



Accountancy forum

Welcome to Reed Smith's accountancy forum newsletter. This newsletter will cover a range of issues affecting accounting firms, with a core focus on liability and regulatory risk. In this edition, we provide an update on the Kingman Report and where we are on damages in audit negligence cases in light of some recent judgements. Please do get in touch with any questions and let us know if there's a particular issue/case that you'd like us to cover in an upcoming edition, we would love to hear from you.

The Kingman Report

The Kingman Report, published in December 2018, made 83 recommendations, relating to the reform and improvement of audit and corporate reporting, including a proposal that the current Financial Reporting Council (FRC) be replaced by a new regulator underpinned by legislation and accountable to parliament, the Audit, Reporting and Governance Authority (ARGA).

On 11 March 2019, the Government published its Consultation Paper. As to the 83 recommendations, while some will only be implemented following the conclusion of the consultation and/or following legislative change, 35 have been implemented already.

Read the full article [here](#).

Case summaries

Assessment of damages in audit negligence cases - the implications of Manchester Building Society v Grant Thornton UK LLP (MBS) and AssetCo PLC v Grant Thornton UK LLP (AssetCo)

The MBS case clarified the SAAMCo distinction between "advice" and "information" cases and makes clear that most cases will be information cases. An advice case is one where it is left to the professional to consider what matters should be taken into account in deciding to enter into the transaction and the professional guides the

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Our Accountants Liability Practice

From litigation and regulatory defence to reputation management, data security and insurance recovery advice, Reed Smith can help protect your interests. Our lawyers act for 3 of the Big 4 accountancy firms, many of the mid-tier firms and the international networks of accountancy and business advisory firms to which they belong.

Key contacts

whole decision making process. In such circumstances (which will only arise in a minority of cases), the professional's responsibility extends to the decision to enter the transaction and he or she is responsible for the foreseeable losses flowing from having entered the transaction. If the professional is not responsible for guiding the whole decision making process, the case will be an "information" case and the professional will be responsible only for the foreseeable consequences of the advice or information being wrong. Cases where "advice" is offered can still be information cases.

Read the full article [here](#).

Industry News

Big Four escape breakup threat

In December 2018, the CMA published its paper outlining serious competition concerns in the audit sector. The paper set out a number of proposals, including the imposition of a "joint regime" whereby audits of the UK's FTSE 350 companies are carried out by a minimum of two firms, at least one of which would be from outside the Big Four.

This was a step away from the more drastic option of breaking up the Big Four, which had been mooted in light of growing scrutiny of the Big Four firms.

The CMA's other proposals include splitting audit and advisory businesses and increased scrutiny of audit appointment and management. The CMA proposals went out for consultation in January, with a further update due later this year.

Link: <https://www.gov.uk/government/news/cma-proposes-reforms-to-improve-competition-in-audit-sector>

FRC publishes draft Plan and Budget for challenging period ahead

On 27 March 2019, the FRC published its draft Plan and Budget for 2019/20, which covers the transition to the new statutory regulator, the Audit Reporting and Governance Authority (ARGA), as well as the implementation of an effective regulatory framework following Brexit.

The FRC has set an initial budget of £38.1 million (up 11% from last year's estimate), but expects that it will require additional resources in the range of £2.4 – 4.9 million, depending on the Government's approach to both ARGA and Brexit.

The budget will be the subject of a consultation until 8 May.

Link: <https://www.frc.org.uk/news/march-2019/frc-publishes-draft-plan-and-budget-2019-20>

Key dates

Applying lessons learned from GDPR to CCPA compliance

10 April | 12:00pm to 1:00pm ET | Webinar



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As the fifth largest economy in the world, California is a marketplace inside and outside of the United States that organizations just can't ignore. Many global corporations that have already adapted to comply with Europe's General Data Protection Regulation (GDPR) will have a head start on many of the changes that will be crucial for effective CCPA compliance. However, the two laws are very different in terms of scope, notice requirements, liability and enforcement risk, and required accountability measures. There is much to learn between now and January 1, 2020.

The latest draft of the PRC Foreign Investment Law – developments and influence

30 May | 1:30pm to 2:30pm CST (China Standard Time) | Webinar

China has published a draft foreign investment law ("2018 Draft FIL") which, if it comes into force, will further encourage foreign investment. If passed into law, the 2018 Draft FIL will replace the Sino-Foreign Equity Joint Venture Law (中外合资企业法), Sino-Foreign Cooperative Joint Venture Law (中外合作企业法) and Foreign Enterprise Law (外资企业法) (the existing main statutes regulating foreign invested entities ("FIEs") in China).

Reed Smith's Asia Corporate team is hosting an event discussing the latest draft of the PRC Foreign Investment Law and its developments and influences. Topics addressed will include key provisions, new developments, and potential influences on multinational companies that invest in China.

Risk allocation in technology transactions

6 June | 12:00pm to 1:00pm ET | Webinar

Please join Reed Smith for a CLE webinar discussing the categories of risk (including commercial, performance, legal compliance, and cyber) for technology contracts. The panel will draw from their experience to provide guidance and practice tips on the assessment and allocation of risk in limitations-of-liability, indemnity and various other contractual provisions, as well as some related considerations regarding insurance requirements.

This discussion will also touch on self-help measures and internal process implications, and include a high-level discussion of specific data and information systems risk implications under the PCI standards, HIPAA, NERC CIP, the CCPA, and the GDPR.

To sign up for these webinars please contact Victoria Archdeacon - varchdeacon@reedsmith.com

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