

DOA: Can Big Audit Survive the UK Regulators?

As the world becomes increasingly interconnected, the need for robust regulation of industries is more important than ever before. One industry that has faced significant scrutiny in recent years is the auditing profession. The United Kingdom, in particular, has emerged as a hotbed of regulatory activity, with the country's regulators implementing a series of reforms aimed at increasing transparency and accountability.

The Big Four

At the center of this regulatory storm are the Big Four accounting firms: Deloitte, PricewaterhouseCoopers (PwC), Ernst & Young (EY), and KPMG. These firms dominate the global auditing market, providing auditing, tax, and advisory services to thousands of companies. Their influence is profound, and any regulatory changes in the UK would have far-reaching implications.

For years, the Big Four have faced criticisms for their role in high-profile corporate scandals. The collapse of Carillion, a UK construction company, and the accounting scandal at Tesco, one of the largest retailers in the world, were just two examples of failures that led to questions about the effectiveness of auditors.

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by Jim Peterson (Kindle Edition)

★★★★★ 5 out of 5

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Regulatory Challenges

The UK regulators are now pushing for increased competition and scrutiny in the audit market. The Competition and Markets Authority (CMA) has proposed a series of measures to address perceived deficiencies in the industry, including mandatory joint audits, increased involvement of smaller firms, and measures to enhance auditor independence.

The implementation of these reforms would undoubtedly pose challenges for the Big Four. The current concentration of auditing services among these firms gives them significant power, including the ability to cross-sell other services to audit clients. The proposed measures aim to reduce this concentration, but it remains to be seen whether they will be successful.

The Future of Auditing

While the regulatory pressure on the Big Four is mounting, it is important to remember the role that auditors play in maintaining trust and confidence in financial markets. Audits provide assurance to investors, creditors, and other stakeholders that the financial statements of companies are reliable and accurate.

However, the audit profession must adapt to the changing business landscape. The rise of technology, the increasing complexity of financial transactions, and the globalization of markets present new challenges for auditors. Embracing innovative auditing techniques, leveraging data analytics, and enhancing professional skepticism are just some of the ways auditors can address these challenges.

The future of big audit in the UK is uncertain. The regulators are determined to bring about significant changes, but whether these changes will be enough to mitigate the risks and restore public trust in the profession remains to be seen. The Big Four, with their vast resources and global reach, have the opportunity to adapt and demonstrate their value to society. Only time will tell if they can survive the regulatory storm.

As the world continues to evolve, it is essential to have a robust regulatory framework that ensures transparency, accountability, and integrity. The auditing profession plays a vital role in this framework, and it is crucial for regulators, auditors, and stakeholders to work together to address the challenges and foster an environment that promotes trust and confidence in financial markets.

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The collapse of Arthur Andersen in 2002 reduced the large accounting networks to the Big Four – Deloitte, EY, KMG and PwC. Can they survive, in a model fit for purpose?

Public criticism and the hostility of regulators and politicians are intense, especially in the United Kingdom since the January 2018 collapse of contracting giant Carillion. The debate is joined, the outcome is uncertain, and the consequences to the capital markets will be profoundly disturbing.

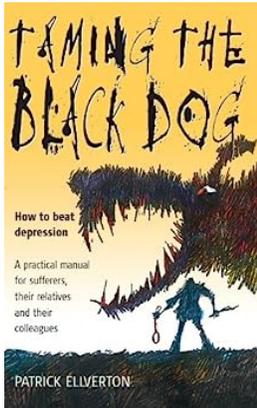
The issues are complex: audit quality, the “expectations gap,” competition and choice. Disruptive “solutions” include breaking up the Big Four, stripping their services to “audit only,” and even nationalizing audit assignments.

With DOA, veteran lawyer and author Jim Peterson surveys the background to the current UK environment, examines the possible actions, and assesses the doubtful prospects for beneficial change.



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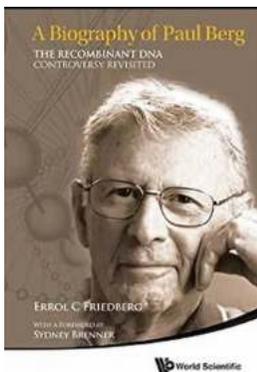
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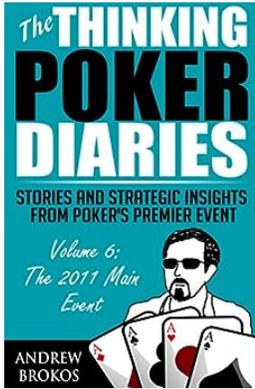
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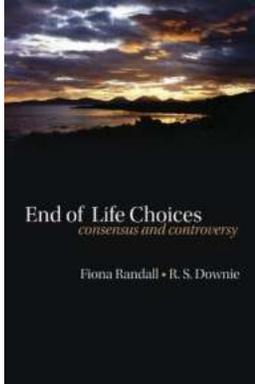
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