KPMG UK profit surges despite string of fines and scandals

Hundreds of partners at KPMG, the big four accountancy firm, will be told next week that their payout surged last year despite a renewed string of scandals and a self-imposed moratorium on tendering for government contracts.

Sky News has learnt that average profit-per-partner at KPMG rebounded to roughly £700,000 in 2021, a rise of nearly a quarter on the previous year's sum.

The increased payouts to 600 partners will be supplemented by a total bonus pool to be awarded to 15,000 UK employees worth about £100m, according to one senior insider.

KPMG's stronger financial performance reflects that of the broader accountancy and consulting sector, with rivals such as BDO, the mid-tier firm, reaching a record £760,000 last year.

The increase in profits is being driven by higher revenues in advisory services as well as larger audit fees being charged as a consequence of looming regulatory reforms.

It is expected to be announced during the first half of next week.

One source close to KPMG said that not all of the increase in profit would be paid out to employees and staff, with a significant proportion retained to invest in personnel training and development.

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Nevertheless, the surge in partner profits has the potential to be highly contentious, coming just three weeks after KPMG UK’s new chief executive, Jon Holt, acknowledged that “unacceptable” conduct had taken place in the firm in relation to the audit of the collapsed construction giant Carillion.

Image:
Carillion was liquidated in 2018

KPMG and six former employees are being tried by a tribunal brought by the audit watchdog, the Financial Reporting Council (FRC), over their supervision of Carillion’s accounts in the years prior to its liquidation in 2018.

The firm faces a legal claim connected to Carillion’s collapse worth more than £1bn from the Official Receiver in the coming months.

The latest step in that process, the filing of the particulars of claim, recently took place, with KPMG due to acknowledge receipt of the document shortly, according to sources.

KPMG has also been hit by a string of fines in recent months, most notably in connection with its involvement in the sale of Silentnight, the bed manufacturer, in 2011.

Silentnight was sold to HIG Europe, the same private equity firm that last year backed the nearly-£400m buyout of KPMG’s UK restructuring business.

KPMG was forced into a leadership overhaul last year when Bill Michael, its UK chairman, stepped down after telling staff to "stop moaning" during a video conference about the firm's handling of the pandemic.

More recently, KPMG had a £3m fine slapped on it by the FRC for its audit work on Conviviality, the drinks business that went bust in 2018.

KPMG elected to pause bidding for government contracts after being threatened with a ban by the Cabinet Office, the Financial Times reported in December.

All of the big four audit firms have submitted plans to the FRC demonstrating how they intend to "operationally separate" their audit and consulting arms during the coming years.

That push has come in the wake of accounting scandals at companies such as BHS and Carillion, and led to government-sponsored plans to abolish the FRC and replace it with a new statutory regulator.

Sky News revealed before Christmas that the FRC would gain new leadership in the form of Sir Jan du Plessis, the former BT

Group chairman.

KPMG declined to comment on Friday.