

FEE WELCOMES THE PUBLICATION OF A STUDY BY THE EUROPEAN COMMISSION ON AUDITORS' LIABILITY

The European Accountancy profession expresses confidence that the London Economics study will highlight the necessity for each EU Member State to address urgently the problem of auditors' liability

Wednesday 4 October 2006 – BRUSSELS – FEE welcomes the publication by the European Commission of a study on auditors' liability undertaken by London Economics. The study was announced in 2003 in an EC Communication on "Reinforcing the statutory audit in the EU" and was effectively launched after the European Parliament emphasised the need to move forward on the issue, in its opinion on the statutory audit Directive in September 2005.

At the time FEE expressed confidence that the economic study would demonstrate that there is indeed a problem in countries which have not taken appropriate measures to limit auditor liability. Based on an analysis of the audit market and the insurance market for audit services, the London Economics report identifies consequences of the current regime which could raise serious problems for capital markets and the availability of capital generally, if not carefully addressed. It provides:

- empirical evidence that audit quality and the cost of capital would not be impacted by a limitation of auditors' liability and,
- indicates that it should increase choice in the market for larger companies.

The audit profession agrees with the principle that statutory auditors must be appropriately responsible for their statutory audit but to no greater extent than is reasonable. FEE believes that:

- Member States should look at the issue from an internal market perspective
- Even if solutions will need to be implemented in national law, as the study makes clear, the problem extends beyond national boundaries
- Actions to limit auditors' liability throughout the EU is in the public interest

The European Commission is expected to address the report required by the Directive of 17 May 2006 on statutory audit to the European Parliament and the Member States. For legal and other reasons, FEE does not believe that a single solution would be practicable. As mentioned in the study, a range of measures are available and should be considered by Member States in adopting solutions suitable to their national legal environment.

FEE would welcome a recommendation of the European Commission and the European Parliament urging Member States to take action in the public interest.

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Notes for Editors:

1. The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe. FEE's membership consists of 44 professional institutes of accountants from 32 countries. FEE member bodies are present in all 25 member states of the European Union and three member countries of EFTA. FEE member bodies represent more than 500,000 accountants in Europe.
2. More information can be found on the European Commission's website at:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1307&format=HTML&aged=0&language=EN&guiLanguage=en>