

Two 'Big Four' auditors fail in ex-quango bid

Adam Jones, Financial Times, MARCH 4 2012

PwC and Deloitte, the UK's two biggest auditing and consulting groups by sales, have failed to secure any work from [the dismantling of the Audit Commission](#), the UK body that vets the accounts of many local authorities.

Instead, Grant Thornton, a second-tier auditor, has emerged as the recipient of the largest number of contracts from the outsourcing of the quango's audit work.

The results of the tendering process could partly blunt concerns that the privatisation will further entrench the power of the four biggest audit firms, PwC, Deloitte, KPMG and Ernst & Young.

The dominance of the so-called "[Big Four](#)" in the market for large company audits [is under investigation](#) by the Competition Commission.

The Financial Reporting Council, the regulator, had called for the auditing at present done by the Audit Commission to be given to a non-Big Four firm to stimulate competition.

However, the leading quartet were not all unsuccessful in bidding for this work, which was divided up into 10 contracts lasting five years each. In total, the contracts are worth £89m a year in fees.

While Grant Thornton won four contracts worth £41m a year, KPMG picked up three worth £23m and Ernst & Young collected two amounting to £20m.

The other contract, worth £5m, was awarded to a group of past and present Audit Commission staff. However, their hopes of creating a standalone mutualised business were dashed because they were unable to collect other contracts.

As a result, their vehicle, DA Partnership, is becoming a wholly-owned subsidiary of Mazars, the French accountancy network, instead.

Audit Commission staff will be transferred to the contract winners in the autumn, although a small rump will remain to oversee the contracts.

Announced in 2010, the decision effectively to disband the Audit Commission has proved contentious. The body is responsible for appointing auditors to local councils, NHS bodies and other public sector entities. Much of this auditing is done by its in-house teams.

Eric Pickles, the communities and local government secretary, said the transfer would create more local accountability. Critics included David Heald, professor of accountancy at the University of Aberdeen Business School, who said it represented a “retreat of public audit”.

Grant Thornton said it would take on 300 Audit Commission staff. It said the contract awards would make the firm the biggest supplier of audit services to local authorities and the NHS.

Five audit firms – including PwC and Deloitte – already carry out some audit work assigned by the Audit Commission and these contracts remain in place.

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