

Ms Hazel O'Sullivan
Project Director
Auditing Practices Board
5th Floor, Aldwych House
71-91 Aldwych
London WC 2B 4HN
United Kingdom

29th January 2010

Dear Ms O'Sullivan

Chartered Accountants Ireland ('the Institute') is pleased to respond to the Auditing Practices Board ('APB') consultation on 'Audit Firms Providing Non-Audit Services to Listed Companies that they Audit ('the Consultation Paper').

The Institute is supportive of the continuation of a principles based approach as the most appropriate framework under which standards regarding auditor independence, including those relating to this issue are developed. We also believe that such standards should be developed on a global basis. Any departure from this approach reduces international competitiveness for Irish and UK companies and potentially increases costs faced by listed entities. We would also have a concern that any action in this area by the UK/Ireland alone could disadvantage audit firms compared to auditors based elsewhere in Europe and third country auditors.

The Consultation Paper usefully summarises the various measures that have been established in the 'post-Enron' era aimed at improving audit quality, safeguarding auditor independence, and establishing new governance measures for companies and, in particular, audit committees. Such measures have included the establishment of independent auditor oversight structures in Ireland and the UK and independent monitoring of auditors of public interest entities. We believe that these initiatives have contributed significantly to the maintenance of high quality and robust audits of listed entities and we are not aware of any systemic threats to auditor independence, including

situations where non-audit services are provided, that have been identified or highlighted in recent reports from these oversight bodies.

Such measures have contributed, we believe, to companies and audit committees being much more aware of auditor independence issues and the level of non-audit services provided by auditors. The evidence provided in paragraph 5.4 of the Consultation Paper supports this contention.

The provision of non-audit services continues to have a significant and positive influence on audit quality. Indeed, as paragraph 3.3 of the Consultation Paper sets out, many companies themselves acknowledge the positive impact of being able to avail of non-audit services provided by their auditors. In particular, the deeper knowledge of a client's business and general affairs obtained enhances the competency of audit firm staff and ultimately, therefore, the quality of the audit itself.

Of course, there does exist, in some circles, a perception that fees generated from non-audit work may impact auditor independence although there is no reliable evidence to support this. We do not believe, however, that such an opinion is held widely throughout the investor community.

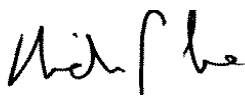
This perception should, we would argue, be addressed by improved and robust measures around the role and remit of audit committees in respect of non-audit services, enhanced disclosures by companies on the provision of non-audit services by their auditors. In an Irish context, the imminent transposition of the Statutory Audit Directive will require much more engagement by audit committees around the issue of non-audit services in particular and auditor independence issues in general.

In addition, further consideration is needed as to how to raise awareness of the challenging nature of the relationship between the auditor and directors and management of the entity. In the medium term, this might include enhancements to reporting by audit committees on the nature of their interaction with auditors and, subject to appropriate safeguards, similar reporting by the auditor.

There is a long list of reasons why audit firms continue to conduct their work to the highest standards. Reputation risk, strong governance, independent regulation and oversight and the requirement to apply high quality international auditing standards are key drivers in ensuring that audit quality is maintained. The provision of other services by auditors contributes to this.

Our responses to the detailed questions in the Consultation Paper are set out in Appendix 1. Should you have any queries with regard to this letter, please do not hesitate to contact me.

Yours sincerely



Aidan Lambe

Appendix

In respect of listed companies

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?

No. We do not believe that this is a widely held view among investors or those charged with governance. However we do accept that there may be a perception that this could be the case among a small minority.

We are not aware in an Irish context that confidence is damaged in this respect among investor bodies.

(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. Recent annual reports of Ireland's independent oversight body, IAASA, have not identified this issue as a concern. Nor has the issue been highlighted by the Chartered Accountants' Regulatory Board.

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 APB to the setting of standards relating to the provision of non-audit services by auditors to entities that they audit?

We believe the current approach of APB is appropriate in this regard. We support the APB's approach of conforming Irish and UK requirements with those of the European Union and the IFAC code. The threats and safeguards model has proven to be an appropriate approach which

has been tried and tested in ensuring the preservation of auditor independence. To extend prohibitions is unnecessary and would be contrary to the interests of companies and shareholders.

4 If you think that there should be a change in the current arrangements, would you advocate etc:

While we do not believe there is a need for change in the current arrangements, action is needed to address the perceptions that may exist. In this regard, the appropriate course of action is in further and improved disclosures by companies in their financial statements and enhancements to the role of audit committees in assessing the level of non-audit services.

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?

Yes. Further, we believe that such benefits are ‘real’ rather than perceived and do contribute positively to enhancing audit quality.

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

Recent implementation of the requirements of the EU Statutory Audit Directive in the UK (also imminent in Ireland) should be allowed time to become embedded in listed entities before any further requirements in this area should be considered.