

Auditing: a profession facing an existential crisis

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As the [FT has noted this morning](#):

Sports Direct has asked the UK government to clarify how it might act if the troubled retailer becomes the first major listed business to fail to appoint an auditor.

Grant Thornton, which has audited Sports Direct since it floated on the London Stock Exchange in 2007, has told regulators that [it intends to quit](#) after the retailer's annual meeting of shareholders in September.

The decision leaves Sports Direct struggling to appoint a replacement auditor, as it admitted that it had not previously persuaded rival accounting firms to tender for its audit contract.

The situation is extraordinary. The government does have the power to appoint an auditor to a company that has not got one. It has never had to do so. The result is that Sports Direct is in uncharted water here, but so too is the government, and the auditing profession.

What to do? Who knows? And what power has the government to impose an obligation on a commercial firm, which the auditors are?

The most interesting question is, of course, what if they fail to persuade anyone to accept the appointment? The profession is then dead: the 'bus stop' principle that permits its statutory monopoly by guaranteeing that the profession will always supply an audit if it is required will have been shattered. And the monopoly would have to go along with it.

And the alternative that the government would have to supply audit services itself - maybe via the National Audit Office - would have to be created.

What is not an option is to dispense with the audit.

This is a profession that is now in existential crisis, and I very much doubt it knows what

to do about it. But then, that's what defines an existential crisis.