

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 82862 / March 13, 2018

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3929 / March 13, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18402

In the Matter of

KPMG

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER AND REMEDIAL SANCTIONS

I.

The Securities and Exchange Commission (“Commission” or “SEC”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against KPMG (“Respondent” or “KPMG Zimbabwe”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing A Cease-and-Desist Order, and Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

A. SUMMARY

These proceedings arise out of KPMG Zimbabwe's playing a substantial role in the audits of Issuer A from at least 2013 through 2014 without being registered with the Public Company Accounting Oversight Board ("PCAOB").

B. RESPONDENT

KPMG is an accounting firm located in Zimbabwe that is a member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Zimbabwe has never been registered with the PCAOB.

C. OTHER RELEVANT ENTITIES

Issuer A is a company that is incorporated in Canada with its principal executive offices in South Africa. Issuer A's securities are registered with the Commission pursuant to Section 12(b) of the Securities Exchange Act of 1934 ("Exchange Act"), and were previously registered with the Commission pursuant to Section 12(g) of the Exchange Act. Issuer A files periodic reports, including Form 20-F, with the Commission pursuant to Section 13(a) of the Exchange Act and related rules thereunder.

KPMG Inc. ("KPMG South Africa") is a public accounting firm registered with the PCAOB and located in Johannesburg, South Africa. KPMG South Africa is a member of KPMG International. From at least 2013 through 2014, KPMG South Africa was the principal auditor of Issuer A and signed the audit reports on Issuer A's financial statements.

D. FACTS

From 2013 through 2014, KPMG South Africa signed and issued the independent auditor's reports on Issuer A's financial statements, as the principal auditor. During this same period, Issuer A's largest subsidiary, located in Zimbabwe, accounted for the majority of Issuer A's consolidated assets and revenues. For example, for fiscal year 2013, this subsidiary accounted for approximately 70 percent of Issuer A's consolidated total assets and 100 percent of Issuer A's consolidated total revenues. KPMG Zimbabwe performed audit services for Issuer A by auditing the financial statements of this subsidiary.

The U.S. securities laws and the PCAOB rules¹ require that accounting firms register with the PCAOB if they "prepare[] or issue[] any audit report with respect to any issuer" or "play[] a

¹ The references to PCAOB standards and applicable provisions of the U.S. securities laws are to those that were in effect at the time of the relevant conduct.

substantial role in the preparation or furnishing of an audit report with respect to any issuer.” *See* Section 102 of the Sarbanes-Oxley Act of 2002 and PCAOB Rule 2100. An accounting firm plays a substantial role and is thus required to register when it: (1) “perform[s] material services that a public accounting firm uses or relies on in issuing all or part of its audit report;” or (2) “perform[s] the majority of the audit procedures with respect to a subsidiary or component of any issuer the assets or revenues of which constitute 20% or more of the consolidated assets or revenues of such issuer necessary for the principal auditor to issue an audit report.” *See* PCAOB Rule 1001(p)(ii).

From at least 2013 through 2014, KPMG Zimbabwe played a substantial role in the preparation of audit reports for Issuer A, having audited most of Issuer A’s assets and substantially all of its revenues. As such, KPMG Zimbabwe was required to be registered with the PCAOB. However, KPMG Zimbabwe failed to register with the PCAOB.

E. VIOLATIONS

Section 102 of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) makes it unlawful for any person that is not a registered public accounting firm to participate in the preparation or issuance of, any audit report with respect to any issuer. By participating in the preparation of audit reports for Issuer A, KPMG Zimbabwe violated Sarbanes-Oxley Section 102.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent KPMG Zimbabwe’s Offer.

Accordingly, it is hereby ORDERED that:

- A. KPMG Zimbabwe shall cease and desist from committing or causing any violations and any future violations of Sarbanes-Oxley Section 102; and
- B. KPMG Zimbabwe shall, within 120 days of the entry of this Order, pay disgorgement of \$30,000 and prejudgment interest of \$2,757.71, and within 485 days of the entry of this Order, pay the remaining disgorgement of \$99,410 and remaining prejudgment interest of \$9,138.12, for a total of \$141,305.83, for transfer to the general fund of the United States Treasury, subject to Exchange Act 21F(g)(3). If timely payment of disgorgement is not made, additional interest shall accrue pursuant to SEC Rules of Practice 600. Payment must be made in one of the following ways:
 - (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
 - (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying KPMG Zimbabwe as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Amy L. Friedman, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5010.

By the Commission.

Brent J. Fields
Secretary