

Audit reform won't succeed until accounting standards a...

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An [FT editorial](#) has asked this morning:

If you can't trust the auditors, who can you trust?

I think all of us could come up with a very long list given the multitudinous fines and penalties the Big 4 auditors have faced in recent years for tax and audit work, but the FT does have a particularly narrow world view, so let's run with their line of thought.

They continue by saying:

Without trust in companies' financial accounts, there can be no trust in business.

And, they argue that audit failure is at the heart of this issue, saying:

At the heart of the concerns have been the Big Four accounting firms who have enjoyed a near monopoly in auditing the largest listed companies with a market share of 97 per cent.

To cut their argument short, they conclude by saying:

The thrust of the remedies is threefold: to reduce the potential conflict of interest between audit and advisory divisions; to encourage greater competition from challenger firms; and to improve the quality of audit in general.

And:

Good audits are the bedrock of strong markets. At the very least, the government should act swiftly to put new measures into law.

And there I have to disagree with them, much as I agree that audit reform is essential. Because it is good accounts that are the bedrock of strong markets. Audits merely confirm good accounts exist. And whilst the International Financial Reporting Standard Foundation persist with their wholly inappropriate accounting standards, that are

designed solely to serve the interests of those trading in financial markets, and no one else, we do not have accounts that are fit for purpose. The FT even recognise this when they note:

The issue is particularly acute at a time when business is trying to [move beyond the pure pursuit of shareholder value](#).

Let's reform audit, for sure. But auditors can only conform to the GIGO principle, checking that the garbage in is appropriately reflected in the garbage out, until accounting itself is reformed. That's the big issue. And the FT needs to demand that next. Which is precisely what the [Corporate Accountability Network](#) exists for.