

# Large audit firms blacklisted: How small businesses are restoring business confidence

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**Two thirds (66%)** of Brits say their trust in small businesses and service providers has grown during the pandemic.

**Chris Biggs, Partner at Theta Global Advisors, discusses why small businesses are essential in overhauling the audit and professional services industry successfully and restoring business confidence.**

This week, calls were made by Pirc to blacklist several large audit firms in this year's annual shareholder meeting. This comes following business secretary, Kwasi Kwarteng's announcement for a shake-up of the audit industry to avoid conflicts of industry and "restore business confidence".

With this shake-up long overdue following scandals surrounding Pâtisserie Valerie, Thomas Cook, and Carillion, the UK's biggest accountancy firms are setting up to lose their monopoly on the audit of FTSE350 companies. Pirc have claimed that not enough is being done on the part of the Big Four to tackle corporate fraud. With Kwasi Kwarteng also calling for audits of these FTSE350 companies to be shared with other firms going forward to avoid conflicts of interest and remove the dominance of the Big Four, small businesses are ideally placed to facilitate this shift.

Landmark research by consultancy and accounting disruptor, Theta Global Advisors shows that confidence in small businesses has grown exponentially, and that these same businesses have won previously inaccessible large clients over the last year. As such, small firms are better placed than ever before to take on the audits of FTSE350 companies, disrupting the dominance of the Big Four forever:

- **Two thirds (66%)** of Brits say their trust in small businesses and service providers has grown during the pandemic
- **19%** of UK workers say that they have won previously inaccessible, large clients, growing as a business as a result during Covid-19
- **Over a quarter (26%)** of workers at small businesses feel that they have been successful during Covid-19

(nationally representative research carried out across a body of 2100 respondents, in full compliance with British Polling Council guidelines)

Chris Biggs, partner at Theta Global Advisors has been leading by example at his firm. Theta provide accounting and consultancy services and deliberately do not audit companies to avoid any conflicts of interest, an approach Chris is keen to see applied across the professional services industry to maintain higher standards in a rapidly changing sector.

**Chris Biggs**, partner at consultancy and accounting disruptor [Theta Global Advisors](#):

“It’s great to see that this is a stated priority of the Business Secretary as reform is hugely overdue, and these calls from Pirc are further evidence of this. There have been three independent reviews so far and major failings are still happening, now no one wants to be on watch when the next failing almost inevitably happens. The new minister coming in will almost certainly re-energise the push and it seems we are now more likely to see action.

“Independence of the Big Four’s audit and consultancy services is crucial. We cannot risk jeopardising the independence of the audit because of lucrative consultancy services provided to the same client. Almost as important as this is the issue of ‘perception’, the public must have the perception that the audit role is fully independent and impartial at all times, otherwise they will lose confidence in the market.

“While this is a positive move there are issues that will still remain, such as what this reform of the big firms will mean for the mid-tier firms. Surely the push to open the audit market to the mid-tier firms will mean that they also need to be challenged with the same drive to reform. On top of reform, penalties for businesses and those who commit frauds or false accounting needs to be further strengthened to act as a real deterrent – addressing the auditor failings is only part of the issue.

“At Theta Global Advisors, we do not audit and hence, we are one of the few truly independent accounting advisory firms for non-audit services. Clients will avoid auditor independence issues if they engage firms such as ours and they could use other Big Four and mid-tier firms who are not their current auditors, however, there are some issues there. By using such other firms who are also auditors, then if the clients want to change auditors in the future, they will have limited the ‘pool’ of possible auditors who are totally independent to engage i.e, firms who have not recently provided non-audit services. This could become problematic and continue to raise independence issues in the future.”