

Analysis: How independent can auditors really be? **page 4**

Tax: Brown's pre-Budget report angers UK plc, **page 8**

Jon Ashworth: Why it's very quiet around the LSE, **page 17**

Networking: Business needs new leaders in the mould of Anita Roddick, **page 13**

# AccountancyAge



vnu business publications 5 December 2002 [www.accountancyage.com](http://www.accountancyage.com)

**Impact of Sarbanes-Oxley** means mid-tier firms are picking up millions of pounds worth of new work

## Big Four losing out to mid-tier

By **Adriana Zea**

Mid-tier firms have picked up tens of millions of pounds of new business from the Big Four as an increasing number of companies switch consultants over fear of conflicts of interest.

According to estimates from several firms, some mid-tier firms have earned up to £5m each so far in new fee income from work that was once the preserve of the Big Four in several areas – including audit, corporate finance and tax.

Paul Ginman, technical director at Baker Tilly International, said his firm had earned £1m in new fees directly as a result of the controversial Sarbanes-Oxley legislation.

'Since the beginning of the year we have got a number of assignments in which we have seen clients dividing up their audit and other services,' he said. 'A number of companies have seen people at shareholder meetings saying they are not happy to receive all their services from the firm that does their audit. It started after Enron, but with Sarbanes-Oxley

the process has been speeded up.'

Ginman added: 'This is undoubtedly likely to continue. A lot of work is changing hands and the trend will mean more work for the mid-tier.'

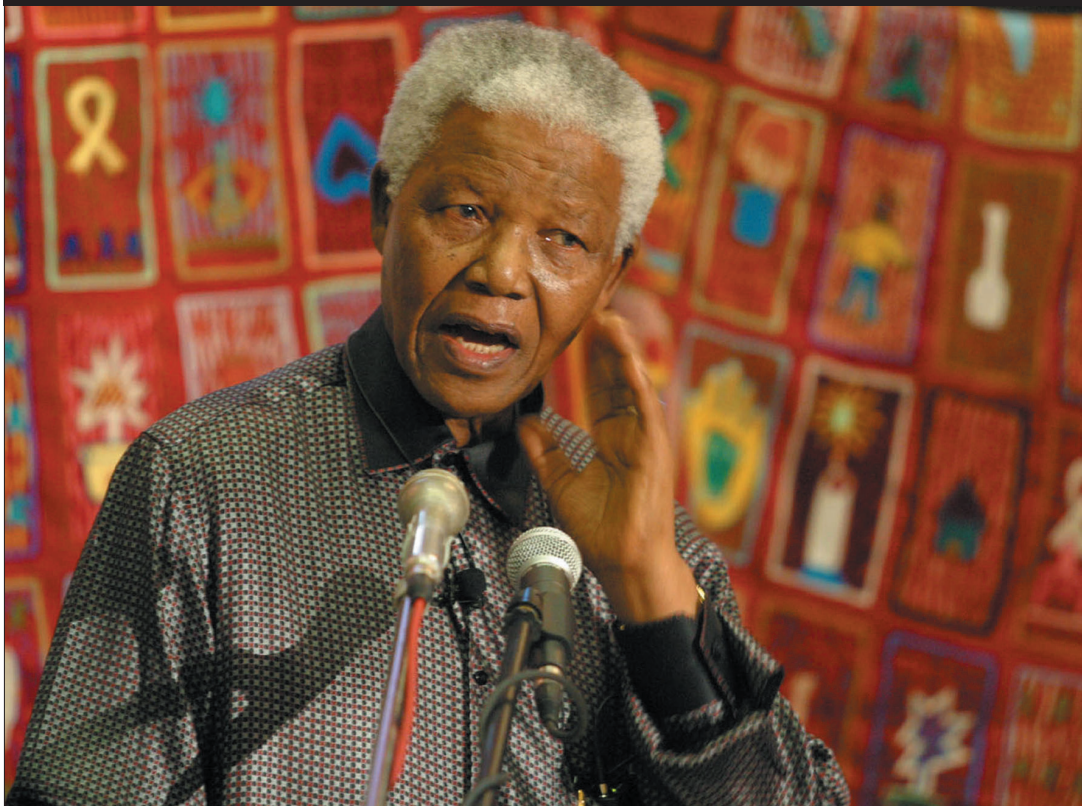
He added that, in the past, banks had pushed the Big Four because of their global renown, but following the accounting scandals, they are not thought of as the only credible global accountants.

