

Add it to the pile

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Madoff lawsuit attacks KPMG UK - Accountancy Age.

There's another legal action to add to the mountain of litigation threatening the future of the Big 4. As Accountancy Age notes:

An investor in Bernard Madoff's mega Ponzi scheme have now named KPMG UK in a lawsuit in which they claim the firm failed to spot the fraud while auditing Madoff's London operations.

The action is being brought on behalf of investor Jay Wexler, an investor of "hundreds of thousands" dollars in Rye Select Broad Market Prime Fund, one of many feeder funds into the Madoff Ponzi scheme.

"Instead, KMPG UK never raised any red flags that investors' money was used by Madoff as his personal piggy bank."

Madoff has apparently confirmed he used London for abusive purposes.

And I'd stress: the primary purpose of an audit is not to find fraud.

But when the primary purpose of a company is fraudulent the audit should find that out.

How long can the Big 4 survive this sort of claim?

And is it true that mark to market and auditing standards that do not require them to look beyond the last traded price for an asset will bring them down although I have no doubt they created the whole system to mitigate their risk?