KPMG decision is making a laughing stock of the Financi...

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The best comment I have seen on the Financial Reporting Council's whitewash of KPMG's failure to spot that HBOS was bust in 2008 when Northern Rock had already gone under is in the FT, where it is noted that:

The[se firms of accountants]are so much bigger than the pack that no amount of merging would create a fifth international firm to match them. They are so far ahead of the competition that big companies hardly dare risk appointing an auditor outside the "Fab Four".

Except that this week has exposed that KPMG is not fab at all. It gave HBOS a clean bill of health months before the bank had to be rescued and had to suffer an investigation by the Financial Reporting Council. Fortunately, this industry watchdog concluded that the firm's 2008 audit was just fine. Unfortunately, this conclusion was so far removed from common sense as to make the FRC the laughing stock of the City. As for PwC's audit of the collapsing Royal Bank of Scotland, the FRC didn't even feel it needed any special look.

Let's be blunt about this: the world has noticed the obvious lack of rigour at the FRC when it comes to the Big Four. And as The Times noted yesterday, the obvious question to ask is whether the fact that forty or more people with close links to these firms serve in some way or other at the FRC might have anything to do with this.

Impossible you might say. Objectivity cannot be bought, surely? Look at KPMG South Africa and the evidence is that, unfortunately, it can be. I am not saying that is happening here. I am saying an audit mentality requires openness to risk.

There is a need for action on these firms and, perhaps more importantly, their regulation. The time to do that is now, before the next crisis starts.