

# **Auditor's Liability: European Forum on Auditor's Liability**

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- **A healthy and sustainable audit profession is crucial to the operation of the capital markets across the EU and even around the world.**
- **The 8<sup>th</sup> Company Law Directive introduces a good and consistent framework for a structural and regulatory harmonisation of the profession within the EU**
- **FEE welcomed that the European Parliament, the European Commission and the Member states have agreed that the case for a liability reform for auditors within the EU should be reviewed after the publication of the directive.**

- **The Report is a well presented authoritative analysis of the current situation.**
- **The Report reflects input from a broad range of stakeholders including insurance companies, the business community and institutional investors, as well as the profession and the large and middle-tier audit firms.**

- **London Economics gives a comprehensive view of the structure of the audit profession.**
- **The results show that the big four and the middle tier networks are extremely important for a sustainable EU assurance market.**
- **The analyses proves that the profession is highly exposed to litigation and liability risks.**

- **This current situation has led to critical situations where the availability of commercial insurance at economically viable prices has all but disappeared.**
- **Actions to reform auditors liability throughout the EU is in the public interest.**
- **For legal and other reasons FEE does not believe that a single solution would be practical.**

- **Unlimited liability is not a driver of audit quality.**
- **There is no evidence that those countries with unlimited auditor liability achieve higher quality audits as a result of this environment or that those countries which allow liability limitation for auditors suffer from lower quality audits or higher numbers of business failures.**
- **Unlimited liability encourages defensive auditing.**

- **FEE would welcome a consultation process so that the public will be able to discuss the current point of views and the possible issues highlighted by the Commission Paper.**
- **A well balanced reform would create a fair and sustainable environment for the essential work that auditors perform.**

- **FEE expresses confidence that the LE study will highlight the necessity for each EU Member State to address urgently the problem of auditors liability.**
- **FEE hopes that there will be a possibility that the forum will continue its work during or after the consultation process in order to find a good solution for a healthy and sustainable European audit profession which works in the public interest.**