



January 22, 2010

Hazel O'Sullivan  
Project Director  
The Auditing Practices Board Limited  
5<sup>th</sup> Floor  
Aldwych House  
71-91 Aldwych  
London WC2B 4HN

Dear Ms. O'Sullivan:

**RE: Comments on Consultation on Audit Firms Providing Non-Audit Services to Listed Companies That They Audit**

We respectfully submit our comments on The Auditing Practices Board's (APB) Consultation Paper entitled, *Consultation on Audit Firms Providing Non-Audit Services to Listed Companies That They Audit*, dated October 6, 2009. We appreciate the opportunity to comment and support the consultation process by which the APB gains additional insight and views of various parties to assist it in setting auditing standards for independent accounting firms. To this end, independence is such a fundamental concept, clarifying and possibly modifying the standards around it is vital to preserving and even enhancing the credibility of and external stakeholder confidence in the independent accounting and auditing profession.

While not an accounting firm, Protiviti plays a noteworthy role related to this matter by providing a rich and broad array of consulting services that are similar to many of the non-audit services provided by the accounting firms. These services include, but are not limited to evaluating, improving and strengthening the business processes and internal controls of public companies, private companies (including those with aspirations for going public) as well as public sector and not-for-profit organizations. Protiviti has many of the same skillsets and expertise as the accounting firms with nearly 3,000 professionals, more than 1,000 clients worldwide, 62 offices in 17 countries and relationships with 40% percent of the US Fortune 1000 and 35% of the Global 500.

We operate in the United Kingdom and serve UK-listed companies and other organizations in a variety of consulting areas that would be considered as non-audit services if provided by an accounting firm to an audit client. We work with hundreds of companies whose auditors are either the Big Four firms, middle-tier firms as well as smaller firms. We have first-hand experience in working with many companies and their boards who have addressed the issues around auditor independence and have chosen to engage or not engage their external auditors to provide non-audit services.

In our view, the provision of non-audit services by accounting firms to their audit clients does clearly impact confidence in auditor independence. While auditors themselves may reasonably conclude they are “independent in fact”, which some have described as “independent in mind,” this insular threshold and viewpoint should not be confused with “independence in appearance” and the evaluation and conclusion of company management, boards and external stakeholders.

In our view, the ultimate vote on independence in appearance should come from those who rely on the audited financial statements to make informed investment and lending decisions as well as other relevant evaluations. While the auditor is in the best position to evaluate their specific independence in fact, the auditor must cede to the audit committee, management and others the responsibility for evaluating independence in appearance. From a practical standpoint, the audit committee is in the best position to apply the judgment of a reasonable uninterested third party. The distinction between independence in fact and independence in appearance bears mention in the APB's standards.

A number of non-audit services – internal audit services, information technology services, valuation services and actuarial valuation services, for example – are cited as being allowable so long as they do not materially affect the financial statements or do not pose a self-review threat. While the auditor can provide oral and written assurances that such non-audit services will not materially affect the financial statements or will not be subject to audit procedures during an audit of the client's financial statements, the ultimate decision of whether to engage the auditor to provide non-audit services must be made by management and the audit committee of the board of directors and in some cases, the full board. They are the ones who must make an informed determination regarding auditor independence. Based on our experience, the point that often gets lost in these considerations is that if any questions surface with respect to the work performed and the conclusions reached, the auditor cannot serve as an advocate for the company.

One of the reasons why Protiviti was formed was to offer the marketplace an alternative in these situations. Our professionals have similar, and in some cases even greater skills and in-depth consulting expertise compared to those in the accounting firms in providing non-audit services and are not encumbered by independence constraints, thus eliminating this issue and potentially improving price and vendor selection competition.

In addition to supporting the APB's study, we also point out the lack of reference to firms like ours being able to provide quality non-audit services on a competitive basis in addition to other accounting firms. For example, with respect to item 3.2(c) of the Board's consultation paper, you could say, “prohibitions on auditors providing audit services to their listed clients could enhance the opportunities for mid-sized accountancy firms *and other firms with similar skillsets and expertise* to provide those services...” We respectfully request that you consider this wording modification in any future communication on this topic.

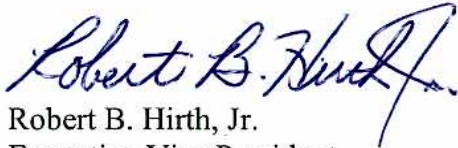
Ms. Hazel O'Sullivan  
January 22, 2010  
Page 3 of 3

Again, the option provided by Protiviti (and other similar firms) further improves price/vendor competition for companies and their shareholders as well as eliminates the risk of independence-related issues, since we never serve as a company's auditor.

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We appreciate the opportunity to submit our comments and feedback. We look forward to the completion of the APB's study. We are available for and would welcome further discussion on this matter. If you have any questions or comments, please contact me at [robert.hirth@protiviti.com](mailto:robert.hirth@protiviti.com) or Andy Clinton of our London office at 20.7024.7570 or [andrew.clinton@protiviti.co.uk](mailto:andrew.clinton@protiviti.co.uk).

Yours very truly,



Robert B. Hirth, Jr.  
Executive Vice President  
Protiviti, Inc.