

Who Really Runs This Place?

A short report on
the Big 4 accountancy firms
and their ties to government

June 2013

spinwatch 
Public Interest Investigations

Summary

The four global accountancy firms – PWC, KPMG, Deloitte and Ernst & Young, also known as the Big 4 – have captured the British government.

They are embedded in it, earning hundreds of millions of pounds a year in government business, loaning their staff to government departments and the political parties, advising on everything from tax law to privatisation programmes.

At the same time, the Big 4 are central to the tax avoidance industry. They earn tens of billions from their tax advice to the world's biggest corporations. Much of this is aimed at helping companies legally avoid paying vast sums of tax, euphemistically called 'tax planning'.

The British government says it is committed to tackling tax avoidance. But, how serious is it when it has such a close working relationship with the Big 4?

David Cameron has put the issue of corporate tax avoidance at the centre of this month's G8 meeting, which the UK is hosting. He recently called on Britain's tax havens – islands such as Bermuda and Jersey – to do more to fight aggressive tax avoidance. But he also urgently needs to look at those driving tax avoidance much closer to home: the Big 4.

These four accountancy firms are global giants. Together, they check the books of nearly all blue chip companies in the world. In 2011 they had a combined global revenue of \$110 billion.ⁱ Their reach is international, having offices in hundreds of cities, including over 80 offices in tax havens.

The Big 4 have been described as being 'more powerful than government'.ⁱⁱ But the relationship is symbiotic. A mutual dependency exists between the firms and the UK government. Their shared agenda, however, is often at odds with the public interest.

This short report looks at some of the relationships between the Big 4 accountancy firms and the UK government. It examines some of their lobbying activity: on their own behalf to block much-needed reforms of the industry that they dominate; at some of the lobbying they have undertaken to protect the tax avoidance industry; and at their role as lobbyists-for-hire.

It aims to give an insight into the reach of the Big 4 inside government and the range of their lobbying activities. It demands that we take a closer look at their influence within our government.

ISBN Number: 978-0-9570274-3-5



The ‘driving force’ behind tax avoidance...

The Big 4 are at the epicenter of the tax avoidance industry. They have been called the ‘driving force’ behind the creation of complex corporate structures, tax avoidance schemes and the many creative ways of complying with tax laws. They stand accused of manufacturing tax avoiding schemes ‘on an industrial scale’.ⁱⁱⁱ ‘Literally, international tax avoidance could not happen without the active involvement consent and support of the Big 4 firms,’ says tax justice campaigner, Richard Murphy. ‘Without them it would not be possible.’^{iv}

The four firms earn £2 billion from their tax work in the UK, and around \$25 billion globally. Much of this advice is aimed at minimising the tax that wealthy individuals or corporations pay. In 2005, a government study concluded that the Big 4 made around £1 billion a year from commercial ‘tax planning’ and ‘artificial avoidance schemes’.^v

‘Literally, international tax avoidance could not happen without the active involvement consent and support of the Big 4.’

Richard Murphy, tax justice campaigner

... helping to shape Britain’s tax laws

At the same time as selling advice to multinationals and wealthy individuals on how to cut the tax they pay to the Exchequer, the Big 4 are big contractors to the British state. They provide advice and services across government on a range of issues, including helping to write Britain’s tax laws.

Employees of the Big 4 are regularly invited into government to help shape tax policy. In April 2013, an influential committee of MPs discovered that the very same people from the Big 4 that were helping to write tax policy were then returning to their firms and using their insider knowledge to advise their corporate clients on how to use those same laws to avoid tax. It was a case of ‘poacher, turned gamekeeper, turned poacher again,’ said the MPs.^{vi}

The committee highlighted the case of a KPMG employee on loan to the Treasury who was advising the Government on the development of tax policies, including something called the ‘Patent Box’ rules. KPMG then produced marketing brochures on the Patent Box, advising clients how to make ‘more economic use’ of their tax losses via the scheme. KPMG was criticised by the committee for presenting clients with a business opportunity to avoid tax, via a scheme they had acting as technical advisors on.^{vii}

The MPs expressed concern that the close relationship that the four firms enjoy with government creates a perception, at least, that they ‘wield undue influence on the tax system which they use to their advantage’.^{viii}

The Big 4 are quick to defend their role in shaping Britain’s tax laws. They insist that their involvement is limited to providing ‘technical insight’ into proposed policies. Deloitte’s head of tax policy, Bill Dodwell, for example, says that its people ‘have never driven any policy initiative’.^{ix} All four firms are adamant that they do not write legislation or make policy decisions. That is a matter for government, they claim.^x

However, they are clearly capable of influencing tax laws, as evidenced by the fact that some of them specifically offer it as a service to clients! Ernst & Young, for example, has a team that is committed to lobbying for tax breaks for clients.

Lobbying for tax breaks

Ernst & Young's Tax Policy Development team 'works with clients to develop proposals for changes in tax policy that can be taken to government'. In other words, it lobbies for tax breaks for clients. This is in addition to 'finding solutions within the existing tax system'. Its website cites cases where Ernst & Young has successfully lobbied for tax breaks in the past.^{xi}

'In an era where the government is focusing on... tax avoidance, and where there has been considerable media coverage on particular 'tax avoiders', policy development [aka lobbying] offers a low risk alternative.'

