

# **Recent corporate failures – an UK perspective**

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Financial Reporting Council



# Corporate failure hurts the audit profession...

# Overview

- What's the problem?
- Impact in the UK
- The profession's response
- Looking forward

# What's the problem?

- Recent audit and professional failures:
  - KPMG US
  - KPMG South Africa
  - Deloitte Brazil
  - Carillion
- Can the profession be trusted?
- Is audit any use?

# Impact in the UK

- Carillion
  - Large construction group
  - January 2018 collapse
  - £6.9bn liabilities
  - 30,000 staff/pensioners affected
- Patisserie Valerie
  - £20m hole in accounts

# The profession's response

- Kingman Review of regulation
- CMA review of audit competition:
  - Choice
  - Resilience
  - Incentives
- KPMG announcement



# Looking forward

- Future of Audit project
  - Wider reporting?
  - Greater transparency?
  - Clearer reporting?
  - **The Expectation Gap**
- Report expected Autumn 2019
- Firm initiatives?



# What can we conclude?

- Audit failures will happen
- Big 4 position unsustainable
- Change will not be easy



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