

## What if four become three?

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Nick Mathiason in the [Guardian notes that](#):

*Britain's financial reporting regulator warns that one of the big four firms dominating the accountancy profession could exit audit work in a move that would cause chaos to businesses throughout the world.*

*The Financial Reporting Council's chief executive, Paul Boyle said it was conceivable that litigation linked to the banking crisis could force one of KPMG, PricewaterhouseCoopers, Ernst & Young or Deloitte & Touche out of business.*

Francine McKenna, Dennis Howlett, Prem Sikka (of course) and I have been saying so for some time. The article notes Prem's comments, which are astute as ever.

But what is really worrying is that there seems to be no contingency planning for this. The best they can come up with is a relaxation on partnership rules as if this would allow Tesco's (or the like) to raise the capital to enter the audit market and all would be well.

This is the ultimate farce of a solution. It has been proven time and again markets cannot self regulate — at least in the absence of strong ethics. Accountancy — at least at the level we are talking about is now an ethics free zone — the firms in question blatantly setting the rules to suit their own purposes and having strong political agendas — in which case they are wholly unsuited to the task entrusted to them.

Prem is right — we have to look for radically different solutions to his problem. And their nexus exists. Regulators of all sorts rank these companies. HMRC, for example, rank their risk aversion. Financial regulators should be crawling oall over banks.

Like it or not — regulation is the preserve of government and audit is a regulatory function. It is to the public sector that we must look for an audit solution — and the plans need to be in hand now. We really do not have a lot of time before, as even the insiders now seem to agree, one of the Big 4 goes bust — with no guarantee it would not release a domino effect.

But who is doing the contingency planning? No one that I can see — and that's the really scary bit.

Anyone want to fund a research project on this?