

It is time that the auditing profession took its place ...

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The [FT has reported](#) that:

Boohoo lost almost a fifth of its value on Monday after it confirmed its auditor planned to resign following growing concerns around illegally low pay and fraud in the fast-fashion retailer's supply chain.

The Manchester-based company said it had launched a tender for its audit and that PwC, which has served as Boohoo's auditor since 2014, was "not participating in this process". The move prompted Boohoo's shares to drop nearly 20 per cent.

First, and for once, full marks to PwC. I don't get to say that very often. The resignation comes because PwC has apparently expressed reservations about the quality of governance within Boohoo, which has been shown to be buying from manufacturers in Leicester who are not paying the minimum wage.

But, second, what this proves is the inadequacy of current audit arrangements. It is ridiculous that PwC needs to resign to make this point. The opportunity for them to express an opinion on a wider range of issues than the truth and fairness of the accounts that they audit should be available. And, they should also have the opportunity to express concern about their clients' behaviour beyond those couple of occasions in a year when, in the case of a public limited company, they are required by law or regulation to provide an opinion.

The constraint on their action is imposed by company law, and by audit regulation. These, plus the framework for accounting provided by the International Accounting Standards Board, all presume that the only people with interest in the opinion of the auditors of a company are its shareholders. That, of course, is not true. There are at least five other stakeholder groups with interest in the company who the auditors should be addressing. They are:

- * Its trading partners, whether they be suppliers or customers;
- * Its employees;

- * Its regulators;
- * The tax authorities that it deals with;
- * Civil society in all its forms, including local authorities in this case.

It should be readily apparent that many of these stakeholders had very obvious reason for concern about the abuse that Boohoo permitted, and about which it is now known that it knew, but with regard to which it took too little action.

An auditor has a very obvious duty to consider supply chain risk, as well as regulatory and governance risk giving rise to reputational consequences, whether those are of direct concern to shareholders, or not. The time for auditors to be explicitly required to consider such issues, and to report upon them has arrived. We should not require an auditor to resign to make such a statement. Auditing regulation should permit, require and encourage it.

It is time that the auditing profession took its place in wider society, from which it has so far absented itself.