

Case Study on the Reform of Auditors' Liability: Belgium

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PREVIOUS SITUATION

- **Previous legal provision: unlimited liability**
 - ↳ **Difficulties to subscribe to an insurance**
 - ↳ **Amount covered by insurance (group policy):
1,8 million € (maximum coverage for a reasonable premium)**

- **Deontological rule relating to the mandatory subscription of an insurance policy**

DISCUSSIONS

- **Discussions between the Government, the High Council for the Economic Professions (oversight body) and insurance companies**
- **Expectation gap : stakeholders thought that the profession was covered for unlimited amounts**

- **Three possibilities discussed :**
 - a) **50 times the audit fees**
 - b) **a cap depending on the size of the company**
 - c) **a fixed cap**

- **Proposal of the insurance companies acting in Belgium :
fixed cap (10 million eur.)**

- **Cap for legal assignments**
 - 3 million € (non listed company)
 - 12 million € (listed company)

- **All the Belgian auditors are covered (for a reasonable premium) for these amounts**

- **Contractual services rendered by auditors: free negotiation of a limited liability**

CONCLUSION

- **Increased competition between insurance companies**
- **All auditors covered for 3 / 12 million €(non listed / listed companies) (instead of 1.8 million €in the past)**
- **Increased protection of stakeholders and removal of the expectation gap**
- **Improved viability of audit firms**