

KPMG 'put profits above ethics'

IRS official says KPMG traded its professional principles for profits 'at every critical juncture'

Alex Hawkes, *Accountancy Age*, 17 Nov 2005

KPMG chose 'profits over professionalism at every critical juncture', when marketing abusive tax shelters in the US, a senior US tax official has said.

Cono Namorato, head of the IRS Office of Professional Responsibility, told a meeting of advisers in the UK this week that what KPMG had done was a 'reminder of what can happen when ethical behaviour is traded for a quick profit'.

He added: 'It illustrates the role that individuals can play in undermining the integrity of the tax system. KPMG chose profits over professionalism at every critical juncture.'

KPMG was fined £456m earlier this year for its role in marketing tax shelters, in a row that at one stage threatened to escalate into a Department of Justice indictment that would have imperiled the Big Four firm's global future.

The firm is set to court further controversy today when Loughlin Hickey, global head of tax at KPMG, tackles tax avoidance in a public lecture at the ICAEW.

Namorato was in the UK to talk to HM Revenue & Customs and UK advisers about his work.

Asked whether HMRC would be adopting any of the IRS tactics, Dave Hartnett, HMRC's director general, repeated a view he expressed in an interview with *Accountancy Age* earlier this year that the US had seen a far worse breakdown in trust between advisers and government.

He said: 'I think that one of the things that we have seen in the US is a different environment, a breakdown of ethical standards. We have been able to look on as voyeurs and see there are lessons to learn.'

Responding to Namorato's remarks, a spokesman for KPMG's US firm said: 'KPMG has a process in place to ensure that those individuals responsible for the wrongdoing have been separated from the firm.'

The firm added that the DoJ settlement had resolved the IRS's examination of its tax shelter activities.

'This matter is now behind us. KPMG is focused on moving forward and providing the highest quality audit, tax and advisory services to our clients,' the spokesman said.