

4 January 2010

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Dear Hazel

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

The Audit Quality Forum convened a debate on 24 November 2009 at Chartered Accountants' Hall to discuss the APB Consultation on non audit services supplied by the auditor.

Over a hundred delegates attended the event, representing audit practice, investors, business, government and their advisers. The latest research (enclosed) was presented from the Centre for Business Performance on The impact of changes to the non-audit services regime on finance directors, audit committee chairs, and audit partners of UK listed companies.

To assist the APB with its consultation the key themes raised during the debate are summarised below:

- Clarity is needed on where the audit finishes and non-audit services start, and there should be greater transparency on the nature of the non-audit services provided by auditors and the audit committee processes for monitoring this.
- The existing APB Ethical Standards on the provision of non-audit services have considerably strengthened auditor independence already and resulted in fewer non-audit services being provided.
- Audit committees believe their ability to decide whether auditors should be permitted to provide other services is important and their role in monitoring auditor independence needs special emphasis.
- Whilst the consultation paper focuses on listed entities, the position of SMEs requires careful consideration as SMEs often find it costly to use another supplier for the provision of non-audit services.
- There is a perception that the provision of non-audit services affects investor confidence in the independence of auditors, although the extent of the perception is unclear. However, there is a concern that decisions by companies on non-audit services might be unduly influenced by this perception to the detriment of their business.
- There is a growing momentum for standards on the provision of non-audit services for auditors to be set on an international basis and any UK proposals need to be considered in the light of this.

Please contact Henry Irving on 0207 920 8450 or at henry.irving@icaew.com if you would like to discuss this response.

Yours sincerely



Gerry Murphy
Audit Quality Forum Chairman