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26 January 2010

Hazel O'Sullivan  
Project Director  
The Auditing Practices Board Limited  
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London, WC2B 4HN

Dear Ms O'Sullivan

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

We welcome the opportunity to participate in the above consultation. Whilst the detailed aspects of Ethical Standards for Auditors requires specialist input, having a sound ethical framework is relevant to corporates particularly if perceived conflicts undermine investor confidence in the external audit opinion provided in respect of reported results. As recognised in the consultation paper, it is important to consider perceived threats in a rational manner and we endorse the APB's current principles based approach. Against this background we believe that a blanket ban is inappropriate, poses a number of practical difficulties and could preclude business procuring services in a cost effective manner.

Before responding to the specific questions in the consultation paper it is appropriate to make some general observations:

- As outlined in the paper there is already a comprehensive set of ethical guidelines promulgated by the APB and we are not aware of any obvious omissions. Indeed reference was made to the guidelines when setting our internal corporate policy.
- In paragraph 2.3 there is a useful categorisation of services potentially provided by auditors and (a) and (b) logically fall within the domain of the auditors but are strictly "non audit" services. Category (c) covers a wide range of potential services, however, it is too simplistic to prohibit all non audit services and there is a balance to be struck. There are many instances where auditors can assist their clients in an effective manner due to their prior knowledge of the business without creating a conflict with their audit responsibilities. The use of auditors for certain non audit services is often cost effective, adds value and eliminates set up time which can be critical when deadlines are necessarily tight.

Whilst the provision of non audit services increases overall fee income to the auditor, the ethical guidelines provide protections in the event of potential conflicts. In reality an auditor's professional reputation is much more valuable than any incremental

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engagement income and therefore it is in the interests of audit firms to effectively manage potential conflicts.

From a corporate perspective we believe that, in the interests of transparency, incremental non audit fees should be disclosed and here it is recognised that some further guidance may be appropriate as part of wider disclosures of Audit Committee activities.

Dealing with the specific questions posed in the consultation paper.

1. (a) In the context of our own organisation we do not believe that the provision of non audit services adversely impacts the quality of the external audit. Whilst clearly there are commentators who take a rigid position, it is important not to over react to a vocal minority. To respond to the perceived risk, we have a clear procedure for pre-approving non audit assignments and we seek to disclose the nature of non audit engagements in the annual report.

(b) No, however, there are instances where fuller disclosures might be appropriate.

2. In a corporate environment management should ensure that there is rigorous review process to pre-approve services and ensure that possible conflicts or adverse impacts in audit quality are considered as part of the selection of an appropriate service provider.

3. Not aware of any specific reasons to change the underlying principles.

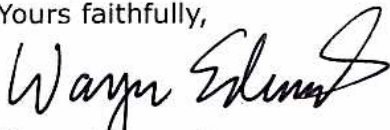
4. Responding to the four options:

- We do not consider that circumstances justify a blanket ban on auditors providing additional services.
- We are not aware of any significant omissions in the existing ethical guidelines and we continue to support a principles based approach.
- Our own internal procedures require pre-approval of services.
- Improved disclosures may be appropriate as part of a wider disclosure of Audit Committee activities.

5. In certain cases we believe that the output is improved and would estimate that cost savings of 5-10% are easily achieved.

6. No matters to add to APB's deliberations.

Yours faithfully,



Wayne Edmunds

**Chief Financial Officer**