

Our Ref: NDJ/as

29 January, 2010

Hazel O'Sullivan
Project Director
The Auditing Practices Board
5th Floor
Aldwych House
71-91 Aldwych
London
WC2B 4HN

Dear Ms O'Sullivan,

APB Ethical Standards: Consultation on audit firms providing non-audit services to listed companies that they audit

We refer to your above consultation of 6 October, 2009 on which you have invited comments. As requested therein, we set out below our company's response.

You ask whether the provision of non-audit services by accounting firms to their audit clients currently has an impact on confidence in the independence of auditors. Our view is that it does not, but that there is clearly a perception that it does, as exemplified by the report of the Treasury Select Committee. Whilst in some ways, this report might be considered to be a knee-jerk reaction to the banking crisis, it does illustrate the extent to which the nature of how non-audit services are now provided is misunderstood.

One way to counter this would be to improve the disclosure categories in the annual report and accounts which do not make it that clear that audit-related services, such as the review of the half-yearly financial report, are in essence audit work; similarly corporation tax compliance. It would be helpful if these disclosure rules as regards the distinction between audit and non-audit work were improved.

We believe that the advances in corporate governance that have been made in recent years in the UK since the Enron crisis, which you identify in your paper, mean that there is no need to impose further restrictions on the ability of auditors to provide non-audit services to their clients. Whilst not wishing to sound complacent, it is clear that the UK leads the world in its ethical auditing standards and we strongly favour sound corporate governance over further regulation – in this instance the danger of over-regulation.

Daily Mail and General Trust plc
Northcliffe House, 2 Derry Street,
London W8 5TT

In the case of our company, DMGT has had an audit committee in place since the 1980s. In 2003, it adopted a policy on non-audit fees in response to the Smith Guidance to the Combined Code which is set out in our 2009 Annual Report. In essence, the external auditors may be engaged to perform audit-related work, accountancy advice and corporate tax services. Non-audit services in other areas are to be put out to tender where the amounts in question are significant. The DMGT Audit Committee also set a limit of £100,000 above which all projects require its approval.

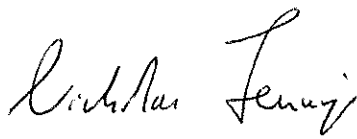
As an example, the Committee will, at its forthcoming meeting, consider whether to permit the appointment of the Company's auditor, Deloitte to carry out a "SAS70 audit" on behalf of one of our US subsidiaries, as required under the terms of a contract with the Federal Reserve Bank of New York. This SAS70 report provides the FRBNY assurance that the company's systems and processes are sufficient to ensure that new issuance and monitoring activities provided are well controlled. It describes control activities pertaining to the TALF processes and confirms that the controls have been adhered to over the period. Without wishing to anticipate the Committee's decision, management regard Deloitte as offering the best solution and the best value for money. As a subsidiary of a UK listed company, such work might be caught by any restrictions, imposed on non-audit work.

We have so far quoted examples of audit-related work. There are instances, however, where it makes business sense to use the incumbent auditors for non-audit related work. In 2009, DMGT reported "other services" of £1.5 million. This mainly comprised work in our local media division which was further restructured in the year. Deloitte were awarded this work because of their knowledge of the business, having been involved in reorganisation of that business over the last few years. Management had to react very rapidly to the unprecedented collapse of this division's classified advertising revenue during the financial crisis. It would not have been helpful if its response had been hampered by the regulators. Incidentally, when this explanation was given recently to one of the voting proxy agencies, it was sufficient to change their recommendation to one in favour of the resolution authorising the Directors to determine the Auditors' remuneration at the AGM.

Each year, our Audit Committee reviews the level of non-audit fees payable to Deloitte in order to monitor its independence and, to put them in context, those payable to the other three large accountancy firms. This exercise has shown that the proportion of work undertaken by Deloitte is well down on that before the policy was introduced. Work is increasingly being undertaken by other firms. The type of work undertaken by Deloitte includes audit related work, required by regulation, and also circulation audits, required by the ABC advertising bureau.

In conclusion, there is a distinction to be made between audit-related and non-audit related services. As regards the latter, DMGT has robust processes in place, augmented in line with developments in corporate governance in the UK over recent years. Where a decision is taken to use our incumbent auditors, it is taken on the basis of value for money in the best interests of the Company and of its shareholders. We believe that the current APB principles-based approach is working well and do not recommend a material change in your guidelines.

Yours sincerely,



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N D Jennings
Company Secretary