

**From:** Firebrace, Patrick [pfirebrace@beachcroft.com]  
**Sent:** 13 January 2010 12:18  
**To:** Hazel O'Sullivan  
**Cc:** Charles, Chris; Bolster, Pat  
**Subject:** Provision of non audit services to audit clients

Dear Ms. O'Sullivan,

I have been made aware recently of the APB's consultation on audit firms providing non-audit services to listed companies that they audit. It would appear that the issues faced are those of auditor independence and quality as well as a potential loss of non-audit revenues for audit firms.

My understanding is that an extremely rigorous ethical framework is in place for non-audit services provided by one's auditors, that there is independent regulatory inspection of the quality of firms' audit work and that there is increased disclosure within financial statements to aid shareholder consideration. It would seem to me that the Treasury Select Committee is demanding, and the APB agreeing to, over-regulation in an area where there is already sufficient control and regulation.

In addition I would suggest that you are in danger of costing business more money in having to engage more than one firm of professional advisors, one for audit services and another for non-audit. The increased cost would be as a result of having to brief twice, losing consistency, increased management time etc. In addition there is the risk that the non-audit advisors disagree with the audit advisors leading to further work being necessary for example with acquisition accounting or the provision of tax advice on corporate restructuring.

I note that the consultation does not apply to non-listed entities, of which Beachcroft LLP is one, but further note that further consultation on such entities will follow. I am afraid I do not agree that the views of one's auditors will become aligned with those of the company's management. We rely on our auditors being independent and being able to offer advice on that basis. We want advice that is commercial and impartial. Our advisors' knowledge of our business through doing our audit and therefore being somewhat embedded in our business enables them to give that advice.

The consultation paper states that "auditors cannot be relied upon to assess objectively whether a particular non-audit service engagement gives rise to threats to auditor independence and objectivity and apply appropriate safeguards." You will forgive me but I think that is far from accurate. I believe that I can rely on my auditor to assess when independence and objectivity is under threat and do something about it. That is what the ethical framework exists for surely. Each large audit firm will have internal procedures in place to ensure that this independence and objectivity is safeguarded. They will have external regulation to ensure that that is the case, and indeed they work for clients who are also able to assess this. It seems somewhat patronising to suggest that skilled professionals cannot assess independence.

I hope that the APB carefully considers the views both of accountancy firms and their clients when making any decisions in this area as I believe that it has the potential to lead to a poorer service provision in both audit and non-audit, with significant cost implications as well.

Kind regards,

Patrick.

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