

“Financial Delinquency” and The “Big Four” Audit Firms

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Nicknamed the “Big Four” Deloitte Touche Tohmatsu, Ernst & Young (EY), KPMG and Price Water House Coopers (PwC) are the big four audit firms that operate in concert as an inescapable cartel in the world of multinationals and global finance.

At first they were the “Big 8”, all dominated by the United States, which became the “Big 6” in 1989, with two giant mergers creating Deloitte and Ernst & Young.

A decade later, the creation of PwC concentrated them into five entities, the “Big 5”. In 2002, with the bankruptcy of the firm Arthur Andersen because of accounting fraud after the Enron and Worldcom scandals, we came into the era of the “Big Four” which share virtually all of the world market. These four multinationals are auditing most large companies listed on the stock exchange including all those in the CAC 40 in France for example. Ubiquitous in business, they are also present in the universities where they train and recruit, as Rik de Vanpeteghem of Deloitte Belgium explains: “We don’t only introduce ourselves in the universities: we will give courses, fund thematic Chairs...” [\[1\]](#)

Despite this vanguard position of capitalism, nose in the accounts of the largest banks and businesses, the “big four” did not predict the 2007-2008 crisis, or the problems of the Lehman Brothers, nor those of other large banks that they had countersigned the accounts. It must be said that these auditing firms are not free from error: In 2010, the Public Company Accounting Oversight Board (PCAOB), the US regulator of auditing professions, denounced an increase in errors of the Big Four firms (KPMG, E&Y, PwC and Deloitte) operating in the United States. Deloitte blithely achieved the inconceivable with 45% of copies for review, against 22% in 2009, followed closely by PwC with 39% of audits being unsatisfactory in 2010 (against 12% in 2009). [\[2\]](#) Despite this, undaunted, the four multinationals in consulting and auditing, continued on their way, disdaining the scandals that marked their paths, their eyes riveted on austere accounting statistics and other profitability indicators at the antithesis of sustainable well-being...

Deloitte encourages tax evasion

A victim of acute schizophrenia, Deloitte, which employs more than 225,000 people worldwide [\[3\]](#), have said they want to fight against tax evasion, and yet they give advice on how to divert money.

In 2013, the NGO ActionAid made public a Deloitte confidential document whose title leaves no room for ambiguity: Investing in Africa through Mauritius. The Deloitte firm has been trying to convince investors to use its services, with the lure of the multiple tax advantages

of a direct debit to Mauritius to escape the tax department for their projects on the African continent, each year depriving the poorest States of the world of hundreds of billions of dollars in revenue. [4] No offense to Mozambique, where over 50% of the population lives below the poverty line and where life expectancy is 49 years, Deloitte explains how a foreign company would only have to pay 8% instead of 20% tax on repatriation of profits, while the tax on capital gains would be reduced to zero. [5] In Europe, a world away, some tax heavens are good for business as attested by Brendan Jennings, of Deloitte Ireland : “Ireland has an economy that is flexible, competitive and highly qualified, as well as being a very attractive location for business”. [6]

Thanks to the scandals, Deloitte, a key piece in the LuxLeaks affair, faced judicial proceedings when they were unable to carry out “amicable” settlements in return for financial consideration. Although the new EU legislation provides for rotation of audit and consulting firms in companies to avoid conflicts of interest, it does not seem to go so far as to prevent the development of organized theft in the coffers of states via tax fraud.

Deloitte is inundated with condemnations

The Belgian Minister of Development Cooperation, Alexander De Croo, said that Deloitte has received no condemnation, which is why the firm was able to obtain the market to evaluate and select the actors of cooperation development able to receive state subsidies: “The conclusion was that the firm Deloitte, who have received no legal condemnation, have market access.” [7] However, Deloitte is inundated with condemnations. The list of scandals that the multinational is involved in is far too long to be listed here, but all the same let us mention two employees of the Deloitte Italian branch Adolfo Mamoli and Giuseppe Rovelli, prosecuted for disclosure of false information and market manipulation while Deloitte was accused of complicity when it audited the Italian food group Parmalat in 2003, which entangled in the biggest financial scandal in post-war Europe.

The Deloitte audit firm is controversial even in countries where the multinational headquarters since July 2013, the court Financial Reporting Council (FRC) confirmed on appeal their grievances against Deloitte. The company and an ex-partner were found guilty of failing to comply with laws on conflicts of interest during the attempt to restructure the car manufacturer MG Rover. Deloitte was fined 14 million £ (16.6 million €) for failing to manage conflicts of interest in its consulting business to companies involved in the collapse of the car manufacturer that went bankrupt in 2005, resulting in almost 6 000 workers losing their jobs.