Ernst & Young

'Unlike a traditional lobbying service,' the pitch reads, Ernst & Young's team will work with its clients to develop 'technical policy options in a form that is used inside Government today'. Put simply, this means it uses its knowledge of the workings of government to lobby for clients. This, it says, means that tax changes can be 'implemented with the minimum of delay', and makes sure that 'the concerns of policy-makers are addressed'. This gives proposed tax breaks 'the maximum chance of adoption'. In this respect, the insider status of E&Y is clearly of benefit to its clients.

Should auditors also lobby?

The advantages to clients of lobbying for tax policy changes – as opposed to tax planning – are clearly explained in Ernst & Young's pitch: 'In an era where the government is focusing on actively identifying and countering tax avoidance, and where there has been considerable media coverage on particular 'tax avoiders', policy development offers a low risk alternative.' In other words, 'policy development' – or lobbying – offers its corporate clients a less risky way to reduce their tax bill.

Ernst & Young's lobbying team is led by its global head of tax policy, Chris Sanger. Also in the team, until late 2012, was Vincent Oratore, a partner at the firm. Both Sanger and Oratore are advisers to the government. In July 2010, just weeks after the Coalition was formed, they were appointed to HM Treasury's newly created Tax Professionals Forum, which is looking at ways to reform how the government develops tax policy.^{xii}

Some of the Big 4 have come under scrutiny in the US for their lobbying.

In January 2013, it was reported that US authorities were investigating whether Ernst & Young violated auditor rules by letting its lobbying unit perform work for several major audit clients.

Accountants are supposed to be impartial when they review a client's books. If they are also lobbying for them, the danger is that they may be too cozy with the management of an audit client. Auditors are watchdogs for investors and should not be promoting management's interests.

In the U.S. rules on auditor independence include a bar on auditors serving in an 'advocacy role' for audit clients. The UK's auditing regulator, the Financial Reporting Council (FRC), has not specifically barred auditing firms from lobbying for audit clients.

So, while the two Ernst & Young tax specialists are advising the government on more business-friendly ways to develop tax laws, they are at the same time part of a team that is paid to lobby for changes to the tax system for particular private interests.

Ernst & Young is not the only firm to offer lobbying services. Deloitte says that it lobbies for clients on ‘a small number of occasions’.^{xiii} For example, the firm says it has occasionally helped a specific client with ‘drafting a viewpoint’ with which they can lobby government. However, Deloitte’s head of tax policy, Bill Dodwell, has previously said that the firm is ‘more engaged than ever before in policy debates with the Treasury and with HMRC’, although it is not known if this is on behalf of clients.^{xiv}

KPMG says it does not engage in third party lobbying for clients.^{xv} PWC did not say directly whether it lobbies for third parties in the UK. In a statement, it said: ‘We engage with politicians, government officials and regulators both inside and outside the UK.’^{xvi} However, PWC does act as lobbyists-for-hire in the US, albeit on a smaller scale today since audit firms came under greater scrutiny for their advocacy work.

Lobbying against efforts to tackle tax avoidance

In the US, PWC have been paid to lobby for the Business Roundtable and Financial Executives International, as well as other lobby groups.^{xvii} The Business Roundtable is a formidable player, made up of the CEOs of 150 of the largest corporations operating in America, which pushes for lower corporate tax rates.^{xviii} In 2012 it spent nearly \$14 million lobbying Washington, with \$600,000 going to PWC to lobby on its behalf.^{xix} Financial Executives is dedicated to ‘advancing the success of senior-level financial executives’. It pays PWC \$20,000 a quarter to further its interests in Washington.

Thanks to lobbying disclosure laws in the US, we know that PWC has been lobbying Washington for these groups on international tax, tax reform and tax accounting issues.

In June 2013, just ahead of the G8 meeting, the Business Roundtable and Financial Executives were among a handful of business lobby groups that wrote to President Obama expressing their concern about the possibility that G8 leaders might decide on steps to rein in aggressive tax avoidance by companies. They warned that ‘recent tax initiatives in a number of foreign countries’ appear to be targeting US multinationals ‘in the guise of combating tax avoidance’.^{xx}

Who are the Big 4 lobbying?

The UK government has pledged to introduce transparency rules for lobbyists.

However, its current plans, which are due to be fast-tracked through Parliament before the summer, are set to cover only a fraction of the lobbying industry: lobbying agencies.

It is not clear whether the regulations would include lobbying by the Big 4, some of whom lobby on behalf of third party clients.

When a similar, limited register was introduced in Australia, it was reported that the accountancy giants become ‘seriously powerful in Canberra’. The rise was attributed to ‘traditional lobbyists being sidelined following the introduction of rules that require lobbying agencies to disclose their clients.’

The minister overseeing the register of lobbyists in the UK is Chloe Smith, formerly of Deloitte.

The UK does not yet have a robust register of lobbyists, and so it is not known precisely who is lobbying our government to resist efforts to reform the tax system. It is safe to assume, however, that the lobbying is intense and coming from many quarters, including the Big 4.

In May 2013, for example, Ernst & Young's lobbyists John Dixon and Chris Sanger, held a high-level lobbying meeting in Downing Street, during which they urged the prime minister not to back calls for tax reform. Dixon acknowledged, though, that calls for companies to pay up was an issue that was not going to go away: 'It is receiving a huge amount of interest at the highest level of our society,' he said.^{xxi}

This is the problem for the Big 4 and their corporate, tax avoiding clients. Politicians have tuned into public anger about those large corporations who are seen to avoid their responsibilities to society, such as Google, Amazon and Starbucks. When budgets are being cut and public services slashed, those who do not pay into the system, but are happy to profit from it, are rightly coming under the spotlight. This includes those that sell corporations strategies for avoiding tax. The UK is estimated to be losing around £100 billion of tax revenues each year and a large part of this is due to the activities of the Big 4 accountancy firms.

