

PwC: taking their time is to be welcomed

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I was intrigued by an article [in the FT](#) which suggested that:

PwC UK will delay publishing its annual results until next year as it assesses the impact of the pandemic on pay and bonuses for its staff and partners.

The UK's largest accounting firm said it will not release its accounts for the 12 months to June 30 until January.

The accounts would usually be issued in September, and partners would then be paid their bonuses. A four month delay has now been built into that process.

It would be easy to criticise PwC for certain aspects of this move. After all, if they cannot get their own accounts right in three months now how can they (for example) sign off the accounts of a client in a shorter period, as (no doubt) they will? But, I want to look at this issue from a different perspective.

There is always a trade off in accounting between timeliness and reliability of data. Since a great deal of accounting is about judgement, most especially with regard to risk, and the passage of time usually increases the amount of evidence available to appraise any risk in this field, then delay almost invariably increases the reliability of accounting data.

The pressure within accounting has, however, in general been to reduce the time it has taken to report financial results, and so to permit auditors the chance to form their opinions. The result has been increased accounting risk.

I have never been convinced this haste to be a good thing. I remember seeing in New Year 1980 auditing the UK subsidiary of a US corporation and wondering what all the haste was for. Nothing has changed that opinion since: we were being asked to form an inappropriately hasty opinion then and I think that in most cases that will remain the case now. That's not least because, as a matter of fact, early release of audit opinions means that the data included in the financial reporting of many companies reflects the results of subsidiaries that the group auditors have got nowhere near to looking at

when the results are published. They are simply assumed to be immaterial as to risk before publication takes place, and so are ignored for audit purposes.

This process of ignoring the detail in many subsidiaries accounts is, incidentally, the reason why it is claimed that country-by-country reporting is not possible in audited accounts: it is said that there is no time to look at the relevant data and so it cannot be explicitly included in the accounts, and I suspect that at present that is true, which does not mean that the exclusion hides an uncomfortable truth that most users of accounts are unaware of.

But suppose it was presumed that meeting the needs of financial markets was not thought to be the primary purpose of audited financial statements? Suppose that other stakeholder interests were also of importance? People like employees, for example? Or trading partners, whose need for local credit related data is high right now? Or even civil society? What then? Delay might well be entirely acceptable in that case. After all, almost all the data financial markets need is reflected in unaudited financial data issued to markets on a regular basis in any event.

In fact, what PWC is doing is to say that these other stakeholders do matter. They are not delaying their accounts because they could not estimate their provisions right now. Very obviously, they could. What they are instead saying is that in many ways these estimates of bonus and profit payouts are more important than the profit figure itself, because they will impact real lives. In other words, although they are not saying it, and the press report does not state the fact, what PWC is doing is to say that stakeholders matter, and it is taking time to get stakeholder reporting right. That, it is saying, is enough to justify a delay.

I welcome this delay then. It is a small step in the right direction in accounting, to a world where stakeholders matter. It may be inadvertent, and it might even be self-interested, but PWC may just have sent out a message on future priorities in accounting.