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For the attention of Hazel O'Sullivan

30 November 2011

Dear Sirs

Consultation on amendments to the APB Ethical Standards for Auditors

We appreciate the opportunity to comment on the APB's "Consultation on amendments to the APB Ethical Standards for Auditors" issued on 7 November 2011. We make the following comments in respect of the two proposed amendments:

Amendment to the transitional period for tax services provided on a contingency fee basis

We welcome the proposal to extend the transitional arrangements for contingent fee based engagements relating to tax services entered into before 31 December 2010 to a period more commensurate with the likely resolution of issues through the court process.

This additional three year period whereby existing engagements will be permitted to continue as originally contractually agreed by both parties goes some way to mitigate the potentially retroactive nature of the new rules and reduces the potential disruption to our clients in having to re-negotiate contracts.

Litigation in the legal system, both within the UK and at the EU level, can take years to be resolved at the highest level and is outside our clients' control. We anticipate that the majority of cases currently going through the courts should be settled by 31 December 2014, and this date is therefore a sensible choice for the extension of the transitional arrangements.

In respect of the disclosure of the contingent fee element, it is entirely within keeping with the current focus on greater transparency for the audit client to disclose the level of contingent based fees paid to their auditor for non-audit services and we support the disclosure position set out in the consultation.

Revised Appendix to ES1: Illustrative template for communicating information on audit and non-audit services provided to the group ('the Appendix')

We welcome the proposal to amend the Appendix to align the communication of information in respect of audit and non-audit service remuneration with the categories required to be disclosed under the recently amended regulations on auditor remuneration, *Disclosure of Auditor Remuneration and Liability Limitation Agreements (Amendment) Regulations 2011*.

We broadly agree with the proposed amendments to the Appendix. In particular, we support inclusion of footnote 3 to the template which reinforces the intention set out by the Department for Business Innovation & Skills in its Explanatory Text accompanying publication of the 2011 Regulations that any services meeting the Ethical Standards' definition of "audit-related services" can be described as "audit-related assurance services" for the purposes of reporting remuneration information.

We welcome the inclusion in the template of a "Total audit" sub-total and the use of bold type to demonstrate the disclosure requirements under UK company legislation. We have the following minor drafting comments:

- It may be helpful to draw a box around each of the sub-totals and corresponding figures to demonstrate to users the composition of each sub-total, particularly since the last three items are not sub-totalled.
- It may be helpful if the "Total audit" and "Total non-audit" sub-totals were underlined to highlight them as totals.

If you wish to discuss any of the points raised above, please contact Lynn Percy on 0207 694 8075 or Mandy Haslinger on 0151 473 5221.

Yours faithfully



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