However, this does not mean that government will choose to stand up for the public interest over the private interests of the Big 4. Do not forget that these four firms played a significant role in the financial crisis of 2008, which has had such a devastating effect on the finances of so many countries. But, when proposals were put forward in Brussels to challenge the power of the Big 4, and to create a safer, more robust financial system, the British government appears to have sided with the accountancy giants.

Lobbying against reform of their industry

'Auditors serve the public interest', claims Ernst & Young.^{xxii} In the context of the 2008 financial crisis, they failed to do that.

Auditors have a special job at the heart of the world's economy. They are supposed to be the system's watchdogs, there to warn of impending trouble, checking the health or risk of companies, and entrusted to give an opinion on the truth and fairness of the financial statements of the companies they audit.

In the event, the accountancy firms gave their banking clients a clean bill of health right up until the point that some of them keeled over and their failure threatened to bring down the entire financial system.^{xxiii}

Too cosy?

The Big 4 have been accused of 'considerable shortcomings' in their auditing of the banks.

KPMG, for example, is facing a potential investigation over the audit work that gave HBOS a clean bill of health in the run-up to its collapse.

The City's regulator, the Financial Reporting Council is considering an investigation into their role. However, the new head of the regulator is the former head of KPMG, John Griffith-Jones, prompting one commentator to note: 'It cannot be right that the chairman of the new FCA has any link with the second-largest UK banking collapse in history.'

Griffith-Jones was appointed to his job as regulator by then Treasury minister Mark Hoban, formerly of PwC.

The accountancy giants have been officially hauled up for ‘grave defects’ in their auditing of banks. A House of Lords committee concluded that either they were culpably unaware of storm ahead, or they culpably failed to warn anyone of the impending danger.^{xxiv}

Part of the problem lies in the long and close relationships between banks and their auditors. PWC, for example, has been doing Barclays’ books – earning tens of millions for itself each year – since the 19th century. Finally, after a 117 year stretch, Barclays proposed that it *might* consider changing auditors.^{xxv}

What is of concern is, again, this issue of auditor independence. Are the auditors sufficiently independent of the management of companies they are charged with vetting? Do such lengthy tenures put at risk the objectivity and independence of the audit? There are also concerns around conflicts of interests, with the accountancy giants earning significant fees from consultancy work, and the firms’ auditors often acting as salespeople for their other, more lucrative consulting services. When auditors are working for management in another capacity, and earning large sums on the back of it, are they able to audit in a truly detached and critical way?

In 2010 these and other problems inherent in the auditing industry were deemed sufficiently serious that officials in Brussels thought to make some changes. They proposed new rules aimed in particular at strengthening the independence of auditors, making accountants more sceptical of what clients tell them, as well as challenging the monopoly of the Big 4.^{xxvi}

Central to their proposals was the compulsory rotation of auditors, with firms being permitted to audit a company for no more than six years (with a few exceptions). They also wanted to see audit firms prohibited from providing non-audit services to their audit clients, to avoid the risks from conflicts of interest and prevent firms from getting too cosy with management. And they wanted a new regulator to oversee the industry. It is safe to say their proposals did not go down well. The new rules were described by one insider as ‘striking at the heart’ of the Big 4.^{xxvii}

The Big 4 fought hard to derail the plans, their lobbying being described as ‘fierce’ and ‘excessive’ by one EU official.^{xxviii} It was ‘worse’ even than the lobbying by the banks, previously seen as the benchmark on pummelling policy-makers in efforts to retain the pre-crisis *status quo*.

Ernst & Young went in hard, lobbying on its own and marshalling others to petition officials. One of its lobbying vehicles is the European Audit Committee Leadership Network,^{xxix} a select group of

How much spent fighting reform?

The Big 4 have been lobbying against reform of their industry in the US, as well as the UK and Brussels.

Ernst & Young, for example, counselled companies that they needed to keep a close eye on developments in Washington and lobby officials.

The firm spent \$2.2 million lobbying Washington in 2011. The total lobbying spend for the Big 4 was nearly \$10million. This is more than any other year since 2002, which saw Enron and its auditor Arthur Andersen mired in scandal.

The lack of transparency in lobbying in the UK means that we don’t know how much has been spent lobbying the British government to persuade them to resist reform of the audit market.

audit committee chairs from leading European companies, brought together and kept informed by Ernst & Young.^{xxx} They repeatedly targeted the man behind the proposals, European commissioner Michel Barnier.^{xxxi}

Ernst & Young also appealed to companies and investors to mobilise their national governments to lobby against what they saw as some of the ‘more extreme proposals’.^{xxxii} Whether or not urged on by auditors, Win Bischoff, chair of Lloyds bank and head of the advisory group of London’s financial services lobby group TheCityUK wrote to the minister Mark Hoban (formerly of PWC) in September 2011 to petition him to oppose the proposals. A ‘strong majority’ of the group’s advisory body, on which all four of the accountancy giants sit, were concerned, he wrote.^{xxxiii}

Bischoff warned that the proposals would increase costs and may also put audit quality at risk. This from a man who chairs a bank that went on to rack up £25billion in losses, thanks in part to bad loans made by the bank it saved, HBOS, which auditors KPMG failed to spot.^{xxxiv}

The Big 4 have ‘organised meaningful reforms of their industry off the political agenda’.