Nick Winters, audit partner at PKF, said he had won four lucrative audit accounts from former Big Four clients, including Silk Industries, which used Deloitte & Touche, and Law Debenture Corporation, which was with PricewaterhouseCoopers.

Mid-tier firms say it is difficult to estimate the full impact of problems with conflicts of interest. 'It's too early to say,' said Mark Bomer of BDO Stoy Hayward. 'But the market will open up to mid-tier firms.'

A KPMG spokesman said: 'We've no experience of losing business. Most large companies use the Big Four because of their geographical scale.'

**The cost of AIDS:** UK companies operating in South Africa face financial blow



AP PHOTO

Listed UK companies that operate in South Africa are facing an effective 8% 'tax' due to the economic impact of HIV/AIDS, writes **Larry Schlesinger**.

Professor Allan Whiteside, director of the Health Economics & HIV/AIDS research division at the University of Natal, said the disease would 'add an 8% tax to the cost of doing business' in South Africa.

Speaking to *Accountancy Age*, Whiteside said: 'It is a tax on business as it pushes up the cost of things such as benefits and productivity.' The warning came as global leaders, including former South African president Nelson Mandela, recognised World AIDS Day on Sunday.

Whiteside voiced his support for the South African Institute of Chartered Accountants, which is preparing the first ever set of draft guidelines on HIV/AIDS reporting, to be presented to the Johannesburg Stock Exchange next year for consideration as a listings requirement.

Nigel Sleigh-Johnson, head of financial reporting at the ICAEW, said the institute was 'keen on companies providing information that is of interest to readers of financial statements' and said the efforts of SAICA were 'significant in the South African context'.

But, while Whiteside claimed it was vital that HIV/AIDS reporting becomes mandatory, Sleigh-Johnson said such information should only be including in the operating and financial review, not in the accounts themselves. 'It is important not to build too many inflexible requirements,' Sleigh-Johnson said. Mining giants Anglo American, financial services company Old Mutual and investment bank Investec are all listed on the London Stock Exchange and Johannesburg Stock Exchange.

For a special report on how South African accountants are leading the fight against HIV/AIDS in business, go to **pages 14&15**

## Industry faces disciplinary shake-up

By **Michelle Perry**

Supervision of the accountancy business is set for yet another shake-up as its chief regulator demands the transparency and speed of disciplinary and complaints procedures be improved.

The Review Board has recommended that all six UK and Irish institutes make far reaching changes to 'bring consistency to the standards and outcome of the bodies' procedures, whilst allowing the processes... to remain independent'.

The greatest changes include requirements to hold all disciplinary

hearings in public and place greater emphasis on 'speedy resolution' of complaints. Accountancy firms should also start using letters of engagement for all types of business and have formal complaints handling procedures in place.

In total the report, released this week, made 75 recommendations.

Review Board chairman Sir John Bourn said: 'The Review Board's role is to provide rigorous external oversight of the regulatory activities of the accountancy bodies.'

'Our report makes a number of

recommendations for improvement, which will strengthen the system and enhance protection of the public interest.'

The board has also suggested establishing a complaints ombudsman and individual compensation schemes for complainants in each of the bodies.

All six institutes are broadly in favour of the report but there are some concerns as to cost and the creation of more bureaucracy in an already 'labyrinthine [regulatory] structure'.

Audit set for regulatory shake-up, **page 4**

## Fire pay rise calls ignored

By **Liesbeth Evers**

Local authorities are pushing ahead with draft budgets that assume a pay rise for firefighters that falls far short of the 40% being demanded by the Fire Brigade Union.

The union and the government are to enter a second round of talks today at Acas. But many local fire brigades this week submitted draft budgets to local authorities that assume any settlement will involve a much lower rise.

The Lancashire Combined Fire

Brigade's budget includes a 16% pay rise spread over three years. It assumes a promised 4% in 2002 and 3.5% next year. Lancashire assumes its spending on firefighters' pay will be £88,000 over budget this year, and next year will rise by £1.6m.

'We looked at what [offer] has been put on the table, but we are very much estimating,' said Lancashire fire and rescue service FD Keith Mattinson.

A Local Government Association spokesman confirmed the 16% offer 'is no more' but denied FDs could be forced to recast budgets. 'We think the local authorities are right in their budget. We are expecting that what is coming out of talks is a pay rise between 11.3% and 16%,' he said.