

It is time to replace the Financial Reporting Council's...

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As the [FT has noted](#):

Britain's accounting watchdog will consider whether to ban firms from doing any consulting work for the companies they audit in an attempt to stamp out conflicts of interest in the scandal-ridden sector. The Financial Reporting Council said on Monday it would assess whether new action was needed to prevent the independence of auditors being compromised, "including whether all consulting work for bodies they audit should be banned".

Like others who have campaigned on the issue of audit reform, I was amused by the sheer, brazen incompetence of this announcement.

Firstly, the FRC is trying to make claim for its survival by saying it will look at the issues being complained about. It is not saying it will actually do anything.

Second, the announcement made entirely misses the cause for concern. The problem is not just that Big 4 audit firms are doing consulting work for their own audit clients, although that, of course, is a matter of concern. Instead the problem is that any audit firm in this market is doing consulting work at all, which work then cuts down or even eliminates audit choice for a company seeking to change auditor to the point where conflicts of interest even prevent such change being possible. This is market failure and the dying FRC cannot spot it from a mile off.

In that case there is but one thing to do, and that is recognise that the FRC is well past its usefulness. It is time to replace it and its self-interested myopia with a new regulator, fit for purpose and structured to deliver the public interest.