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**Kirsty Cooper**  
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2 February 2010

Dear Ms O'Sullivan

**Auditing Practices Board Ethical Standards: Consultation on Audit Firms Providing Non-Audit Services to Listed Companies that they audit**

I write on behalf of the Audit Committee and Management of Aviva plc, in response to the Auditing Practices Board's (APB) consultation on audit firms providing non-audit services to listed companies that they audit. Aviva welcomes the opportunity to respond to the APB's consultation and our responses to the specific questions and proposals set out in the consultation are set out below.

- i. a) **Do you think that the provision of non-audit services by accounting firms to their audit clients currently impacts confidence in the independence of auditors?**

We do not believe that the provision of non-audit services by accounting firms to their audit clients currently impacts on confidence in the independence of auditors. We are of the view that only when the proportion of non-audit to audit services is excessive, could this become an issue. There may however be a perception amongst third parties that this is an issue and perception can become reality. We support the present policy specifying which services are allowable and the Combined Code principle that the Audit Committee should explain to shareholders how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded.

- b) **Are you aware of any instances where the provision of non-audit services by accounting firms to their audit clients has or may have adversely affected**

**audit quality?**

We are not directly aware of any instances where the provision of non-audit services by accounting firms to their audit clients has, or may have, adversely affected audit quality although this may have been a factor in some of the financial scandals in recent years.

- ii.* **If you do consider that the provision of non-audit services had adversely affected audit quality or currently impacts confidence in the independence of auditors please identify which non-audit services are of concern.**

As outlined in the answer to question one above, we do not believe that the provision of non-audit services by accounting firms to their audit clients currently impacts on confidence in the independence of the auditors. However, we are aware that non-audit services provided in the area of taxation may be of concern.

- iii.* **In light of your answers to questions one and two, do you think that there needs to be a change in the approach taken by APB to the setting of standards relating to the provision of non-audit services by auditors to the entities that they audit?**

We do not believe that there needs to be any change in the approach taken by the APB to the setting of standards relating to the provision of non-audit services. Boards of listed companies should be able to use their discretion within the existing framework. A prohibition of non-audit services would be uneconomic and would significantly limit choice and could have a detrimental impact on listed companies. Having said that all non-audit services should be pre-approved by the Audit Committee up to a certain limit and above that on a case by case basis.

- iv.* **If you think that there should be a change in the current arrangements, would you advocate:**

- **Complete or more extensive prohibitions on the provision of non-audit services by accounting firms to their audit clients within the Ethical Standards for Auditors;**
- **The imposition of other requirements through the Ethical Standards for Auditors (and if so which);**
- **More active corporate governance – e.g. so that non-audit service engagements were required to be preapproved by the company's board of directors or audit committee;**
- **Better (and more extensive) disclosure in financial statements.**

We do not propose that there should be a material change in the current arrangements. However, we do propose that there should be more active corporate governance by independent directors on material non-audit services. There should also be stricter controls enforced by audit firms over all partners within a firm to ensure that all partners are aligned with the firm's position and that transgressions are dealt with appropriately.

- v.* **In setting the standards relating to audit independence, do you believe regard should be had to the perceived benefits that are derived by companies from the**

**provision of non-audit services by their auditors?**

In setting the standards relating to audit independence, we believe that regard should be had to the perceived benefits that are derived by companies from the provision of non-audit services by their auditors. Leverage and the knowledge of the audit firm for example can only be advantageous to the company. Further examples would include preparation for a listing in another jurisdiction; advice on the application of new accounting standards and certain aspects of integration of an acquisition, especially across border acquisitions.

*vi.* **Are there any other views that you would like the APB to take into account?**

We would propose that any further guidance on this issue should be kept as simple as possible. We would also propose that the overseas offices of audit firms must understand that their primary responsibility is to the company's Head Office and Group Audit Committee and that their responsibility to the local subsidiary is secondary.

If you have any queries at all regarding these answers please do not hesitate to contact me.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Kirsty Cooper', with a stylized, cursive script.

Kirsty Cooper