



# EXCLUSIVE | Cabinet ministers met publicly with KPMG while firm's tax 'sham' under CRA probe

Accounting firm joined revenue minister at speech while fighting court order

By Harvey Cashore and Frederic Zalac, [CBC News](#) Posted: Sep 21, 2015 5:53 PM ET | Last Updated: Sep 21, 2015 8:49 PM ET



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Top Conservative cabinet ministers met publicly with senior staff from KPMG's tax division, and one went so far as to promote the firm, even as the Canada Revenue Agency was alleging the company set up an offshore tax "sham" that deceived the government and deprived the treasury of potentially millions of dollars, a CBC News investigation shows.

Revenue Minister Kerry-Lynne Findlay, Finance Minister Joe Oliver and Prime Minister Stephen Harper all appeared in public with officials from KPMG's tax department in 2014 and 2015 during the period when CRA auditors were continuing an investigation into one of the accounting firm's tax schemes and seeking names of multimillionaire clients.

KPMG also sponsored Oliver's 2015 post-budget speech in Vancouver. And in August 2014, KPMG executives registered to lobby the prime minister and his staff.

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The CRA has alleged in court documents that the KPMG tax dodge — which involved clients with a minimum of \$5 million setting up shell companies in the Isle of Man — was "intended to deceive" authorities.

KPMG has been fighting a February 2013 court order to hand over the list of wealthy clients to the CRA for more than two years.

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Yet in the 31 months since the judicial authorization, neither the federal government nor KPMG has requested a court date for the accounting firm's appeal.



A slide that was projected during a speech by Finance Minister Joe Oliver in Vancouver on April 28, 2015, noted that KPMG was a 'proud sponsor' of the event. (CBC)

A letter filed in Federal Court on July 20, 2015, written by a KPMG lawyer — stating the letter was "approved in ...advance" by lawyers at the Department of Justice on behalf of the minister of national revenue — said that both sides are pursuing "confidential" discussions to try to settle out of court.

KPMG lawyers had previously told the court the "lengthy process" was due to the "complexity" of the issues.

## Appearance of conflict of interest?

Duff Conacher, a visiting professor at the University of Ottawa who teaches on ethics in government, said the Tory meetings with KPMG, while it was being pursued by the government, could raise questions of an appearance of a conflict of interest.

Conacher said the meetings may lead to speculation about what is happening behind closed doors "because anyone who looks at it from the outside says, 'Hey, wait a second, this case hasn't been pursued aggressively. I wonder why?'"

A spokesperson for the Prime Minister's Office declined to say what was discussed with Harper and his aides, except to say that the meetings with KPMG were part of routine "stakeholder" discussions.

The spokesperson did not respond to questions about whether anyone approached the prime minister or his staff to discuss the court case against KPMG.

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"We do not get into details about when and how meetings are scheduled, nor the content of those discussions," the PMO spokesperson said in a statement to CBC News.

KPMG won't talk about the meetings either, but insists no one from the firm ever mentioned the court cases to any Conservative minister or the prime minister. (**For KPMG's full statement, click here.**)

"Any suggestion of an improper relationship between KPMG leaders and the Prime Minister's Office are patently false," KPMG said in an emailed statement.

## Findlay promoted KPMG during public speech

Revenue Minister Findlay also declined to speak to CBC News, including about a speech she gave last February when she referred the public to KPMG, and other accountants, in a talk about tax planning.

During **the Feb. 9 speech** in Vancouver, Findlay introduced Walter Pela, KPMG's head of tax for the Vancouver region, and three other accountants. The minister told the audience KPMG and others had joined her there to represent their industry association, the Chartered Professional Accountants of Canada.



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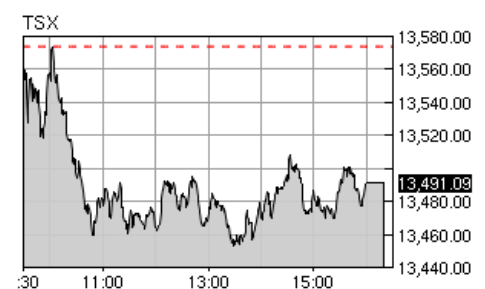
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The minister told the public audience that the accountants could be consulted when making "complicated" tax files.

