

## The Big Four's political influence



*The Big Four's obvious political influence does little for small companies but their influence is entirely deserved, says Thayne Forbes*

Treasury fees to the Big Four of £859,000 in 2005 pale into insignificance compared with total public spending which is expected to be £520,000,000,000 this year (see the Pre-Budget Report 2005). So to suggest that the UK Government is unduly dependent on the Big Four is seriously misleading. Additionally, the Big Four's campaign to establish a cap on auditor liability seems entirely reasonable, and their efforts to see this bill passed are not an example of muscle being flexed but of reasonable attempts to lobby for a fair outcome.

It is right that auditors should be held accountable for their actions, but it is wrong for the whole firm to be punished for the actions of an isolated engagement. In the past several significant audit firms have had the real spectre of insolvency for the firms, and partners personally, from a single client (examples being BDO Binder Hamlyn and ADT, PWC and BCCI, and Ernst & Young and Equitable Life. Limiting liability protects the audit business, not from the consequences of negligent audits but from meltdown with far-reaching consequences. Liabilities from one audit could mean that hundreds of thousands of people could lose their jobs and the auditing climate would consolidate still further into an even more anti-competitive and unhealthy situation than it already is. This was a real concern recently when KPMG faced bankruptcy from the US Department of Justice actions following US tax advice given in the past.

The influence the Big Four do exert on government is not disproportionate to their position. They deserve some influence as they are significant contributors to the UK economy, and it is no greater than that of any other large employer. The UK has a subtle system of influences on the exercise of power and there are considerably more powerful groups that have the ability to pressurise government, such as Friends of the Earth, the media or even celebrities such as Jamie Oliver. Just look at the huge pressure recently brought to bear on the Education Secretary Ruth Kelly by the media about people with criminal records working with children at schools. These groups do significantly influence government decisions, much more than a few auditors on secondment to the Treasury.

Working for an independent consultancy we have nothing to gain from defending their position. But chastising the Big Four for what seems entirely reasonable is itself entirely unreasonable.

### **Thayne Forbes**

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