

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Related Materials

- [SEC Order - BDO Canada](#)
- [SEC Order - Deloitte & Touche](#)
- [SEC Order - KPMG Inc.](#)
- [SEC Order - KPMG](#)