

BY EMAIL

Dr Henrietta Hughes

National Freedom To Speak Up Guardian

Care Quality Commission

11 February 2021

Dear Henrietta,

National Guardian's links with KPMG and WhistleblowersUK

I write to draw your attention to a news report that Bill Michael the chair of KPMG UK has stepped aside from his role whilst an investigation takes place into his conduct, which includes telling workers to stop "moaning" - inconsistent with a speak up ethos.

<https://www.theguardian.com/business/2021/feb/10/kpmg-chair-steps-aside-after-telling-staff-to-stop-moaning-about-covid>

I do so with reference to your two un-minuted meetings with KPMG in 2017 (disclosed via FOI) and your recruitment of KPMG to your pan sector network.

The invitation to KPMG to join the pan sector network was questionable in the light of what was already known about KPMG's practices.

KPMG monetises whistleblowing by selling services to purportedly improve clients' governance. Furthermore for a fee, they provide purportedly confidential reporting channels.

<https://minhalexander.files.wordpress.com/2018/09/kpmg-faircall-for-business-services.pdf>

If you do not know already, there have been concerns raised about whether such services are safe for whistleblowers. For example, in the scandal in South Africa over State capture by the Gupta brothers. KPMG was hired by the Guptas and has come under serious criticism for the rigour of its audits, some of which it has been forced to review. Inevitably,

the Gupta scandal comes with tales of whistleblower persecution. The independence of KPMG's whistleblower services in South Africa were questioned in an article by The Citizen. I set out below the relevant passages:

"The hotline is hosted by KPMG SA on behalf of its clients so that they can anonymously report to the auditing firm any internal corruption at the client's company.

It's not configured to be used internally at KPMG SA for whistleblowing by its own staff. In the past fortnight, KPMG SA has basically admitted to being a Gupta pawn.

It has conceded that its "rogue unit" report for the South African Revenue Service was a work of fiction.

We also now know that when junior auditors at KPMG SA raised red flags over work done for the Guptas, they were slapped down.

Thus, it is not irrational to conclude that any whistleblower at Sars, or any Gupta-controlled company, would similarly have got short shrift if they phoned in their tip-offs to KPMG."

<https://citizen.co.za/news/opinion/opinion-columns/1672531/no-use-blowing-the-whistle-on-kpmg/>

In 2019, the Financial Times reported concerns from KPMG staff that the firm's own whistleblowing arrangements were compromised:

"Several sources also raised concerns about whistleblowing hotlines. They said formal whistleblowing reports would be initially outsourced to an external provider, but then redirected to internal employee relations, HR or legal teams. A KPMG whistleblower said he suspected he could not trust the hotline or internal HR teams when he wanted to lodge a report. "When I raised [an official complaint], I thought long and hard about it because I figured if they knew who raised it, they would be pretty unhappy. People find it very difficult to take that step — it's like walking off a cliff. You don't know if the plunge will be two metres or 20," he says."

<https://www.ft.com/content/78f46a4e-0a5c-11ea-bb52-34c8d9dc6d84>

I provide below some further examples of concerns about KPMG.

KPMG came under heavy criticism by the UK Financial Reporting Council for the quality of its audits:

'Across the Big 4, the fall in quality is due to a number of factors, including a failure to challenge management and show appropriate scepticism across their audits, poorer results for audits of banks. There has been an unacceptable deterioration in quality at one firm, KPMG. 50% of KPMG's FTSE 350 audits required more than just limited improvements, compared to 35% in the previous year. As a result, KPMG will be subject to increased scrutiny by the FRC.'

<https://www.frc.org.uk/news/june-2018/big-four-audit-quality-review-results-decline>

KPMG was forced to announce that it would stop doing non-audit work for firms that it audited, to address concerns about conflict of interest:

<https://news.sky.com/story/accounting-scandals-prompt-kpmg-ban-on-non-audit-work-11547932#:~:text=KPMG's%20UK%20chairman%20Bill%20Michael,memo%20seen%20by%20Sky%20News.&text=As%20the%20auditor%20to%20Carillion,of%20more%20than%20%C2%A35bn>.

In 2019, it was reported that KPMG “cheated” by using stolen regulatory information. The US Securities and Exchange Commission charged KPMG LLP with altering past audit work after receiving stolen information about inspections of the firm that would be conducted by the Public Company Accounting Oversight Board (PCAOB).

<https://www.sec.gov/news/press-release/2019-95>

It was also reported that senior KPMG partners were complicit in cheating on internal tests:

"KPMG auditors, including some senior partners in charge of public company audits, cheated on internal tests related to mandatory ethics, integrity and compliance training, sharing answers with other partners and staff to help them also attain passing scores. In addition, for a period of time up to November 2015, some audit professionals, including one partner, manipulated the system for their exams to lower the scores required to pass."