Prem Sikka, Professor of Accounting

Bischoff, however, called the plans ‘inappropriate’ and warned of the impact they would have on the UK’s global financial services sector and the industry’s growth. ‘I hope government is actively engaged in resisting these proposals,’ he wrote, urging the British government to ‘reach out’ to other EU countries to join the opposition.^{xxxv} The UK’s chancellor George Osborne and Business Secretary Vince Cable were both copied in. UK officials were indeed busy lobbying to kill the plans, Vince Cable’s department describing them as ‘damaging to growth’.^{xxxvi}

Other business organisations waded in, including the Hundred Group of Finance Directors, which is administered by KPMG, and has been described as ‘the most influential organisation that you’ve never heard of’. In a letter to Catherine Ashton, the EU’s first High Representative of the Union for Foreign Affairs, the Hundred Group dismissed the proposals as ‘radical’, ‘untested’ and warned of ‘profound implications’ for the way audits are conducted, ‘none of which are likely to be positive’.^{xxxvii}

The widespread negative campaign by the Big 4 and others, including the British government, appears to have paid off. In April an influential European Parliament Committee watered down the proposals on mandatory rotation of auditors.^{xxxviii} Reform in Britain, unsurprisingly has also been disappointing. A long-awaited report by the Competition Commission on the UK auditing market has been described as having ‘little positive impact’ on the auditing market. The Big 4 have ‘organised meaningful reforms of their industry off the political agenda’, says Professor of Accounting Prem Sikka.^{xxxix}

The UK government’s support for the accountancy giants is best understood in the context of the much wider and collusive relationship that exists across government. The *Financial Times* has written of the ‘symbiotic relationship’ between government and the Big 4.^{xl} Others have gone

further, Labour MP Austin Mitchell describing the accountancy firms as being ‘more powerful than government’.^{xli}

Who actually runs this place?

The Big 4 are embedded across Government and the political parties. First, they act as consultants to the government, and not just on tax matters. As in the private sector, the accountancy firms have learnt the value of offering a range of services to government, across numerous departments.

Collectively, the Big 4 earned nearly £500million a year from government business.^{xlii} Take PwC, the biggest of the four: it has recently won vast numbers of contracts with central Whitehall departments including: HM Treasury; HMRC; Cabinet Office; Ministry of Defence; Ministry of Justice; Department for Business; Work and Pensions; International Development; Environment; Transport; Communities and Local Government; Health; and Education. And that is just one firm.

PwC says its work with government is focused on ‘looking for answers on how to increase efficiencies while improving quality and outcomes’.^{xliii} PwC also claims to have ‘acted on more privatisations than any other financial adviser’.^{xliv} But they do more than simply advise government. The Big 4 also seek to cash in on changes to policy.

Take changes to the education system and the move to convert schools to independently-run academies. PwC has been supporting the government on its academies programme. At the same time it has been developing a service to sell to groups of academies to provide back office functions – what it calls a ‘schools solution for sharing’^{xlv} – which unlike public sector ‘sharing solutions’, would be provided on a for-profit basis.

It is a similar picture at the Department of Health. PwC holds a number of contracts with the department, while at the same time taking advantage of the latest, controversial NHS changes. Today, it earns hundreds of thousands advising new commissioning groups introduced under the recent reforms.

PwC is currently investing heavily in its fast-growing healthcare practice. The firm has just appointed former Health Secretary Alan Milburn, one of the biggest cheerleaders for NHS privatisation, to head up its new board that will oversee the health sector business. The board already advises the firm’s public health, private health and pharmaceutical clients.^{xlvi}

Potential conflicts of interest exist in other areas of government policy. The Bureau of Investigative

Profiting from privatisation?

KPMG is one of the firms to have done well out of its close relationship with the Department of Health.

Mark Britnell, former head of commissioning in the Department – in charge of the system that determines how the NHS spends its £100bn budget – left in 2009 to join KPMG. Britnell hit the headlines last year for saying that the NHS will be ‘shown no mercy’ by this government.

Britnell’s responsibilities then passed to his colleague Gary Belfield, who stayed in post less than a year before himself moving to KPMG.

Not long after, KPMG was awarded one of the first private sector contracts under the reformed commissioning system, reforms overseen by both men.

Journalists reported that George Osborne received support from Deloitte in the form of ‘services and advice provided in connection with the Eggar report’. This report informed the Tories’ 2010 energy paper, in which they promised, if elected, to reform taxes affecting offshore oil and gas companies. However, as well as providing tax expertise, Deloitte also has ‘clients across the oil and gas sector’ who would have benefited from the paper’s proposed changes to taxation.^{xlvi}

The Big 4 have also benefited significantly from policies such as the Private Finance Initiative, earning money from advising government, advising the companies bidding for the contracts and then auditing the bids.^{xlvi} PFI is a cash cow that keeps on giving to the Big 4, even when things go wrong. When the South London Healthcare Trust was recently declared bankrupt, PwC was paid nearly half a million pounds for advice on how the Trust could survive its financial crisis, which was in part caused by PFI debts.^{xli} The Treasury’s Private Finance Initiative unit has been run by a partner of PwC.

