

Debating auditors' liability is in the public interest says the European Federation of Accountants

FEE supports the European Commission and the growing number of Member States who are engaging in the debate on auditors' liability

Wednesday 24 January 2007 – BRUSSELS - The Fédération des Experts Comptables Européens (FEE) welcomes the consultation launched on 18 January by the European Commission. President Jacques Potdevin commented: "The Commission should be congratulated for initiating and informing this debate by commissioning the independent study by the Consultancy London Economics last year. The launch of the formal consultation marks an important next step. The accountancy profession agrees with the principle that statutory auditors must be held appropriately responsible for their statutory audit but to no greater extent than is reasonable. Auditors do not seek a favourable regime but to address the problem of so-called catastrophic claims and to place the provision of statutory audit on a sustainable footing, to the benefit of the capital markets and the public interest. In any event, unlimited liability is a false expectation and an unsustainable situation".

FEE believes that:

- Action to limit auditors' liability throughout the EU is in the public interest; it will benefit capital markets' stability, and thus, investors' confidence, and contribute to making progress regarding the concentration on the audit market. It is therefore of particular importance for mid-tier firms.
- Auditors' liability is clearly an Internal Market issue as catastrophic claims can be trans-national in effect and the European market is more integrated: therefore it is important for all Member States to have appropriate limitations in place. It is also for the European Union to engage in dialogue with third countries on this important issue.

- Unlimited liability is not a driver for quality: there is no evidence of lower audit quality in Member States with liability limitations in place.
- Given the different legal systems across Member States, different forms of limitation are in place and are being pursued: this is entirely consistent with the Internal Market goal which in this sphere should aim at achieving appropriate responsibility on the part of statutory auditors in a manner which reflects the specificities of national legal systems.

President Jacques Potdevin said: "The Commission raises the right questions and the different solutions should now be further investigated. In the US as well as in the EU, an ever growing number of authoritative voices are calling for reform of auditors' liability. Europe has been influential in raising the issue – it should not miss out on implementing it."

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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.