

No legislated cap on audit liability

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Dennis Howlett, quoting from the Times notes:

Mr Wyman [partner, PWC] said: "The failure of a large audit firm would be very damaging to the capital markets at a time when they are already fragile."

The Big Four case is weak. What evidence did they provide to show the potential for chaos in the markets? Have investors found a new interest in reading audit reports? Are they assuming there is no alternative to the Big Four remaining with what sounds like a license to print money but without the responsibility that should go with it? If so then it's news to most of us who follow this matter. As I've said before, the audit profession needs reshaping. It has to take responsibility for itself or face forced measures that will make what's happening today seem like a mild aberration.

So now we have a partner at a Big Four firm admitting that failure is a distinct possibility. That's new and a welcome sign they know there are genuine issues at stake.

Given the shoddy nature of at least some of the audits for which the Big Four are on the hook, you can hardly blame companies for demurring on the cap issue.

When I told an academic recently that I and others thought the failure of one or more of the Big 4 a distinct possibility they were shocked, as if this had not occurred to them as a possibility.

I think it more than possible: there is a significant risk it may happen.

I hope the contingency plans are in place.