More recently, in January 2016, the former president of Deloitte’s Quebec branch, Luc Villeneuve, has been targeted by a series of criminal proceedings for illegal funding that would have profited illegally 11 times the Quebec Liberal Party (QLP). A month later, February 4, 2016, the 18th Chamber of the Criminal Court of Luxembourg announced a three months suspended prison sentence and a 10,000 euro fine against each of the four former partners of the firm Deloitte Luxembourg for having signed and backdated documents in 2002 on behalf of Italian customers.

As part of one of the biggest financial scandals of Saudi Arabia, the Saudi stock market regulator, the Committee for the Resolution of Securities Disputes (CRSD) dependant of the CMA (Saudi Arabia’s Capital Market Authority), asked listed companies to no longer use the services of Deloitte for a period of two years from the 1st of June 2016 and imposed a fine of 80,000 dollars (300,000 Saudi riyals, SAR) on Deloitte & Touche Bakr Abulhair & Co, the

Saudi branch of Deloitte. The investigation of the CMA continues its course with former leaders of Deloitte implicated for breach of the rules on the losses accumulated during the certification of the accounts of the Mohammad Al-Mojil Group (MMG), a real estate services company whose shares have been suspended since July 2012 for unsustainable debt. [8] The cumulative loss of MMG at the end of October 2014 amounted to 2.79 billion riyals (743.4 million dollars), equivalent to 223% of its capital, according to the current stock exchange of November 13, 2014 (\$1 = 3.7528 Saudi riyal). [9]

Deloitte do not pay their fines!

In Spain, a fine of € 12.3 million was imposed on Deloitte in September 2014 by the Instituto de Contabilidad y Auditoría de Cuentas (ICAC) dependant of the Ministry of Economy for irregularities in the certification of Bankia allowing it to go public. Now, in its accounting records of 2015, Deloitte said nothing on this subject and did not accrue the necessary amount. Deloitte simply ignored this fine to satisfy the appetite of the shareholders! The amount, which is something close to the profits registered in Spain in 2015 (€ 13.3 million for the annual report 2014) were largely distributed in dividends... Lillo, Auditores Asociados which is the auditor who oversees Deloitte's accounts did not do anything to correct this error either. [10]

Will we finally question the legitimacy of Deloitte, an expert in tax optimisation at the expense of society? Should we not choose to do without their advice after so many cases involving a veritable siphoning of state funds by the shortfall in corporate taxes, which encourage States to borrow more while applying antisocial austerity policies to tackle their structural deficit? Or are we going to wait for yet another scandal to end its action, as was the case of the audit firm Arthur Andersen which disappeared in 2002 after being convicted of having manipulated and withheld critical data for its client Enron?

Article in French :



[Quelle impunité face à la grande délinquance de la haute finance ?](#)

Translated by Jenny Bright for [Tlaxcala](#)

Notes

[1] Benoît July, "Deloitte will recruit 400 university students this year," February 10, 2016. <https://references.lesoir.be/articl...> (In French)

[2] "The staggering error rate of the four major auditing firms", Ecofin Agency, 31 December 2011. <http://www.agenceecofin.com/consult...> (In French)

[3] Including 3,200 employees in Belgium who charged a fee of about 420 million euros. Benoît July, "Deloitte will recruit 400 university students this year," February 10, 2016.

[4] Deloitte in Africa – Advising big businesses on how to avoid tax in some of the world’s poorest countries, 2013. <http://www.actionaid.org.uk/sites/d...>

[5] Jamie Doward, « Deloitte promotes Mauritius as tax haven to avoid big payouts to poor African nations », The Guardian, 3 November 2013. <https://www.theguardian.com/busines...>

[6] Nathalie Raulin and Christopher Alix, “The Brexit shock wave sweeping the City”, Libération, 26 June 2016. <http://www.liberation.fr/planete/20...> (In French)

[7] Jérôme Duval, “A champion of tax evasion to evaluate players in the non-governmental cooperation” 16 June 2016.

[8] June 16, 2016, the same markets authority (the Committee for the Resolution of Securities Disputes, CRSD) condemned Mohammad Al-Mojil Group to pay \$ 427 million (SAR 1.6 billion) for “illegal profits”. Mohammad Al-Mojil, founder of MMG and his son, Adel Al-Mojil, Director of MMG, were also sentenced to five years in prison. Deloitte was the auditor for MMG.

[9] Reem Shamseddine and Marwa Rashad, « Saudi regulator suspends Deloitte from auditing listed firms – circular », Reuters, 1 December 2014. <http://www.reuters.com/article/delo...>

[10] « Deloitte aparta de las cuentas la multa que se come todo su beneficio », Economía digital, 1 July 2016.



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