Funding the Future

KPMG's failure is not just about poor auditing: it's ab...

Published: January 15, 2026, 12:13 pm

As the FT has noted that KPMG managed to pick up two major fines in the space of six days by Wednesday this week, saying:

This week's failings relate to their audit of Co-op Bank, which nearly collapsed when a £1.5bn capital shortfall was discovered after its takeover of Britannia Building Society. According to the regulator, KPMG's auditors did not think scrutiny of a deal for a lender needed to extend to its corporate lending portfolio. Last week's related to their audit of a Lloyd's of London insurance syndicate. In this case, the regulator found that KPMG's auditors did not feel it necessary to act on signs of deteriorating claims reserves at an insurer.

They note, with a hint of dismissiveness:

KPMG notes that both cases are historic – they date from 2009

And add:

KPMG will pay a £4m fine for its Co-op Bank laxity and have its audits of lenders reviewed by a "quality team" for three years. Who is on this team? KPMG's own staff. It will pay a £6m fine for its insurance inattentiveness and has taken drastic action.

I should add, in the interests of full disclosure that I worked for what is now KPMG from 1979 to 1983. This does not taint my view, although it does make me think not much has changed. I am quite sure that the firm was good at checking the petty cash back then, and could miss stuff as big as a barn door with ease. And that still seems to be the case.

What's to be done? The FT talks of legislation to reform the audit profession, and I think that essential. But as I have said elsewhere today, if auditors still audit wholly inappropriate data that is aimed solely at the capital markets - which is all that accounts say there are for now - then the outcome will not change. There has to be an awareness that accounting and auditing have a duty to all in society for real change to happen. And we're a long way from that as yet.