

From: John Coombe [john.coombe@hrgworldwide.com]
Sent: 16 December 2009 16:26
To: Hazel O'Sullivan
Subject: Non Audit Services Consultation Paper

Dear Ms O'Sullivan,

Please find below my comments on the FRC's Non Audit Services Consultation paper.

My background:

I am a member of the ICAEW and was Chief Financial Officer of GlaxoSmithKline plc for 13 years to 2005. Currently I chair Hogg Robinson Group plc and am a non executive director of HSBC Holdings plc and Home Retail Group plc. My relevant experience on all these boards relates to the "Big 4" audit firms and my answers are based on this experience. As an opening comment I think it is important to note that there is a difference between confidence in independence and actual independence. The first is a question of perception and the second a matter of fact. I prefer to focus more on the facts rather than the perceptions.

Answers to questions 1-6 on pages 25 and 26 of the paper:

1(a). My confidence in the independence of auditors is not impacted by their ability to provide non-audit services to audit clients. I base this on my experience of the "Big 4" firms and the application of the rules and regulations governing what type of work is acceptable. Finance directors and audit committees with whom I am involved pay due attention to what is acceptable and invariably use competitive bidding processes to ensure appropriate fees are paid for non audit work. Competitive bidding gives assurance on pricing and to some extent monetises prior knowledge, to the advantage of the client. There will be occasions when embedded knowledge of the client puts the auditor in a strong position to be chosen on grounds of price and speed of completion, reflecting a shorter learning curve than an outsider has to contemplate. Here the client gains twice – more rapid completion and best price.

1(b). My personal experiences do not include instances where the provision of non-audit services has adversely affected audit quality. On the contrary, I have experience of advice on takeovers and mergers and taxation where the intimate knowledge of the audit firm has provided great benefit to the non-audit work and the quality of the audit has continued to be of the highest quality.

2. NA

3. I think the present rules applying to the provision of non-audit services are "fit for purpose" and achieve a good balance between efficiency and independence.

4. I do not support change, the present system works well and I certainly do not support complete prohibition.

5. Clearly I do believe regard should be had to the real benefits, (they are not just perceived), derived from the provision of non-audit services by auditors. I refer above to merger and acquisition work and taxation advice where pre existing knowledge is very helpful in providing fast advice, (possibly critical in competitive situations), and well priced advice, enabling the company and its shareholders to benefit. The other obvious, in my view, area where benefit arises is in the provision of services which aid compliance with legislation. These are usually more akin to audit work anyway.

6. I do not have any other views to be taken into account.

Yours sincerely,
John Coombe.

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