

Peter Williams – 20 June 1991

A leaked audit tender document from Price Waterhouse to the Prudential confirmed the practice of lowballing. A practice that *Accountancy Age* was convinced went on and the large firms and their professional bodies had always denied.

The story broke exclusively in *Accountancy Age* at a time when the economy was mired in recession and the big audit firms seemed intent on jostling for position and growing their management consultancies practice at all cost.



The highly glossy audit tender document arrived unannounced in the *Accountancy Age* office and clearly stated that 'Half Price Waterhouse' or 'Cut Price Waterhouse' – take your pick both names stuck for a while – were prepared to cut the audit fees by almost 40% to win the work. After all these years the bare facts remain shocking.

It was one of the most significant front page stories in the history of the newspaper and both the anonymous sender – whose identity was never revealed – and the journalists on *Accountancy Age* knew what an explosive story it was.

Lowballing is unethical and unacceptable, mostly because of the increased likelihood of poor quality auditing, although at the time the ICAEW refused to investigate because it hadn't received a formal complaint.

However it would be wrong to say that the story had no impact. It sent shock waves through a profession which was still grappling with combining relaxed rules on marketing, the explosive growth in 'other services' and the genuine but seemingly contradictory desire of many in the profession to maintain professional standards.

Accountancy Age has a tradition of national papers and other publications following the story it breaks and this was such an example.

The PW/Prudential saga marked a low point for the audit profession and, since then, the path has been mostly uphill. It was one a series of scandals of the 80s and 90s – BCCI, Maxwell and Polly Peck were others – which led to a determination to improve corporate behaviour and so gave birth to the corporate governance movement which seems so established today.

Indeed, many of the so-called radical changes *Accountancy Age* called for at that time are now accepted practice. When the auditing profession recently appeared before the treasury committee to explain its role in the banking crisis, much emphasis was placed on audit quality. An unrecognised tribute to that front page story nearly 20 years ago.

Peter Williams was editor between 1990 and 1992 and has worked on the paper at various other times

TAKE FIVE

AS PART OF OUR CELEBRATION OF ACCOUNTANCY AGE'S FORTIETH YEAR, FIVE EDITORS OF THE PAPER SELECT THEIR MOST MEMORABLE FRONT PAGES



Damian Wild – 21 March 2002

History is, of course, emphatic. But as we went to press with this cover – late, as I recall – on the night of Tuesday 19 March, 2002, there was anxiety in the newsroom that we may be pushing the story a little too far.

After that day's tumultuous press conference – which revealed merger talks between Andersen's non-US firm and KPMG – there was no shortage of front page material knocking around.

And while we knew we were on the cusp of something significant, we were less clear about how to treat it. Especially as every national paper and news bulletin would cover the story before we could.

I think three of us had been on television that day, talking – not for the first time – about the Enron and Worldcom fallout and its impact on Andersen. And, by the time I got back to the office from the firm's HQ on The Strand everyone on the team had an opinion.

Nevertheless while the choice of image – an emotionally charged John Ormerod, head of the UK firm – was easy, the accompanying text was anything but.

Even by this advanced stage of the story no one was talking publicly about how the struc-

ture of the accountancy profession might change forever.

After all Andersen may have found a suitor, but a marriage was far from secure.

Regulators could block it, partners could block it and KPMG's legal advice might yet claim just cause for not allowing it to go ahead. (And so it proved; Deloitte picked up the UK firm in the end, with no neat global solution.)

What's more, only a month earlier, Ormerod still saw a future for the firm. 'We're not shifty,' he had told *Accountancy Age*. 'The events that are causing anxiety are, quite frankly, happening in North America. They are not happening here.'

If it sounds hopelessly naive now, at the time it didn't sound impossible.

By 14 March we used our front page to ask: 'Is this the beginning of the end of the Big Five?'

Within a week it was. And, as we ran through all the possible permutations of the story in the pub that night and on my favourite front cover from that heady period, there was only one conclusion.

