

Funding the Future

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A journalist I have known for thirty years once told me that there were two places he wanted to be quoted in. One was the New York Times, but most especially he wanted to be in the Washington Post. That was making it, he reckoned. When I'd done both he admitted to jealousy. I was amused.

I was in the Post again yesterday, in an article by Michael Kapoor and Amanda Iacone on UK audit failure, and the failure of the Financial Reporting Council to address the issue. As [they noted](#):

A spate of scandals has put accounting firms in the U.K. on the back foot. The collapse of Carillion Plc, and subsequently Thomas Cook Group Plc, have been among cases that raised questions about auditing standards at the so-called Big Four firms. In response, Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers have agreed to separate their auditing and consulting departments by 2024 to avert possible conflicts of interest, a move that critics say doesn't go far enough.

My comment was in response to the question of whether or not the supposed separation of the Big 4 audit firms proposed by the Financial Reporting Council would work:

Unlikely. Richard Murphy, an accountant and economics professor at City University in London, says this is a cosmetic exercise designed to make the Big Four look more independent but ignores the lack of independence and competition that have blighted audit quality in the U.K. Critics say the voluntary agreement lacks regulatory muscle and will not be enforceable. Some groups have said that it will fail to stimulate competition from smaller firms or make auditors more independent from their clients.

All those comments are right but tend to understate My feelings on the issue, which were first expressed [here](#).

But it's good to get the message out there.