

If there is a need for audit reform it must be the repl...

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The [FT has reported this morning](#) that the Financial Reporting Council, who regulate the UK's large auditors, are to undertake a review of that sector as they believe that there is insufficient competition within it.

This, as an exercise in missing the point, is just what the FRC want and as far from what is needed as is possible. The failings in audit have nothing to do with competition. They have to do with:

- 1) control of the regulator by those they regulate;
- 2) the systemic failure to appropriately define an audit, which is at present considered to be a check on compliance with what are inappropriate rules for disclosure, with little consideration given to meaning;
- 3) the failure to recognise the importance of any stakeholder barring shareholders and the suppliers of commercial debt;
- 4) the FRC's own failure to take account of public demands for for better corporate reporting, as best represented by country-by-country reporting, to which it has never given attention.

Pretending that improving competition in the audit market will change any of these issues is absurd, and the FRC know that. What they are doing is crude politics to prevent any suggestion that a failing large auditor must pay the price for their incompetence.

That suggests one thing: if there is a reform required in this market it s to replace the inept, and captured, FRC so that audit might be subject to effective regulation.