

Big 4 Auditing Firms Fall Afoul of Russia's Security Services

By [The Moscow Times](#)

August 26, 2014

The  Moscow Times

Russia's Federal Security Service is considering disallowing the world's "big four" auditing firms — Deloitte, Ernst & Young, PricewaterhouseCoopers and KPMG — to handle Russian state secrets due to concerns over the way they store data, business daily Vedomosti reported Tuesday.

The big four provide services for numerous Russian state-controlled companies in the aerospace, defense, energy and technology sectors, where their activities often touch upon areas deemed sensitive by the government.

Russian company K-konfident, which provides services for KPMG, has already been stripped of its license for working with state secrets, an unidentified federal official told the paper.

Next the Federal Security Service, a successor agency of the KGB, could revoke the licenses of Deloitte and EY, while simply letting PwC's expire, Vedomosti reported, citing employees

at two of the big four companies, a federal official and an individual close to the FSB, none of whom were identified.

The security service has had issues with the auditors' access to sensitive information and data handling methods for some time, the paper said. To assuage those fears, it wants to force them to move their data servers to Russia and stop their foreign branches and headquarters from accessing them.

Since 2000 at least three unsuccessful attempts have been made force the companies to relocate their servers, a source close to the FSB told Vedomosti.

Obliging the auditors to put their servers in Russia is a tool for exerting pressure on them, as it opens up the possibility of the servers being impounded, a former employee of one of the big four firms told the newspaper. It is also considerably cheaper to store information outside Russia, he said.

KPMG told the paper it has long used servers located in Russia, while EY and PwC said their companies strictly comply with Russian legislation. Deloitte declined to comment on the report when contacted by Vedomosti.

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