From just a handful of examples, it is clear that there is a shared agenda between elements of government and the Big 4 accountancy firms. And, as night follows day, we are also seeing a great deal of sharing of personnel, with people flitting between the two, through a well-oiled revolving door.

A shared agenda

As well as Alan Milburn, the former Labour Health Minister recently employed by PwC to advise on changes to the NHS,ⁱ a further five ex-government ministers have taken jobs with the Big 4 in recent years, including two former Home Secretaries, Charles Clarke and Jacqui Smith who moved to KPMG.ⁱⁱ

Mark Britnell, formerly of the Department of Health, is one of a dozen government officials to have also jumped ship to the Big 4.ⁱⁱⁱ Those to make the move also include Paul Kirby, ex-Number 10 Policy Unit, to KPMG and Neil Sherlock, the former advisor to Nick Clegg to PwC.^{liii} Perhaps the most notorious, however, is Dave Hartnett, the UK’s chief tax collector at HMRC who recently announced his move to Deloitte.

Hartnett’s reputation had already taken a battering for striking a ‘sweetheart deal’ with Goldman Sachs, letting them off a £10m interest bill.^{liv} He was also holder of the dubious title of ‘the most wine and dined mandarin in Whitehall.’ In the course of just a couple of years his diary included 27 occasions when he dined with representatives of the Big 4.^{lv}

The revolving door works the other way too. The list of people to move from the Big 4 into government positions is long, and includes: PwC tax partner John Whiting appointed to lead the Office of Tax Simplification, where he works alongside Caroline Turnbull-Hall, another PwC tax manager; and Chris Tailby, formerly a tax partner at PwC was, until recently, Head of Anti-Avoidance at HMRC.

The Big 4 also regularly loan – or second – people to government departments, including their tax experts to the Treasury.

Giving evidence to the Public Accounts Committee, PwC said it has sent two people from its tax department to HMRC and six to other government departments.^{lvi} KPMG said it has sent two tax experts to the taxman and two to the Treasury, while the firm says it ‘typically’ has six working with other government departments at any one time. According to Ernst & Young it only has a very small number of people on secondment.^{lvii}

However, according to information gained from government departments from Freedom of Information requests, at least 50 people have been seconded to Government from the Big 4 in the last three years.

At the Treasury: Deloitte seconded two employees to the Business and International Tax division, another to work as a policy analyst, and it continues to have a policy advisor to the Office of Tax Simplification. For six months, Ernst & Young had an employee policy analyst working on gambling duty in the Treasury. Since April 2012 the company has also seconded a project manager working on the ‘mobile wallet’ initiative promoted by mobile companies such as Vodafone and O2.^{lviii} KPMG, meanwhile, seconded a senior policy advisor to the Corporate Taxers Team; a commercial advisor to the Enterprise and Growth division, and an advisor to the Performance and Reform Unit. PwC also seconded two senior policy advisors to the Performance and Reform Unit and one to the Public Services and Growth team.^{lix} In 2011-12 alone, a total of 15 people were on loan to the Treasury from accountancy firms.

At least 50 people have been seconded to Government in the last three years from the Big 4.

The Big 4’s people are not just inside the Treasury though. At the Cabinet Office, there have been fifteen secondments from the Big 4 since January 2010, with Ernst & Young responsible for the lion’s share with seven, followed by PwC with five and Deloitte with three. We have no idea what they are doing there as the Cabinet Office says it does not hold a central record of their job descriptions or titles.^{lx}

At the Department for Business there have been ten secondments in the three years to now, with four from PwC, and two each from the other three firms. All but one of these positions were part funded by the government.^{lxi} At the Department for Transport, PwC seconded two employees, KPMG one.^{lxii} The Department for Education’s Corporate Finance Team has a PwC employee working inside it.^{lxiii} The Department of Health claims to have no central record of employers of secondees.^{lxiv} PwC, Ernst & Young have all had an employee inside the Bank of England in this period, with Deloitte two.^{lxv}

On top of their generosity to government, the Big 4 have donated £1.14 million of staff time and consultancy work to political parties since the general election.^{lxvi} The parties see this support as crucial. When an inexperienced shadow minister and their team gets shifted to the Treasury, it is the Big 4 that they turn to for advice. These experts will then tweak the tax system according to the particular party’s priorities.

The Big 4 are also inside Parliament. PWC provides consultancy services and background briefings to the All-Party Parliamentary Group on Insurance and Financial Services.^{lxvii} And they also seek to influence government through their support for think tanks. The free-market think tank, Reform, for example, whose deputy director Nick Seddon recently became an advisor to David Cameron, has been funded by all the Big 4 firms. Reform is a strong advocate of privatisation policies.

How serious is the government about tackling tax avoidance?

From hiring ex-ministers, and civil servants to offering secondments to government, as well as in-kind expertise for political parties, the Big 4 accountancy firms hold huge sway and influence. Politicians and the machinery of government have become dependent on the Big 4. The accountancy giants, in turn, need politicians who are onside, who will support policies that benefit them and their clients.