It was the end of the Big Five.
Damian Wild was editor from 2000 to 2005

In one of the most extraordinary exchanges from that period, on 30 January 2002, John Ormerod appeared on BBC2's *Newsnight*. The motive was to reach Andersen clients and talk up the firm. As this edited extract makes clear, it didn't go well.
JEREMY VINE, NEWSNIGHT HOST: The only defence you have against the accusation that Andersen were part of cooking the books inside Enron, is that you didn't know what was going on?
JOHN ORMEROD: The answer I think is frankly information is needed on that.
JV: You don't know.

JO: The answer is no-one knows and we're not the people to provide the primary answers.
JV: But you are the accountants. You must have known.
JO: Yes. We are the accountants, we are not the directors.
JV: It is incredible, isn't it? Here you are, an accountancy firm, at the scene of the biggest corporate collapse in American history, and you have no explanation.
JO: The questions are very complex ... lots of people were there at the time beyond auditors.

JV: But you were there and you are supposed to know about this stuff!
JO: There are many others who were there, there were people who were investment analysts reporting on its performance.
JV: But you were there!
JO: Of course we were.
JV: So why don't you know?
JO: We are one of the few organisations who are actually co-operating. It's Andersen people appearing before Congress. You tell me who else is. We are co-operating and fully co-operating to try to provide the information that will help.



Anthony Hilton – 23 August 1974

The headline I remember most clearly from the five years I was editor came relatively early.

There was a recession on then too and what was then the largest tour operator, Court Line, had collapsed. Today's equivalent would be the demise of EasyJet or Ryanair.

We were particularly interested because prior to its failure we had dissected the accounts and highlighted the bias towards optimism which ran all the way through – capitalising expenses and so on.

There were no cash flow statements in those days, but it was pretty obvious the business was in trouble.

Our headline was 'Court Line: Benn was warned six weeks ago'. We had got hold of a report carried out prior to Court Line's collapse by Price Waterhouse. It had been

commissioned by the Department of Trade & Industry, where Tony Benn was secretary of state, and it said quite clearly that the firm was very deep in trouble. This was at odds with the government's professed surprise when the business did go under, leaving holidaymakers stranded across the continent.

The story caused uproar in Parliament and was picked up by all the nationals because *Accountancy Age* was, at that time, owned by Michael Heseltine's Haymarket Publishing Group. He was Benn's shadow and, waving the magazine on the floor of the house, he gave the Labour front bench a very uncomfortable ten minute roasting for failing to have a clear strategy to deal with businesses in trouble.

Things don't change much.
Anthony Hilton was editor between 1974 and 1979





Page 2 of the magazine looked at the Andersen situation in more depth. Alex Miller reported that its plan to merge with KPMG would not raise any competition concerns, according to Ormerod. Clients of the embattled auditor were also watching events closely – Abbott Group had already switched to PWC. John Tiner also warned of the limited choice multinationals would have with a Big Four, reported Michelle Perry.

As incredible as the unfolding events with Andersen were, it wasn't the only story we covered on 22 March.

Credit Suisse First Boston accused high street chemist Boots of boosting its profits by using flattering accounting techniques.

And then chairman of the then Inland Revenue, Sir Nick Montagu, told MPs that accountants should charge their clients less if they file tax returns online on their behalf.

After negotiating the safe passage of Andersen's UK partnership to Deloitte in March 2002, John Ormerod spent two years with the firm. Since then he has gone plural: among other appointments, he is a non-executive director of ITV, Misys and Computacenter.

The ICAEW was seeking evidence from the US Department of Justice relating to the role played by Andersen's London office in the shredding of Enron documents, wrote Michelle Perry.

Eventually passed on by the institute to accounting watchdog the Joint Disiplinary Scheme for a tribunal, it took another six years before a verdict was reached.

Chris Dickson, executive counsel of the JDS, found no evidence of UK Andersen partners being involved in shredding Enron documents in 2008. The US firm had previously had convictions against it for obstruction of justice quashed.

