

**From:** Chris Bunker [cjjdbunker@aol.com]

**Sent:** 12 January 2010 10:54

**To:** Hazel O'Sullivan

**Cc:** cjjdbunker@aol.com

**Subject:** APB Consultation: The provision of non audit services to audit clients

Dear Hazel,

In response to the APB consultation on the provision of non audit services to audit clients, I write from my experience as current Audit Committee Chairman of two public companies (Travis Perkins plc and D S Smith plc) and as a former Audit Committee Chair or CFO of a number of other listed companies. My comments on the consultation, referring to your question numbers, are set out below:

a) It does appear that there is a public misperception, probably dating back to Enron/WorldCom and/or to a general misunderstanding of the limitations of the audit process, that non-audit services impact auditor independence. However, I do not believe that there is substantial recent evidence to support this perception.

b) I am not aware of any such instances and , furthermore, do not consider that the ratio of non-audit to audit fees in any particular company represents a good proxy for audit quality and independence.

2. In my view, audit quality and independence is a complex influenced by many factors including; client size, relationships, ethical standards, regulation and corporate governance etc. I do not consider that the provision of non-audit services alone has, in the recent past, adversely affected audit quality or independence. However, I do believe that the improvements in recent years regarding ethical standards, transparency and auditor regulation, as well as in corporate governance, have had a significant beneficial impact.

3. I would favour improved reporting transparency, including the clarification of "audit/non-audit" definitions to include subsidiaries and other legal/regulatory requirements. However, I consider it to be very important that companies and audit committees be permitted to retain flexibility to engage their auditors for certain important non-audit tasks (such as M&A/Capital related activity, corporate investigations etc) where knowledge of the company or confidentiality are of prime importance. There are also significant quality and cost considerations at stake here.

4. a) I do not consider that additional prohibitions of non-audit services would be beneficial and that company boards should retain flexibility in this area.

b) Auditor ethical standards should be the subject of regular review and rigorous policing of compliance by regulators.

c) Companies should be required to disclose their policies with regard to non-audit service engagements, including the related approval processes.

d) Additional disclosures would probably be helpful to public understanding (see 3 above).

Other disclosures that might improve confidence include; the percentage that total fees received from the company (or Group) represent as a proportion of the auditor's total income [at a relevant level], which I would consider a better proxy for independence, and it may also be helpful to clarify disclosures on audit partner rotation and the size and regulatory status of the firm undertaking the audit.

5. See 3 above.

With kind regards,  
Christopher Bunker

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