On the eve of the G8 summit, David Cameron admitted that his thinking on tax avoidance had been hugely influenced by the academic Paul Collier, from Oxford University.^{lxviii} Collier, however, has written that those companies at the heart of the tax avoidance and secrecy industry, such as the Big 4, should ‘hang their heads in shame’.^{lxix}

If Cameron is serious about tackling the multi-billion pound tax avoidance industry, then he has to break the relationship between government and the Big 4. He has to see the Big 4 as part of the problem. If not, all his fine words on tackling tax avoidance will count for little.

References

- ⁱ David Ingram and Dena Aubin, 'Insight: Big 4 auditors spend more than ever on U.S. lobbying', *Reuters*, 13 March 2012; <http://uk.reuters.com/article/2012/03/13/us-usa-accounting-big-idUSBRE82C0JQ20120313>
- ⁱⁱ Maeve McClenaghan, *How 'big four' get inside track by loaning staff to government*, Bureau of Investigative Journalism, 10 July 2012; <http://www.thebureauinvestigates.com/2012/07/10/how-big-four-get-inside-track-by-loaning-staff-to-government/>
- ⁱⁱⁱ Austin Mitchell & Prem Sikka, *The Pin-Stripe Mafia: How Accountancy Firms Destroy Societies*, Association for Accountancy & Business Affairs, 2011, p5; <http://visar.csustan.edu/aaba/PINSTRIPEMAFIA.pdf>
- ^{iv} *Today Programme*, Radio 4, 5 December 2012
- ^v *The Guardian*, 'Gilt-edged profits for profession's "big four"', 7 February 2009; <http://www.guardian.co.uk/business/2009/feb/07/tax-gap-avoidance-schemes>
- ^{vi} Committee of Public Accounts, *Tax avoidance: the role of large accountancy firms*, Forty-fourth Report of Session 2012–13, Report, together with formal minutes, oral and written evidence, House of Commons, 26 April 2013
- ^{vii} Committee of Public Accounts, *Tax avoidance: the role of large accountancy firms*, Forty-fourth Report of Session 2012–13, Report, together with formal minutes, oral and written evidence, House of Commons, 26 April 2013
- ^{viii} Committee of Public Accounts, *Tax avoidance: the role of large accountancy firms*, Forty-fourth Report of Session 2012–13, Report, together with formal minutes, oral and written evidence, House of Commons, 26 April 2013
- ^{ix} Deloitte, Bill Dodwell, *Head of Tax Policy at Deloitte comments on the report from the Public Accounts Committee*, 26 April, 2013; http://www.deloitte.com/view/en_gb/uk/a316f4fc3724e310VgnVCM1000003256f70aRCRD.htm
- ^x Rajeev Syal, Simon Bowers & Patrick Wintour, "Big four" accountants "use knowledge of Treasury to help rich avoid tax", *The Guardian*, 26 April 2013; <http://www.guardian.co.uk/business/2013/apr/26/accountancy-firms-knowledge-treasury-avoid-tax>
- ^{xi} Ernst & Young, *About tax policy and controversy*, website, undated, accessed June 2103; <http://www.ey.com/UK/en/Services/Tax/Tax-Policy-and-Controversy/Tax---TPD---About>
- ^{xii} Ernst & Young, *Ernst & Young partners join Treasury's tax forum*, 21 July 2010; <http://www.ey.com/UK/en/Newsroom/News-releases/Tax---10-07-21---EY-partners-join-Treasurys-tax-forum>
- ^{xiii} Jo Ouvry, *Email to Andy Rowell*, 6 June 2013
- ^{xiv} Bill Dodwell, 'Is that a freelancer over there or an employee?' *TaxAdvisor*, September 2008; https://docs.google.com/viewer?a=v&q=cache:bP6cyJis3bgJ:old.tax.org.uk/attach.pl/7208/8498/007_TA_0908.pdf+%2tax+policy+group%22+deloitte&hl=en&gl=uk&pid=bl&srcid=ADGEESjTYW9sG-AB3H9vWXOwgwILdSShmh9z-AuIleA1jFW6jvA1qbmNZJ-TVedkLEg75TFWWUwEDEH_Inh1iytno86E6v98bE9f5DaPzgFODdHQ1qRylQeezPkcsMTnEylCp8Rqpt7B&sig=AHIEtbTjvHSD9YCTJtqp_nIRDalmk9wwEg
- ^{xv} Mark Hamilton, *Email to Andy Rowell*, 6 June 2013
- ^{xvi} Jamie Harley, *Email to Andy Rowell*, 7 June 2013
- ^{xvii} US Lobbying Disclosure Database filings
- ^{xviii} Kate Ackley, 'Business Roundtable Head Says CEOs Will Be Visible Lobbyists', *RollCall*, 31 January 2013; http://www.rollcall.com/news/business_roundtable_head_says_ceos_will_be_visible_lobbyists-222063-1.html
- ^{xix} Business Roundtable filing on Open Secrets' Lobbying Spending Database: <http://www.opensecrets.org/lobby/clientsum.php?id=D000032202&year=2012>
- ^{xx} James Politi, 'G8 tax avoidance drive alarms US business', *Financial Times*, 4 June 2013; <http://www.ft.com/cms/s/0/cd23a7da-cd53-11e2-90e8-00144feab7de.html#axzz2WC6bUAPR>
- ^{xxi} Simon Bowers and Phillip Inman, 'Ernst & Young lobbies against tax transparency at Downing Street', *The Guardian*; 7 May 2013; <http://www.guardian.co.uk/business/2013/may/07/ernst-young-lobbies-against-tax-transparency>
- ^{xxii} Ernst & Young, *European Commission legislative proposals on audit policy*, December 2011; [http://www.ey.com/Publication/vwLUAssets/European_Commission_legislative_proposals_on_audit_policy/\\$FILE/EC%20legislative%20proposals%20on%20audit%20policy.pdf](http://www.ey.com/Publication/vwLUAssets/European_Commission_legislative_proposals_on_audit_policy/$FILE/EC%20legislative%20proposals%20on%20audit%20policy.pdf)
- ^{xxiii} The European Commission, *Restoring confidence in financial statements: the European Commission aims at a higher quality, dynamic and open audit market*, 30/11/2011; http://europa.eu/rapid/press-release_IP-11-1480_en.htm?locale=en
- ^{xxiv} House of Lords, Economic Affairs Committee, *Hansard*, 15 March 2011; <http://www.publications.parliament.uk/pa/ld201011/ldselect/ldeconaf/119/11909.htm>
- ^{xxv} *Bloomberg*, 'Barclays Considers Auditor Change After a Century With PwC', 8 March 2013; <http://www.bloomberg.com/news/2013-03-08/barclays-considers-auditor-change-after-a-century-with-pwc.html>
- ^{xxvi} The European Commission, *Restoring confidence in financial statements: the European Commission aims at a higher quality, dynamic and open audit market*, 30/11/2011; http://europa.eu/rapid/press-release_IP-11-1480_en.htm?locale=en

