



21 January 2019

ATTENTION: The Secretary

CMA

Subject: Submission on the audit and advisory market dominance of the “Big Four”.

Dear Sir/Madam

[]. Since it came to my attention that the CMA is undertaking this magnificent study to establish the deleterious consequences of market dominance by the so-called big four audit companies (EY, Deloitte, KPMG and PWC) I have been keen on making a humble submission to the authority []. Members will be alive to the fact that these companies do not only dominate the British market but have a stranglehold on the global auditing and advisory landscape. Accordingly; it is deemed prudent that any proposed solution to this economic nightmare should transcend geo-political boundaries. My humble submission to the Authority makes recommendations on desirable measures that will mitigate and ultimately reverse market dominance of the big four companies in South Africa, SADC and finally across the globe. In order to effectively deal with dominance, it is proposed that the Authority should consider the following policy options: separation of audit and advisory mandates, exclusion of the big four from state owned entities, capping of the number of private companies audited by the big four, capping of the number of OECD companies contracted to the big four and establishment of an economic justice fund for victims of market dominance. It is desirable to briefly highlight how each scenario may be implemented in practice.

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- **Separation of audit and advisory mandates:** It is common knowledge that most big four companies audit, advise and consult to their clients. In the recent KPMG scandal that has shaken the South African audit and advisory terrain, the South African regulatory authorities have omitted to impress upon these companies to separate the audit and other mandates. []. A separation of mandates would open more doors for emerging players to enter the advisory economic space which has been the exclusive domain of the four oligopolies. It would therefore make more business sense if this study would conclude and recommend that both public and private sector clients should separate these mandates and allow more players to enter the market. Ideally; this would be linked to reasonable timeframes within which clients would be expected to satisfy this new moral code of business. Furthermore; it would make more sense if the British authorities were to lead this initiative and make it a recommendation to be adopted by the OECD as a guideline for OECD multinationals in developing countries.
- **Exclusion of the big four from state owned entities:** It is extremely desirable to exclude the big four from the public-sector contracts in order to ensure that non-big four players acquire the necessary traction to compete with the big four at a later stage. This may be a cooling off period of five or ten years depending on the extent of economic exclusion of the indigenous citizens in different countries. Such a step would send a strong signal to the big four that anti-competitive behavior shall attract contingent consequences. In South Africa, the public sector is the biggest procurer of goods and services. This means that South Africa represents a healthy percentage of the global revenues of these companies.
- **Capping of the number of private companies contracted to the big four:**

[]. Such a cap would mitigate and probably eliminate the risk of collusion between the private sector clients and the big four. It would further enhance the prospects of success for emerging companies as companies would be compelled to enlist the services of the non - big four players.



- **Capping the number of OECD multinationals contracted to the big four:** In order to ensure the effectiveness of this exercise, it would be great if the study would consider limiting the number of OECD multinationals in South Africa contracted to the big four. There is no legitimate reason to suspect that this may lead to the lowering of standards or quality because audit standards in South Africa are comparable with OECD standards. In the event of different interpretations, global standards such as the International Public-Sector Accounting Standards (IPSAS) and other similar instruments will always serve as points of reference. The cap will allow emerging consultants in South Africa and the rest of the developing world an opportunity to advise global clients.
- **Establishment of the economic justice fund for victims of market dominance:** The establishment of an **Economic Justice Fund** for victims of market dominance would be of great moral and economic value for victims of this economic maleficence. Such a fund would be funded through fines levied on the oligopolies across the different sectors of the global economy. [].

I am available for a meeting to engage in further discussions on this subject. All relevant documents are available on request.

Warm regards

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