

# Compliance & Risk

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## Headlines

- European Parliament supports the ‘right to be forgotten’
- Google’s privacy policy targeted by six European data regulators
- Curtain up on EU 4th money-laundering directive

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## Competition Commission attacks ‘Big Four’ accountancy firms

In a recent report, the Competition Commission has criticised the UK’s four biggest accounting firms for being too dominant in the audit market and for failing to consider the needs of their clients’ shareholders consistently.

KPMG, Ernst & Young, PwC and Deloitte have all been taken to task by the regulator in its findings that their market has “significant flaws”, and that there may be a tendency for auditors to focus on satisfying the requirements of management over and above those of the shareholders.

The Big Four firms, who act as auditors for 90% of the largest UK companies listed on the London Stock Exchange, have refuted the suggestions, claiming that the market is sufficiently competitive and that they are clear that their main duties are owed to the shareholders.

The Competition Commission is concerned that the lack of competition in the current market is keeping prices high, and it makes the point that large UK companies rarely change their auditors.

The Commission’s report is a preliminary one, with

the final report anticipated by 20th October 2013. So far, the Commission has found little evidence to substantiate claims of tacit collusion between the Big Four, but the report’s conclusions do coincide with those of the Office of Fair Trading in 2011 when the OFT referred the market to the Competition Commission for further investigation.

The regulator is expected to consider a variety of ways of improving competition in the audit industry, including introducing compulsory tendering for audit

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## FSA to assess cyber security plans of 30 major financial firms

On 11th February 2013, the Financial Secretary to the Treasury, Greg Clark, told the House of Commons that the Financial Services Authority (‘FSA’) has begun an assessment of the cyber security plans of 30 major financial firms with a view to establishing a new government benchmarking scheme for the UK financial services market.

There is concern that the fast pace of change in the

cyber environment may leave businesses, particularly those in the financial sector, at risk.

Given the nature and extent of the information held by banks and other financial institutions, malicious attacks or data breaches can have devastating effect, and not just for those customers whose details are stolen — the ramifications of a breach in cyber security encompass also

substantial costs for compensation and data recovery, as well as the likelihood of serious reputational damage for the entity concerned.

Recent reports, notably that from global information security firm Trustwave, have also highlighted the fact that the cyber environment usually extends beyond the ramparts of each individual

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