- ^{xxvii} Arvind Hickman, 'Barnier's vision is good and bad for audit', *International Accounting Bulletin*, 3 October 2011; <http://www.internationalaccountingbulletin.com/news/barniers-vision-is-good-and-bad-for-audit-1805407262/>
- ^{xxviii} *Reuters*, 'EC says auditors "over lobbying" against EU reform, 27 March 2012; <http://uk.reuters.com/article/2012/03/27/uk-eu-auditing-idUKBRE82Q0XN20120327>
- ^{xxix} European Audit Committee Leadership Network, 'Audit committee perspectives on the European Commission's green papers', *Viewpoints*, 28 April 2011; www.tapestrynetworks.com/issues/corporate-governance/upload/EACLN-ViewPoints-Audit-committee-perspectives-on-the-European-Commission-s-green-papers-28-April-2011-3.pdf
- ^{xxx} Ernst & Young, *Audit Committee Leadership Networks*, website, undated, accessed June 2103; <http://www.ey.com/US/en/Issues/Governance-and-reporting/Audit-Committee/Assurance---Audit-Committee-Leadership-Networks>
- ^{xxxi} Tapestry Networks, *Letter to Michel Barnier*, 20 May 2011
- ^{xxxii} European Audit Committee Leadership Network, 'Audit committee perspectives on the European Commission's green papers', *Viewpoints*, 28 April 2011; www.tapestrynetworks.com/issues/corporate-governance/upload/EACLN-ViewPoints-Audit-committee-perspectives-on-the-European-Commission-s-green-papers-28-April-2011-3.pdf
- ^{xxxiii} Winfried Bischoff, *Letter to Mark Hoban*, 26 September 2011
- ^{xxxiv} Rob Davies, 'Downing Street says 'consciences' of other HBOS chiefs should steer them as Crosby gives up knighthood and £175k pension', *ThisIsMoney.co.uk*, 10 April 2013; <http://www.thisismoney.co.uk/money/markets/article-2305882/Lloyds-legal-threat-KPMG-HBOS-Crosby-gives-knighthood-175k-pension.html#ixzz2WOF2h7N0>
- ^{xxxv} Winfried Bischoff, *Letter to Mark Hoban*, 26 September 2011
- ^{xxxvi} Arvind Hickman, 'EXCLUSIVE: UK govt lobbies against joint audit, audit-only firms', *International Accounting Bulletin*, 19 October 2011; <http://www.internationalaccountingbulletin.com/news/exclusive-uk-govt-lobbies-against-joint-audit-audit-only-firms/>
- ^{xxxvii} The 100 Hundred Group of Finance Directors, *Letter to Commissioner Cathy Ashton*, 27 September 2011
- ^{xxxviii} *Reuters*, 'EU lawmaker tries to end deadlock over audit reform', 12 April 2013; <http://www.reuters.com/article/2013/04/12/eu-accounting-idUSL5N0CZ13720130412>
- ^{xxxix} Prem Sikka, 'The uncompetitive culture of auditing's big four remains undented', *The Guardian*, 23 February 2013; <http://www.guardian.co.uk/commentisfree/2013/feb/23/uncompetitive-culture-auditing-big-four-undented>
- ^{xl} Kiran Stacey & Jim Packard, 'Whitehall under fire over City job moves', *The Financial Times*, 29 May 2013, p3
- ^{xli} Maeve McClenaghan, *How 'big four' get inside track by loaning staff to government*, Bureau of Investigative Journalism, 10 July 2012; <http://www.thebureauinvestigates.com/2012/07/10/how-big-four-get-inside-track-by-loaning-staff-to-government/>
- ^{xlii} Evidence to the Committee of Public Accounts; *Tax avoidance: the role of large accountancy firms*, Forty-fourth Report of Session 2012–13
- ^{xliii} PWC, *Government and Private Sector*, website, undated, accessed June 2013; <http://www.pwc.co.uk/government-public-sector/index.jhtml>
- ^{xliv} PWC, *Privatisation Advice Service*, undated, accessed June 2103; <http://www.pwc.com/gx/en/privitisation-services/index.jhtml>
- ^{xlv} PWC speaking at 'Free thinking: Using Independence To Transform Schools' conference, 30 November 2012
- ^{xlvi} PWC, *Alan Milburn will chair new PwC Health Industry Oversight Board*, website, 22 May 2013; accessed June 2013; <http://pwc.blogs.com/northern-ireland/2013/05/alan-milburn-will-chair-new-pwc-health-industry-oversight-board.html>
- ^{xlvii} Maeve McClenaghan, *How 'big four' get inside track by loaning staff to government*, Bureau of Investigative Journalism, 10 July 2012; <http://www.thebureauinvestigates.com/2012/07/10/how-big-four-get-inside-track-by-loaning-staff-to-government/>
- ^{xlviii} Anthony Sampson, *Who Runs This Place? The Anatomy of Britain in the 21st Century?* John Murray, p326
- ^{xlix} Caroline Molloy, Milburn, the NHS, and Britain's 'revolving door', *OpenDemocracy*, 23 May 2013; <http://www.opendemocracy.net/ournhs/caroline-molloy/milburn-nhs-and-britains-revolving-door>
- ^l Kiran Stacey & Jim Packard, 'Whitehall under fire over City job moves', *The Financial Times*, 29 May 2013, p3
- ^{li} Kiran Stacey & Jim Packard, 'Whitehall under fire over City job moves', *The Financial Times*, 29 May 2013, p3
- ^{lii} Kiran Stacey & Jim Packard, 'Whitehall under fire over City job moves', *The Financial Times*, 29 May 2013, p3
- ^{liii} Committee of Public Accounts, *Tax avoidance: the role of large accountancy firms*, Forty-fourth Report of Session 2012–13, Report, together with formal minutes, oral and written evidence, House of Commons, 26 April 2013
- ^{liv} *The Guardian*, 'Dave Hartnett: one sweetheart deal too many', Editorial, 28 May 2013; <http://www.guardian.co.uk/commentisfree/2013/may/28/dave-hartnett-one-sweetheart-deal-too-many#ixzz2UgtDtiHX>
- ^{lv} Rob Evans and Polly Curtis, 'Tax boss most wined and dined mandarin – study', *The Guardian*, 17 June 2010
- ^{lvi} *Economia*, 'HMRC and Big Four secondments', 15 March: <http://economia.icaew.com/business/march2013/the-big-four-secondments#sthash.vh24UZMP.dpuf>