Bob Willott – 12 March 1971

Initially I was attracted to the cover of 28 August 1970 because it highlighted the famous clash between Price Waterhouse (as it then was) and auditors Chalmers Impy about their differing views on the loss incurred by Robert Maxwell's Pergamon Press. Chalmers' departing defence was that hindsight is a wonderful thing.

But the front page of 12 March 1971 brought more wry smiles with its varied and more controversial content, including a picture of a senior accountant still wearing a bowler hat.

The ICAEW announced it would permit firms of chartered accountants to advertise for staff on television and cinema screens – provided they used a box number, didn't identify their firm's name or give too full a description of its services when explaining the duties to be performed. Even more daring, colour could be used, but only if the rest of the page also included some colour!

Albert Frost, finance director of the then giant chemicals group ICI, threatened not to comply with the first definitive accounting standard because he thought the inclusion of income from associated companies in the profit and loss account would imply that the parent's management had more influence over the activities of the associate than was the case.

But the two main stories were about company controversies. The receiver of Rolls-Royce, Peat Marwick's Rupert Nicholson, was demanding more money from the govern-



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BOB WILLOTT

ment for the assets of the insolvent engine manufacturer being acquired by a new state-owned successor and threatened to go to arbitration if he didn't get it.

And alongside that story *Accountancy Age* revealed how a loophole in the Insurance Companies Act 1958 had allowed failed insurance company Vehicle & General to bolster its solvency margin by £5m in its 1969 accounts.

Recessions always trigger company scandals and 2009 will doubtless be no exception.

Bob Willott, editor between 1969 and 1974



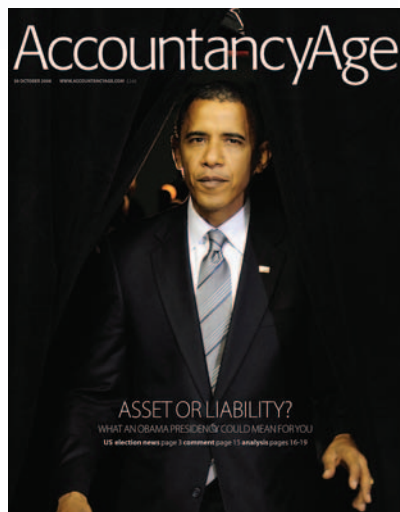
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Gavin Hinks – 30 October 2008

Why on earth would we put Barack Obama on the front page of *Accountancy Age*? He couldn't possibly have anything to do with accountants in the UK. That was the opinion of one former publisher of the magazine when they saw the 30 October issue. Despite those comments, it is, in my opinion, quite simply the most dramatic front cover we have ever published.

It shows Obama emerging from between dark curtains, a hint of stage lights behind him and a determined and purposeful look in his eyes. Our headline and sub head: 'Asset or Liability? What an Obama presidency could mean for you.'

It probably has the fewest words of any front page the Age has ever run and yet, published as it was just before last year's presidential elections, seems to carry more weight than if we



had allowed every inch of page one to be covered in text. It's worth noting that this was the first time *Accountancy Age* had allowed a photograph to take over its entire front cover.

'It is, in my opinion, quite simply the most dramatic front cover we have ever published'

GAVIN HINKS

And to answer the doubtful former publisher, Obama was, and is, hugely important because a change in regime from Republican to Democrat, from Bush to Obama, had the potential to change so much that accountants

relied upon, not just in the US, but in the way it might influence the UK and the profession across the rest of the world.

What would his attitude be to fair value, given the credit crisis? What would he do with limited liability agreements and the ongoing issue of Big Four dominance, and the risks that come with that? Would the US support the international accounting standards project? Our cover wasn't simply jumping on a bandwagon, there were significant issues for accountants everywhere.

There's another thing I like about this cover. No one person can claim full credit for it. The picture was agonised over by our production desk. The headline, in a moment of inspiration, written by our features editor. It was a collaborative effort and all the best publications are like that.

Gavin Hinks, editor, 2005–