

Accountant's liability risk: 2020 global trends and issues

A number of notable risk trends continue to cause concern in 2020. High-profile scandals receive widespread media attention and focus attention on reputation.

Regulators remain active and are increasingly enforcing sanctions in addition to fines. Sanctions are being applied against firms and partners for periods that raise acute business interruption concerns as well as diminishing reputation and potentially the value of the firms' brands.

Meanwhile, cybersecurity and privacy issues continue to evolve, increasing risks to the firms across many areas including reputation, regulatory oversight and business interruption.

Global events, while beyond the scope of the activities of the firms, are also increasing concerns, reminding risk managers about the perils of pandemics and the uncertain impact of changes in climate.

As the firms build for the future, the continuing digital and technological revolution has led to strategic investments in automation, artificial intelligence and training. The firms have reviewed and renewed their culture and standards of professional conduct in order to protect their brands.

Amid this changing risk landscape, traditional risks such as civil litigation continue to influence the industry.

Highlights

- **Regulatory activity** – sanctions are continuing to impact firms while also increasingly targeting partners and individuals. Regulators are extending geographical reach across borders.
- **Strategic investments** – continued growth in non-audit services, including expansion into legal services, strategic investments in digital services, artificial intelligence and other technologies.
- **Reputational concerns** – regulatory scrutiny over audit increases. Firms review professional conduct and ethics to protect their brands.
- **Cybersecurity** – data breaches across many industries and the possibility of GDPR and other fines related to privacy keep cybersecurity high on risk agendas.
- **Litigation developments** – acceptance and use of class actions and third-party litigation funding remain an ongoing concern.

Key trends and issues addressed in the report:

- High profile matters
- Geopolitical developments
- Reforming the audit report and audit responsibility
- Reputational risk
- Data privacy and cybersecurity
- Human capital risk
- Changing nature of accounting firms
- Advisory services
- Legal services
- Illegality defenses (In Pari Delicto and Ex Turpi Causa)
- Disruptive technologies
- Third party litigation funding
- Class actions
- Corporate tax planning

A focus on regulatory enforcement activity

The profession continues to face regulatory enforcement risk around the world. US and UK regulators maintained high levels of enforcement activity, and 2019 also saw sanctions issued in Bermuda, Canada, Colombia, Hong Kong, India, Japan, Malaysia, Mexico, Oman, Portugal and South Korea, among others.

Regulators maintained their commitment to enforce rules and police the profession, administering several fines against accounting firms. The value of fines imposed by US and UK regulators continued an upward trajectory, with the Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB) issuing fines against audit firms globally. In the UK, when comparing 2019 to the previous year, there was an almost 50% increase in the value of fines imposed by the Financial Reporting Council (FRC).

Regulators are increasingly suspending offending firms or partners from certain types of work or categories of clients as a tool of enforcement; suspensions ranged from 30-day bans to permanent bars.

Accounting firms will continue to face regulatory oversight in 2020. Find out what this could mean for your firm [here](#).

On the horizon

“Reputational and cybersecurity concerns are among the foremost global trends, with regulatory scrutiny on the accounting profession remaining steady.”

Rona E. Davis, Senior Vice President and Executive Director, Aon

As the digital revolution continues, accounting firms are leveraging the promise of artificial intelligence, while being mindful of the risks inherent to data privacy. Talent acquisition and training are being shaped by the needs of tomorrow, while firms also ensure that culture and professional conduct remain consistent with regulatory expectations. Engaging with **industry-specialist advisory and brokerage support** can help firms develop a robust strategy to manage these changing risks.

Contact

If you would like to discuss any of the issues raised in this article, please contact **Rona Davis**.