

## On rotten auditors and their friends

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There seems to be something of a 'shareholder spring' underway, with increasing numbers voting against fat-cat executive rewards for failure and mediocre performance. Prof. Prem Sikka has a fine [article in the Guardian](#) now noting that beneath these supposedly green shoots, the soil is rotten: the audit profession - whose Big Four members are arguably the most influential players in the corporate world - are being let off the hook. The article is full of good stuff:

*"PricewaterhouseCoopers (PwC), Deloitte, KPMG and Ernst & Young, collectively known as the Big Four accountancy firms, audit around 99% of FTSE 100 companies. These firms audited all distressed banks. At the height of the banking crisis they gave the customary clean bill of health to Northern Rock, Abbey National, Alliance and Leicester, Bradford & Bingley, HBOS, Lloyds TSB and Royal Bank of Scotland (RBS). Bear Stearns and Lehman Brothers went bust shortly after receiving the all-clear. A subsequent inquiry by the House of Lords economic affairs committee accused auditors of "dereliction of duty" (para 161) and "complacency" (para 167) and basking in a culture of "box ticking" (para 6) rather than delivering meaningful audits. Despite the damning criticisms, some partners in audit firms still charge over £700 an hour for their services."*

There are sordid tales of PwC and its clients Barclays; Lloyds and Northern Rock; KPMG and its clients HSBC, HBOS and Bradford & Bingley; Deloitte and Abbey National, Alliance & Leicester and Bear Stearns; Ernst & Young, and Lehman Brothers. And much more. These audit companies are what Sikka calls "the private police force of capitalism' and yet Sikka notes that

*"The auditor dependency on companies for vast fees neuters any impulse to deliver an independent opinion on company accounts. No one at any accountancy firm is ever promoted for blowing the whistle on dubious practices of companies and losing a client. At company AGMs auditors are appointed often without any discussion.*

*The resolutions on auditor appointment are not accompanied by any information on the composition of the audit teams; time spent on the job, audit and consultancy contracts,*

*information obtained from directors, list of faults found with company accounts, regulatory action against auditors or anything else that might shed light on the quality of audit work or conflict of interests."*

The profession is deeply corrupted and conflicted. Treasure Islands also did quite an exploration of the way auditors used tax havens to shake off responsibility for their audit mistakes, and heap them onto the shoulders of society. You can also see an academic exploration of that episode in chapter 6 [here](#).

I could go on but . . . [read Sikka's article](#) for yourself. More on auditors and the financial sector [here](#).

And on a separate but related note, International Tax Review [notes](#) that Chris Wales has been appointed to PWC in London. Wales is a former adviser to Gordon Brown and a co-founder of the Oxford University Centre Against, sorry, For Business Taxation, a mixture of academic institution and lobbying group pushing for lower taxes. Of this [Accountancy Age](#) noted in 2005:

*"Wales' mission to ensure a simple, but fair taxation system that allows UK businesses to compete effectively and profitably in a global marketplace. The culmination of this mission, he says, was the creation and launch of the Oxford University centre for business taxation (see box) on 4 November this year.*

*Based at the Saïd Business school and backed by £5m-worth of funding from the influential Hundred Group of Finance Directors, the centre has been set the goal of using academic weight, alongside HM Revenue & Customs and business expertise and assistance, to achieve a more competitive tax system for British businesses."*

This man is a pusher of toxic approaches to taxation, and the International Tax Review now notes that he will 'lead the firm's work in assisting governments in developed and developing countries with strengthening their tax policy and administration. His responsibilities will include a particular strategic focus on sub-Saharan Africa.

God help them, and us.

NB: This post was written by John Christensen of the Tax Justice Network [and was first published here](#). Prem Sikka is a long standing mutual friend of John, TJN and me.