

# #10YearsOn

## THE BAIL OUT BUSINESS

Sol Trumbo Vila



**€218,000,000,000**  
**OF OUR MONEY**  
**HAVE DISAPPEARED**

## AUDIT AND FINANCIAL ADVICE

Audit firms revise banks' financial statements and give opinions about their accuracy. Audit firms also give financial advice to banks, including risk management schemes and the structuring of offshore tax deals.



# The Big Four audit firms



Deloitte.



## Global Players

**872.633** employees in 2016  
**\$ 123.6 billion** in revenue in 2015



## Market dominance

**61%** market share  
in EU's audit market



## Tied with multinationals

**98%** market share of corporations  
listed in the London stock exchange



## More than auditors

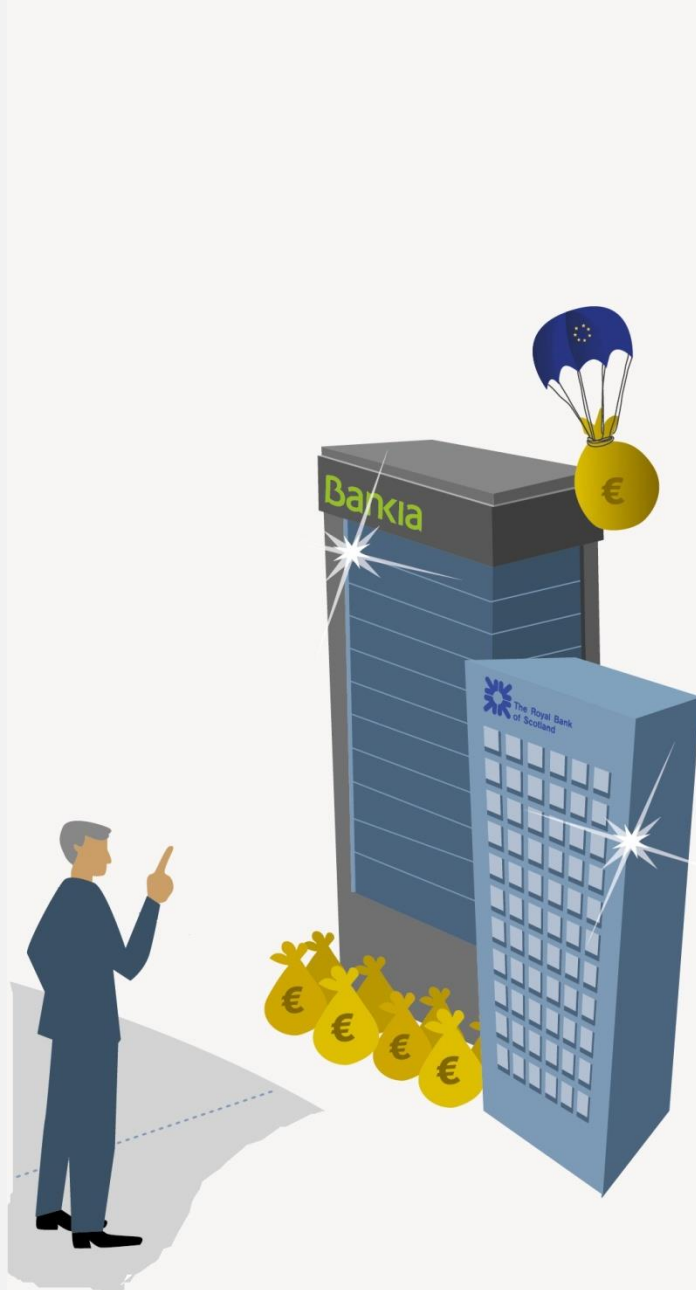
around  
**60%** of their revenue comes from  
Advisory and Tax services

2008

## THE BANKING CRISIS AND THE FLOURISHING OF THE BAIL OUT INDUSTRY 2008-2015

When the banking crisis erupted in the EU (i.e. risk management schemes offered by the Big Four failed), national governments and EU institutions decided to rescue (bail out) the banking sector to avoid the 'collapse' of the economy.





## **BAIL OUT PROGRAMS**

The Big Four were involved in the EU bail out programs, providing technical expertise on how to rescue the banks. They received millions of euro in fees for each case.



# **BIG 4 SCANDALS AND CONFLICTS OF INTEREST**



## NEW REGULATIONS

The EU has created two new rules to prevent the conflicts of interest that took place before the crisis:

1. **Audit and advisory services are separate;** an audit firm can no longer provide audit and financial services to the same client.
2. **A relationship limit of 10 years (extendible to 20 years after an open bid).** Previously, a company could use the same audit firm for decades, which created space for conflicts of interest as a result of the close relationship.





## **THE BIG FOUR RETAIN THEIR DOMINANCE**

With the new regulations, banks are shifting from one Big Four firm to another. The oligopolistic situation has not change. The Big Four firms continue to receive multi-million euro contracts from banks, EU member states and institutions.

# THE BIG FOUR AUDIT FIRMS IN THE EU BAIL OUT BUSINESS

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## BIG FOUR SCANDALS

Conflicts of interest arise when a Big Four firm provides audit and non-audit services to the same client. For instance, Deloitte was hired by the Spanish bank, Bankia, to prepare its financial statements, and to audit them. Bankia reported profits of over €300 million in 2011. Less than a year later the bank was nationalised. So far €16 billion of tax-payers money has been lost in the nationalisation process. Re-examination of the records audited by Deloitte revealed that the bank had actually lost €4.3 billion in 2011. Cases like this illustrate the need for new regulations, as such scandals have had limited legal consequences. Deloitte paid a fine of €12 million for the Bankia case.



**WHAT CAN WE DO?**



# International Citizen **debt** Audit Network

## **DON'T OWE! WON'T PAY!**

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### Experiences of debt audits in Europe since 2011

A video realised by Research for Action, an independent research group that hosted a roundtable about experiences of debt audits in the UK and abroad. Ten years from the financial crisis, cuts and privatisation of public services have become the new normal. Yet public sector funds are often constrained by debt repayments that have...

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# III ENCUENTRO MUNICIPALISTA CONTRA LA DEUDA ILEGÍTIMA Y LOS RECORTES.

¡Inscríbete!

**2, 3 y 4 de Febrero de 2018** - Lugar: **Centro Cultural Federico García Lorca**  
Acto inaugural: **Salón de Actos de Tenencia de Alcaldía**  
**Plaza de la Constitución s/n Rivas Vaciamadrid**

 **RED MUNICIPALISTA**  
**CONTRA LA DEUDA**  
ILEGÍTIMA Y LOS RECORTES

 **RIVAS**  
**VACIAMADRID**

 **PACD**  
PARTIDO ALTERNATIVO  
CONSTITUCIONAL  
DEMOCRÁTICO

**TIME TO ACT**