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Auditors who gloss over financial errors must be held to account

Shareholders have launched a civil litigation case in France over reports that misrepresented the failing tech giant Atos, which holds public-sector contracts

Sophie Vermeille

Civil litigation is the sharp end of enforcement. Only by hitting auditors where it hurts can we hope for better governance, proper oversight and the protection of market integrity.

Investors rely on auditors to certify that a company's accounts tell the truth. Yet the pool of firms they can turn to is shrinking fast: the number of registered statutory audit firms in the UK has fallen by a quarter in five years.

As the market concentrates into the hands of ever fewer firms, conflicts of interest can only deepen. The same shrinking club audits the very companies it depends on for fees. Private enforcement through the courts becomes the only reliable way to deter a "turning a blind eye" approach that can potentially let companies mislead the market.

The Atos shareholders allege that for six consecutive years the auditors certified accounts that did not reflect the true financial position of the company

A claim that is before the Nanterre commercial court in France is a case in point. Some 850 shareholders are suing Deloitte and Grant Thornton, the statutory auditors of Atos, the French IT services group once hailed as a European technology champion. Atos still runs high-value public-sector contracts across the world. In Britain alone, Atos has contracts with Defra, the Home Office, the Ministry of Defence, the Ministry of Justice, HM Revenue & Customs, the NHS and the Metropolitan Police.

When financial reporting errors started to surface in 2021, roughly €1 billion was wiped off the company's value. The shareholders allege that, for six consecutive financial years, the auditors certified accounts that did not reflect the true financial position of the company and failed to sound a going-concern warning, contributing to the dissemination of false and misleading information on which investors relied.

Deloitte and Grant Thornton have denied any wrongdoing and are defending the claim.

Regulators are too slow, and limitation periods do not wait. For shareholders, legal action has become the only mechanism available to recover the losses inflicted on them.

Atos is not an isolated failure. Recent years have produced too many accounting scandals under the watch of household-name auditors. The pattern is unmistakable and the cost of any such negligence falls on ordinary savers whose pensions are managed by an asset-management industry that depends on the numbers being true.

Auditors are paid to be the gatekeepers of that trust. If they wave through accounts that flatter a failing business, they should expect to answer for it — not to a regulator years later, but to the investors who lost money. Only by making that liability real and expensive will catastrophic failures be avoided.

The message to investors is simple: where auditors have failed in their duty, the courts are open — and holding them to account is now not only possible, but necessary.

Sophie Vermeille is a partner at Vermeille & Co Avocats, the firm representing the shareholders in the claim in the Nanterre commercial court