



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 consider liability issues arising from the standard of care imposed on auditors under the FRC's Audit Enforcement Procedure and the recent CMA market study. Please do get in touch with any questions, and if there's a particular issue or case that you'd like us to cover in an upcoming edition, we would love to hear from you.

CMA market study - mandatory joint audit: an opportunity to revisit limits of liability for statutory audit?

The divergence of opinion between the Big Four accountancy firms on the one hand and the mid-tier (or so called 'challenger') firms on the other, on the merits (or otherwise) of the possible introduction of mandatory joint audit was not unexpected. While opinion as to its likely contribution to driving up audit quality is divided, a common theme (dare I say consensus) emerging from the plethora of responses to the CMA's invitation to comment is the need to reform the law on joint and several liability should joint audit become a reality.

[Read the full article here.](#)

What is the standard of care imposed on auditors under the Audit Enforcement Procedure?

While it is generally acknowledged that the threshold for breach of a 'Relevant Requirement', which renders an auditor or audit firm liable to disciplinary sanction under the Audit Enforcement Procedure (AEP), is lower than that for 'Misconduct' under the Accountancy Scheme, the circumstances in which an auditor or audit firm will be liable to disciplinary sanction under the AEP have not yet been tested by the courts.

A literal reading of the AEP and the Statutory Auditors and Third Country Auditors Regulations 2016 (SATCAR) suggests that any breach of a requirement with which a statutory audit firm must comply, including, inter alia, various specific rules in the Companies Act 2006 and the Audit Regulations, amounts to a breach of a Relevant Requirement.

[Read the full article here.](#)

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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 three of the Big four accountancy firms, many of the mid-tier firms and the international networks of accountancy and business advisory firms to which they belong.

Key contacts

Listed companies: inside information and financial reporting

The UK Financial Conduct Authority has issued the final form of its revised guidance for listed companies on identifying and handling inside information during the preparation of financial reports. The guidance is set out in an updated technical note ([FCA/TN/506.2](#)). Further information on the FCA's approach is set out in [Primary Market Bulletin No. 23](#).

[To read the full article please click here.](#)

GDPR – 12 months in: six questions to navigate GDPR year two

GDPR celebrated its first birthday on 25 May 2019. Since its introduction, privacy and data protection issues continue to dominate public debate and regulators have signalled that large fines for non-compliance are imminent.

With this in mind, we ask six key questions you should think about to successfully navigate GDPR year two:

1. Do you need to launch GDPR programme v2?

GDPR was first published in April 2016. For many companies, there was a somewhat leisurely build-up to its effective date of 25 May 2018. This led to numerous mad dashes to what some companies perceived as a 25 May 'finish line'. Those of us in the privacy and data protection world are all too familiar with organisations that then suffered little 'GDPR fatigue' after 25 May 2018.

[Read the full article here.](#)

One year of GDPR – lessons learned by the ICO

The Information Commissioner's Office (ICO) has published its update reflecting on its GDPR experience over the past year and its upcoming priorities to stay relevant, foster innovation and maintain its position as an "influential regulator on the national and international stage".

Supporting the public, DPOs, SMEs and other organisations

The first year of the GDPR has made individuals aware of the control they have in relation to their personal data and of the powers regulators have in connection with protecting such rights. On the flip side, organisations have been under pressure to ensure their handling of personal data is compliant under the new regime. The ICO has seen an increase in engagement from businesses, data protection officers (DPOs) and individuals. The number of contacts made via the ICO helpline, live chat and written advice services has increased by 66 per cent in the past year.

[Read the full article here.](#)

Related party transactions – new rules for companies traded on the UK's main markets

The UK Financial Conduct Authority has published changes to its rules on related party transactions to bring these into line with amendments



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to the EU Shareholder Rights Directive. Affected companies must publicly announce relevant transactions and, in the case of UK companies, obtain prior independent board approval for them. The main impact will be on companies whose shares or GDRs have a standard listing on the UK Official List and the small number of unlisted UK companies whose shares are traded on a regulated market (such as the London Stock Exchange's main market, but not AIM). For the most part, companies whose shares have a premium listing on the UK Official List will not be affected as the existing related party regime applying to them is more onerous than the new rules. The FCA's new rules come into force for financial years beginning on or after 10 June 2019.

The FCA discusses the changes in its recently released policy statement ([PS19/13](#)). The detail is set out in the [FCA instrument](#) amending the Listing Rules and DTRs.

[Read the full article here.](#)

European Commission issues guidance on the free flow of non-personal data in the EU

The new [Regulation \(EU\) 2018/1807 on a framework for the free flow of non-personal data in the EU](#) (Free Flow of Non-Personal Data Regulation), which we discussed in a previous [blog](#), became applicable from 28 May 2019. Together with the General Data Protection Regulation (EU) 2016/679 (GDPR), the two regulations now provide a “comprehensive framework for a common European data space and free movement of all data within the European Union”. The European Commission has published [practical guidance](#) to help users understand the interaction between these two regulations.

[Read the full article here.](#)

Key dates

Five steps for operationalising the GDPR to apply to CCPA implementation

10 July | 2pm to 3pm EDT | Webinar

With less than six months until the implementation of the California Consumer Privacy Act (CCPA), organizations should begin considering how to extend their compliance effort beyond data mapping and data privacy planning to operationalising the CCPA throughout an entire organisation.

This program will provide an brief update on the status of the new California privacy law and apply five steps for operationalising the GDPR to CCPA implementation, including:

1. Understand your organisation's governance, data and processing
2. Address supply chain and business partners' considerations
3. Prepare for the exercise of data subject rights
4. Document an appropriate information security programs
5. Develop methods for on-going compliance and assessment of accountability.

[To register for this webinar please click here.](#)

Reed Smith ranked 7th among BTI Brand Elite 2019

Reed Smith has been ranked as the seventh best-branded law firm in the 2019 BTI Brand Elite - putting it in the top five percent of law firms serving large, corporate clients. The firm jumped 14 spots from 21st place in 2018.

According to the report accompanying the rankings, Reed Smith has distinguished itself from its competitor firms in its approach to providing leading-edge client service. This is the seventh time the firm has been named among the BTI Brand Elite. Just 28 firms overall were selected for the 2019 list.

[Read the full article here.](#)

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