

KPMG's move to restore its audit independence sh...

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KPMG has [announced](#) that it is to stop supplying any other services to its FTSE 350 clients in an effort to maintain the existing framework of auditing which has come under considerable attack, not least because of KPMG's growing list of audit failures.

I think KPMG have called things wrong, yet again. Their presumption is that if only conflicts of interest between auditors and their clients are removed then all will be well again in the audit world.

Well, of course conflicts of interest between an auditor and their client should be removed. That goes without saying. But putting this basic fact right after it has been wrong for too long does not solve the problem.

The problem is much deeper than that.

The problem is inherent in International Financial Reporting Standards that assume that accounts are only produced for the benefit of financial markets. That is wrong.

And the problem is in auditing standards that assume that a supposed 'true and fair view' can be given on the basis of checking whether IFRS has been correctly followed, irrespective of the consequences.

These two points are the issues that really matter in this dispute over the future of auditing. The fact is that accounting and auditing have been corrupted to adopt these standards, very largely by the Big 4 firms of accountants, and for the sole apparent benefit of their clients. This is what matters.

The conflicts of interest KPMG is getting rid of should never have been there in the first place. Righting that wrong changes very little.

Re-establishing proper accounting, subject to audit, for the benefit of society at large is something that we cannot presume the Big 4 will do, precisely because they corrupted the system and it is not in their interests to restore it. Only government can do that.

KPMG’s move should be seen as the sop it is.