

# There is something rotten in the state of accountancy a...

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According [to the FT](#):

*KPMG has been sternly rebuked by the UK accounting watchdog for an “unacceptable deterioration” in the quality of audit work it performs for Britain’s largest publicly traded companies.*

*According to the FRC, which is itself under heavy pressure to demonstrate a tougher approach to monitoring the audit market, half of KPMG’s audits of FTSE 350 clients required “more than limited improvements”.*

Let’s be clear: the Financial Reporting Council, which is itself fighting for its own survival, may be scapegoating KPMG. But it looks unlikely. There have been far too many KPMG client failures to think they are mere coincidence.

I am completely unconvinced by the Financial Reporting Council’s new zeal.

I am utterly unconvinced that PWC, EY and Deloitte are that much better than KPMG.

But I am quite sure that there is something seriously wrong with audit.

What is that something wrong? It is the fact that in essence these four firms don’t just control the profession and the whole large audit market. They also control the regulator. And they control the accounting and auditing standard setting processes so that financial statements no longer meet most user needs and the chance of suing an auditor has been reduced to the point of being negligible.

The Financial Reporting Council has been complicit in this capturing of public standards for private gain. But now, with their backs to the wall even they can’t ignore what is happening any more.

There’s something very rotten in the state of accounting, and let’s not just pretend it is KPMG’s audits, however bad they are. The problem is much deeper than that.