

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

28 January 2010

Dear Madam

APB Consultation: Provision of non-audit services by auditors

In response to your invitation to respond to the specific questions raised in the above consultation, I set out our comments below:

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?

There is no reason why this should be the case other than through erroneous perception resulting from ignorance of the steps taken by audit committees and the rigorous safeguards applied by at least the major firms to ensure audit quality and independence. The existing requirements are well understood and, in our view, well managed by boards of directors and audit committees.

3 In the light of your answer to question 1, do you think that there needs to be a change in the approach taken by the APB to the setting of standards relating to the provision of non-audit services by auditors to the entities that they audit?

The current arrangements appear to operate well and would seem to be sufficient. Audit committees, boards of directors and shareholders are generally best placed to determine the firms best suited to provide services in addition to the audit. It is likely that to restrict this flexibility, which would limit choice, would result in delays, inefficiencies and increased costs to companies.

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4 Would you advocate better disclosure in financial statements?

Consideration might be given to requiring the auditor to set out, within the audit report, a summary of its processes to ensure objectivity and independence of the audit.

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?

In setting the standards relating to auditor independence, regard should be had for the integrity of boards of directors and audit committees and their right to use their judgement in determining the extent to which non-audit services should be provided by their auditors. The directors are elected by the shareholders and are the people best placed to exercise that judgement.

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

We believe that the directors and audit committees of each company are best placed to determine how work is allocated and to which firm. The internal processes adopted by the major firms are designed and operated to ensure that auditor independence, integrity and objectivity are not compromised. Tightening the rules further and restricting choice and flexibility will not improve on what is already a satisfactory situation and will lead to reduced efficiency. Disclosure of the procedures and processes used to ensure independence would go a long way to address any perceived lack of confidence in auditor independence without compromising efficiency and choice.

Yours faithfully



John G Gemmell
Group Company Secretary