



# Australian Citizens Party

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## MEDIA RELEASE

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### Expose and dismantle the corrupt Big Four auditing racket

#### **Make a submission to the Parliamentary inquiry into the regulation of auditing.**

The common thread that connects all the crimes and systemic risks in the global banking system is the cartel of four global accounting firms that cover up for the banks and corporations through corrupt auditing practices.

[Click here to view CEC Research Director Robert Barwick's 8 October interview with Martin North on the Digital Finance Analytics YouTube channel, "Who Audits The Auditors?"](#)

After years of sailing through never-ending scandals, the global Big Four firms—KPMG, PwC, EY and Deloitte—are now finally coming under intense scrutiny. In the UK they have been the subject of numerous inquiries in recent years, and in Australia the Parliamentary Joint Committee on Corporations and Financial Services is conducting an inquiry into "Regulation of auditing in Australia", for which submissions close on 28 October.

Currently the inquiry has published 10 submissions; as detailed below, this aspect of the global financial system is so crucial to the way banks have been able to commit crimes and push the world to the brink of financial disaster that the Citizens Electoral Council is calling on all concerned parties to make a submission to this inquiry, so politicians get the message that they must take this opportunity to reform the system seriously, and not just try to placate the public by going through the motions, as the major parties too often do.

[Click here for the inquiry website, with the details for making a submission by 28 October.](#)

#### **The structural rot at centre of global financial system**

The Big Four auditing firms structurally distort the financial system:

- They are private companies, but are unique in enjoying a guaranteed business because auditing is a state-mandated function.
- After decades of mergers, there are now just four mega-firms that audit 97 per cent of US public companies, 98 per cent of Australia's, all the UK's top 100 companies, and 80 per cent of Japanese listed companies.
- This dominance is entrenched because now *only* the Big Four are big enough to audit large multinational corporations.
- In recent decades the Big Four have expanded into much more profitable consulting services to the same companies they audit, which is now more than two-thirds of their global income.
- This is a gross conflict of interests that results in effectively worthless audits, as demonstrated by the litany of scandals involving the Big Four and spectacular corporate failures and criminality, such as the 2008 collapses of Bear Sterns, Lehman Brothers, Northern Rock and HBOS soon after receiving clean audits; the multiple corporate failures caused by management looting in the UK in the last decade; criminal scandals such as money laundering by HSBC and Standard Chartered; and the misconduct and fraud in the Australian banking system exposed at the banking royal commission.
- The Big Four are also the dominant consultants to governments, as former UK tax inspector Richard Brooks said to ABC on 12 July 2018: "There's no major policy change without the Big Four involved. Major infrastructure investment, transport policy, nuclear policy—almost everything you can think of is being driven by advice from the Big Four accountancy firms."
- This too is a conflict of interests, because governments use the Big Four to get the advice they want, increasingly sidelining frank and fearless advice from the impartial public service.
- [As investigative journalist Michael West documents](#), in Australia their consulting fees from the government have grown from slightly less than \$300 million in 2012, to more than \$700 million in 2017 and 2018, and in turn the Big Four have become major donors to the major political parties.
- More than half of their consultation fees have come from one department, the Department of Defence—little surprise then that EY gave retired Defence Industries Minister Christopher Pyne a plum job straight after he left Parliament.
- The Big Four dominate tax advice worldwide, including to governments. [A 2018 report](#)

[commissioned by the UK Labour Party and prepared by a team led by Emeritus Accounting Professor Prem Sikka](#) noted: "Their partners have colonised HMRC [Her Majesty's Revenue and

Customs, a.k.a. tax office] and are permitted to write laws which ensure that they and their clients always win." In Australia, Treasurer Josh Frydenberg's "High Level Advisory Panel" on tax is dominated by five executives from EY, three from Deloitte, five from KPMG and seven from PwC.

- The effect of this dominance is tax avoidance and evasion on a massive scale, through the network of offices that the Big Four have in every economy and all the world's offshore tax havens. According to investigative journalist Nicholas Shaxson, who exposed the City of London's offshore network in his book *Treasure Islands*, "The Big Four have done more than any other group to sustain the global system of offshore tax havens." The UK's Tax Justice Network estimates that transfer pricing is used to evade over US\$500 billion in taxes globally, while banks, corporations and the ultra-rich hold between \$21-32 trillion in tax havens. Yet it is Big Four firm KPMG that is [pushing the cash ban in Australia](#) to ostensibly crack down on tax evasion in the black economy.

Of immediate concern to Australians should be the health of our financial system. Under the audits conducted by the Big Four accounting firms, we can have no confidence in the state of the major banks, especially with the housing bubble starting to burst. The Big Four's audits ignore the banks' skyrocketing derivatives, the true value of the mortgage loans that are 65 per cent of the business of each of the major banks, and the endemic fraud in mortgage lending. Since the government guarantees the banks and their deposits, the Citizens Electoral Council has drafted a bill for Parliament to order the Auditor-General to conduct an independent audit of the major banks to assess the systemic risks they pose.

Concerned Australians should make submissions to the Parliamentary inquiry demanding real reform of the system, including a permanent break-up of auditing and consulting businesses, an end to government outsourcing to Big Four firms, thorough independent audits of the major banks by the Auditor-General, and a government crackdown on the Big Four's global tax evasion machine instead using tax as the excuse to ban cash and trap Australians in banks.

[Click here to sign and share the Change.org petition, "Stop Scott Morrison from banning cash to trap Australians in banks!".](#)

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