She also posed for photos with KPMG's Pela and his colleagues.

In a statement, Findlay's spokesperson said, "It is not uncommon for the minister to attend events and announcements with stakeholders and leaders of her local community."

Findlay's spokesperson also said the minister has never been approached by anyone at KPMG to discuss the court cases.

CRA audits and investigations routinely proceed without any involvement from the minister of national revenue, even if they are conducted on her behalf.

CBC News has learned Findlay was first informed of the CRA investigation into the KPMG tax scheme more than a year before her speech in Vancouver, after her communications department referred her to a news report about the case.

Findlay did not respond to queries from CBC News about whether she informed the Prime Minister's Office or her cabinet colleagues after she learned of the case against KPMG.

Conacher, who is also co-founder of Democracy Watch, said the revenue minister was ill-advised to have KPMG join her in public, particularly during a tax probe. "It's improper for a minister to be promoting companies directly like that and specifically naming them."

## Sponsored Oliver's speech

On April 28, one week after the 2015 federal budget, KPMG Canada sponsored a post-budget speech in Vancouver for Oliver.

KPMG's head of tax, Elio Luongo, introduced Oliver to the meeting of the Vancouver Board of Trade at Pan Pacific Hotel. Luongo also thanked his firm, KPMG, for sponsoring the finance minister's talk. "Today's event would not have been possible without your support," he said.

CBC News reporter Frederic Zalac caught up with Luongo at the event. Luongo declined to answer questions about why KPMG was not handing over the secret client list of wealthy Canadians to the Canada Revenue Agency.

A spokesperson for KPMG later said it would be inappropriate for the firm to comment on matters that may be before the courts.

In an emailed statement, a spokesperson for Oliver said the finance minister was not aware of the CRA investigation into KPMG's tax product at the time he made the speech.

The Vancouver Board of Trade chooses its own sponsors, the spokesperson said, adding that members of all political parties have given speeches to the board, including Liberal Leader Justin Trudeau.

## 'Inappropriate and unethical'

Democracy Watch's Conacher says the government should not have allowed KPMG to sponsor a finance minister's speech, let alone when it was alleged to have set up an offshore scheme to defraud the public treasury.

"It's inappropriate and unethical [for the finance minister] to be speaking at privately sponsored events," Conacher said.

Federal records show KPMG'S Luongo registered in Ottawa as a lobbyist starting in 2012 to lobby the CRA, the Department of Finance and, later, the Prime Minister's Office on behalf of the accounting firm on topics including taxation.

In early 2014, in his position as chair of the Vancouver Board of Trade, Luongo emceed at a public event for Harper.



Finance Minister Joe Oliver, left, was introduced by KPMG's head of tax, Elio Luongo, right, at a meeting of the Vancouver Board of Trade on April 28, 2015. (CBC)

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"We want to thank you for your strong leadership and thank you for being with us today," Luongo said.

Lobby registry records also show that KPMG executives met with Harper, his chief of staff Ray Novak and two other PMO staffers on Aug. 13, 2014, to discuss "economic development, taxation, finance."

KPMG's spokesperson said no one from the firm ever mentioned the case of MNR v KPMG to the prime minister or his staff.

#### KPMG's full statement:

Consistent with professional standards, KPMG is committed to treating our clients' private financial affairs as confidential. Therefore we cannot disclose, respond to, or discuss any specific client matters. In addition, with respect to the CBC's questions relating to tax matters dating back to 1999, aspects of this are currently before the courts and accordingly it is inappropriate for us to comment.

Any suggestion of an improper relationship between KPMG leaders and the Prime Minister's Office (PMO) are patently false. KPMG representatives, along with many other business, government and community leaders periodically participate in public events and group meetings with government officials, including the PMO. We have never met privately with the PM or PMO to discuss any specific client-related matters.

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With files from Alexandra Byers

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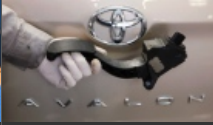
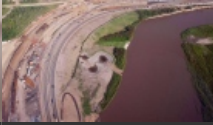
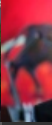
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