The demise of the Big 4 would not solve the problem in ...

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The FT has reported overnight that:

The Big Four accountancy firms have drawn up contingency plans for a break up of their UK businesses, an option politicians and regulators are increasingly pushing to solve conflicts of interest embedded in the industry.

The pressure on the four firms that dominate the sector – KPMG, Deloitte, EY and PwC – to prepare for a forced break-up has increased following high-profile corporate collapses that have called into question the quality of their work as both auditors and consultants for the UK's largest companies.

I won't be celebrating as yet. That would be premature. But as one of a quite small group that has campaigned for this outcome for a long time - in which Prof Prem Sikka has played the largest part - even seeing such news reported is welcome.

As the report goes on to note, these firms admit that they are an oligopoly and there is a hint that they think themselves unsustainable in their current form.

What I would add is that they are not sustainable as four audit firms either if the current relationship between auditors and client is retained, the current regulators remain in place and the current accounting framework persists. I am doing a presentation on these issues in Dublin next week - which could not be more timely. I worked on this yesterday and will publish it when it has been delivered.

Suffice to say now that I do not suggest that a simple break up of the Big 4 will do. Nothing less than root and branch reform of accounting will do that now. Having independent auditors commenting on data that will still only be designed to meet the needs of a tiny minority of the stakeholders of the world's companies will not solve the crisis in accounting: much more radical reform is required to address that. But as I say, more on that next week.