-
- ^{lvii} *Economia*, 'HMRC and Big Four secondments', 15 March: <http://economia.icaew.com/business/march2013/the-big-four-secondments#sthash.vh24UZMP.dpuf>
- ^{lviii} *The Guardian*, 'Project Oscar, mobile payments and the end of "voucher stigma"', 15 October 2012; <http://www.guardian.co.uk/media-network/media-network-blog/2012/oct/15/project-oscar-mobile-payments>
- ^{lix} Wendy Rendall, *Freedom of Information Act 2000: Secondments to HM Treasury*, 5 April 2013
- ^{lx} FOI Team, *Email to Andy Rowell*, 8 April 2013
- ^{lxi} BIS, *Email to Andy Rowell*, 4 April 2013
- ^{lxii} Janet Barker, *Email to Andy Rowell*, 2 April 2013; Cabinet Office, *Government Shared Services: A Strategic Vision - July 2011*; https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/61166/government-shared-services-july2011.pdf
- ^{lxiii} Bev Davis, *Email to Andy Rowell*, 5 April 2013
- ^{lxiv} Jonathan Young, *Email to Andy Rowell*, 5 April 2013
- ^{lxv} Jackie Keating, *Email to Andy Rowell*, 1 May 2013
- ^{lxvi} Jim Pickard & Kiran Stacey, 'Parties Profit from Donations in Kind', *The Financial Times*, 29 May 2013, p3; Electoral Commission, website, <http://www.electoralcommission.org.uk/party-finance/PEF-online-registers>
- ^{lxvii} House of Commons, Register of All-Party Groups, 7 June 2013; <http://www.publications.parliament.uk/pa/cm/cmallparty/register/register.pdf>
- ^{lxviii} Patrick Wintour and Nicholas Watt, 'David Cameron: "G8 summit is a chance to recover national self-confidence" - Exclusive: reforming creaking tax system and Syria will be prime minister's big targets for meeting in Northern Ireland', *The Guardian*, 14 June 2013; <http://www.guardian.co.uk/politics/2013/jun/14/david-cameron-interview-g8-summit-tax>
- ^{lxix} Paul Collier, 'In pursuit of the \$21 trillion', *Prospect Magazine*, 27 March 2013; <http://www.prospectmagazine.co.uk/magazine/tax-avoidance-paul-collier-david-cameron-g8/#.Ub3dzKwyCSo>; Richard Murphy, 'Corporate opacity is not inadvertent: PWC, KPMG, Ernst & Young and Deloitte should hang their heads in shame', Tax Research UK, 8 April 2013; <http://www.taxresearch.org.uk/Blog/2013/04/08/corporate-opacity-is-not-inadvertent-pwc-kpmg-ernst-young-and-deloitte-should-hang-their-heads-in-shame/#sthash.husi5ZPb.dpuf>