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29 January 2010

Re: Consultation on audit firms providing non-audit services to listed companies that they audit

Dear Hazell,

On behalf of British Sky Broadcasting plc (Sky), I welcome the opportunity to respond to this consultation document.

Sky is a UK listed (FTSE 100) and US registered (SEC) company and our auditors are Deloitte LLP.

In general Sky favours the current, principles-based approach to the provision of non-audit services by our auditors and we would not advocate more extensive prohibitions in this area.

The ability to employ our auditors for non-audit work, approved within the principles-based framework, generates both efficiency and quality benefits for Sky without compromising the independence of our auditors.

Sky has an active audit committee that regularly reviews the provision of non-audit services by our auditors and ensures adherence to our policy, which is based on the existing framework. Any proposed assignments that contravene our policy are not approved.

Sky therefore does not believe that investor confidence in the audit of Sky could, or would, be improved by the imposition of further restrictions on audit firms with regard to the provision of non-audit services.

Our responses to the specific questions contained in the consultation document are enclosed.

A handwritten signature in black ink, appearing to read 'Andrew Griffith', is written in a cursive style.

Andrew Griffith
Chief Financial Officer



1. (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?

Our experience at Sky is that investor confidence is not adversely affected.

Sky has an actively involved audit committee that meets a minimum of five times a year and whose responsibilities include approving all non-audit services provided by Deloitte. The role of the audit committee, including this specific responsibility, is disclosed in our UK Annual Report and US filing on Form 20-F.

(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 aware of any such instances. In contrast, our experience is that the provision of certain non-audit services by our auditors will generally improve the quality of the audit due principally to the increased knowledge of the senior audit team.

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

N/a

3. In the light of your answers to questions 1 and 2, do you think that there needs to be a change in the approach taken by the APB to the setting of standards relating to the provision of non-audit services by auditors to entities that they audit?

We do not believe that there needs to be any significant change in the approach taken by the APB in this area and that the current governance framework is largely effective and fit for purpose, save for our response to question 4, below.

4. 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 pre-approved by the company’s board of directors or audit committee;**
- **Better (and more extensive) disclosure in the financial statements.**

We do not advocate the imposition of more extensive prohibitions on the provision of non-audit services or the imposition of other requirements through the Ethical Standards for Auditors. We believe the requirements in the case of the latter are already sufficient.

As mentioned in response to question 1 above, Sky already employs an active corporate governance framework including, but not limited to, the approval by Sky’s audit committee of non-audit service engagements for our external auditors. We would, however, welcome more explicit guidance within the Combined Code to ensure consistency in the level of rigour employed by all companies.

Additionally, we would advocate better disclosure in the financial statements with emphasis on greater clarity and consistency around the categorisation of fees for certain non-audit services that arise directly from an audit or are required to be provided by the auditor, for example reporting on Sarbanes Oxley.

5. In setting the standards relating to auditor 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? If your answer is yes, please provide specific examples of these benefits and indicate the magnitude of any costs savings that arise.

We do believe there are benefits to Sky from the provision of non-audit services to our auditors and that these benefits should be taken account of when setting relevant standards.

Whilst it is very difficult to quantify the financial impact of these benefits we are firmly of the view that benefits arise, principally in two ways:

- Firstly, the expanded and retained knowledge of senior members of our audit team, through exposure to non-audit engagements, allows for a more efficient audit process with less time required to reach the necessary level of understanding of our business coupled with more effective use of time during the course of the audit.
- Secondly, we benefit in terms of both cost efficiency and quality of service from having a wide choice of firms available to us to perform non-audit services.



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

When deciding which professional services firm should perform non-audit services for Sky, we will always look to the best option available to us for the task. Over time we have built up a level of trust in, and expectation of service quality from, our auditors and this is an important consideration in the decision making process.

The professional judgement of both parties is therefore, we believe, an important factor to be maintained and employed when assigning non-audit work.