<https://www.marketwatch.com/story/the-kpmg-cheating-scandal-was-much-more-widespread-than-originally-thought-2019-06-18>

The misconduct involving stolen regulatory information resulted in a \$ 50 million fine from the US Security and Exchange Commission, and some KPMG leaders and workers received jail sentences. One of the convicted fraudsters was banned for life by the SEC:

<https://www.complianceweek.com/accounting-and-auditing/ex-kpmg-exec-avoids-prison-in-final-cheating-scandal-sentencing/29787.article>

<https://www.icaew.com/regulation/working-in-the-regulated-area-of-audit/pcaob-audit-registration/kpmg-director-banned-for-life>

Alongside the above clandestine and illegal activities, KPMG employees have alleged bullying, harassment, sexual assaults, protection of senior abusers, suppression and gagging of concerns by the organisation. Some staff surveys have been reportedly unfavourable, with KPMG employees expressing embarrassment and regret at joining the firm, and indicating that they were not surprised by the cheating scandal:

<https://www.accountancyage.com/2019/06/13/kpmg-bullying-allegations-only-scratching-the-surface-in-industry/>

<https://www.biznews.com/premium/2019/07/03/kpmg-dirty-word-insider-survey>

<https://www.goingconcern.com/survey-finds-that-nearly-a-third-of-kpmg-employees-arent-surprised-by-latest-cheating-scandal/>

<https://www.ft.com/content/78f46a4e-0a5c-11ea-bb52-34c8d9dc6d84>

<https://www.accountancyage.com/2019/09/03/two-partners-who-quit-kpmg-over-bullying-launch-own-firm/>

The KPMG audit scandals have continued, including KPMG's role in the collapse of Carillion. The collapse of Carillion was investigated by the National Audit Commission and the Public Accounts Committee and resulted in a £250m negligence lawsuit by the official receiver against KPMG:

<https://www.nao.org.uk/report/investigation-into-the-governments-handling-of-the-collapse-of-carillion/>

<https://www.pbctoday.co.uk/news/planning-construction-news/negligence-lawsuit-kpmg/76262/>

<https://www.retailgazette.co.uk/blog/2020/02/calls-for-watchdog-to-review-kpmgs-53m-ted-baker-accounting-scandal/>

<https://www.bloomberg.com/news/articles/2020-04-02/kpmg-reprimanded-again-and-fined-560-000-for-audit-failings>

Perhaps you could re-consider your Office's active solicitation of input from corporate players with compromised ethics records, as it does not sit well with the stated mission of your Office. In addition to KPMG, there are several other corporate entities that have questionably been invited to join your pan sector network.

National Guardian's links with WhistleblowersUK company number 09347927

(Please note this is a different enterprise to the original Whistleblowers UK company number 08112953)

I saw from WhistleblowersUK's social media output that this organisation was invited to your pan sector network meeting last autumn.

Please be aware that this is an organisation which has advocated for a whistleblowing rewards model.

Should whistleblowers be rewarded?
We say Yes!
Read more here:

Reuters



Tom and Georgina with friends at the 34th Cambridge Symposium on Economic Crime, September 2016

The US bounty model neglects some bona fide whistleblowers who suffer reprisal, because it only rewards a tiny few with grossly inflated rewards. Whistleblowers are only rewarded under the bounty model if their disclosures recoup large amounts of money for the state. The system does not generally address harm to the person, such as through bad care, because there is no clear cut financial loss.

<https://minhalexander.com/2018/09/12/whistleblowing-v-bounty-hunting-and-a-new-whistleblowing-appg-with-sponsorship-from-bounty-hunters/>

A bounty model also affects whistleblowers' reputations and opens them to accusations of bad faith. But what the bounty model achieves par excellence is rich dividends for middle men. WhistleblowersUK has received money from US bounty hunting lawyers Constantine Cannon in connection with the Whistleblowing APPG.

The Whistleblowing APPG has also been criticised and Norman Lamb resigned from the APPG because the CEO of WhistleblowersUK failed to answer questions which I had put to its CEO about financial transparency and conflicts of interest.

<https://minhalexander.com/2019/10/31/norman-lamb-mp-has-resigned-from-the-whistleblowing-all-party-parliamentary-group/>

Susan Kramer the chair of the whistleblowing APPG has advocated for whistleblower rewards:

“Whistleblowers should receive payouts for revealing misconduct in the City...”

<https://www.thetimes.co.uk/article/the-lib-dem-baroness-kramer-says-whistleblowers-should-be-rewarded-not-treated-like-snitches-6vjffmb0w>

WhistleblowersUK also ask whistleblowers to pay £100 per hour for their help, and for 5% of any award or settlement. This is the document that WhistleblowersUK send to whistleblowers, asking them for money:

<https://minhalexander.files.wordpress.com/2020/01/wbuk-statement-of-cooperation-and-agreement.docx>

In summary, I sincerely hope the National Guardian’s Office will not intentionally or unintentionally endorse, legitimise or reinforce a whistleblowing industry that is more about profit and in some cases protecting corporate interests, than it is about the public interest.

Please advise if, to avoid legitimising poor governance, you will review the relevant process by which your Office makes links with other organisations, and whether you will continue your links with KPMG and WhistleblowersUK.

Yours sincerely,

Dr Minh Alexander

Cc Robert Francis CQC NED and member of the National Guardian’s Accountability and Liaison Board

