



## Accountancy Forum

Welcome to Reed Smith's Accountancy Forum newsletter. This newsletter covers a range of issues affecting accounting firms, with a core focus on liability and regulatory risk. Please do get in touch with any questions. If there is a particular issue or case that you would like us to cover in an upcoming edition, we would love to hear from you.

### Restoring trust in audit and corporate governance: consultation on the government's proposals

As we approach the 8 July closure of the Government's consultation on Restoring Trust in Audit and Corporate Governance, we take a closer look at the consultation which sets out the Government's proposals for reform to the UK's audit and corporate governance framework, and which will undoubtedly result in wide-ranging reforms.

Read the full article [here](#).

### Case notes

### SAAMCO relegated – the Supreme Court reformulates the principles for determining the scope of duty of care of the negligent professional

The Supreme Court's decisions in the linked appeals of *Manchester Building Society (MBS) v. Grant Thornton UK LLP* and *Meadows v. Khan* have fundamentally reformulated the applicable principles for determining the scope of the duty of care of the negligent professional. Going forward, the focus will be upon establishing the objective purpose of the professional's advice and the nexus between the subject matter of that duty and the loss claimed by the claimant. The Supreme Court has dispensed with the distinction between 'advice' and 'information'. The SAAMCO counterfactual causation test will remain relevant, but in future, it will serve a subordinate purpose as a useful 'cross-check'. This decision is welcome in that it simplifies principles that were causing inconsistency in approach and which were difficult to apply in an audit context. However, we consider that there is no 'silver bullet', and scope of duty of care remains an inherently complex issue which is likely to remain contentious, in particular in relation to audit claims.

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 3 of the Big 4 accountancy firms, many of the mid-tier firms and the international networks of

## Berkeley Square Holdings v. Lancer Property Asset Management – incremental development vs principled extensions in the ‘without prejudice’ rule

The Court of Appeal has upheld a High Court decision which ruled that the defendants were entitled to rebut the claimants’ allegations of fraud by relying on statements made in a ‘without prejudice’ mediation position paper.

Read the full article [here](#).

### Industry news

## HMRC consultation on raising standards in the tax advice market

On 15 June 2021, HMRC closed its consultation on its proposal regarding raising standards in the tax advice market. This consultation builds on the 2020 consultation on the same, and a similar one, also in 2020, which aimed to tackle promoters of tax avoidance schemes, and runs alongside a further consultation on scheme promoters, which closed on 1 June 2021. For more details, please see the [government’s consultation](#).

Read the full article [here](#).

## The eternal sunshine of the spotless mind? Major changes to witness statement preparation process in English High Court litigation

On 6 April 2021 a major amendment to the English Civil Procedure Rules (CPR) (Practice Direction 57AC) came into effect which will substantially change the process used by litigators to prepare witness evidence for trial. This is likely to have far reaching consequences beyond the witness evidence stage, potentially provoking changes in trial and case preparation more generally. It may also prove influential on evidence preparation in international arbitration.

Read the full article [here](#).

## Audit reform – ISA 240 and beyond

The Financial Reporting Council (FRC) has recently renewed its focus on the reform of auditing and, as part of this, has proposed revisions to ISA 240 in an effort to clarify the responsibility of the external auditor in the context of fraud. There has, however, been much debate as to whether such revisions actually achieve the stated objective of making the auditor’s obligations clearer.

Read the full article [here](#).

## FRC culture conference

The Financial Reporting Council (FRC) hosted an international conference earlier this month (June 2021) entitled “Audit Firm Culture: Challenge. Trust. Transformation” to explore the link between audit firm culture and audit quality, with the objective of

accountancy and business advisory firms to which they belong.

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accelerating the pace of cultural transformation in the audit profession.

Read the full article [here](#).



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## Firm news



### Auditing for success: de-risking the auditing process

The Financial Reporting Council (FRC) has recently renewed its focus on the reform of audit, and in light of this we invited a group of our key clients to join us for a virtual roundtable to discuss their views on a range of related issues, including the proposed revisions to ISA 240.



### Disputes in Perspective: Reed Smith's new podcast series

Reed Smith launched a new podcast channel designed to keep you informed of the latest trends in the world of global commercial disputes. Disputes in Perspective showcases insights and perspectives from Reed Smith lawyers (and their guests) on business and commercial disputes in a variety of industries and sectors.

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