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

Dear Hazel

I am writing in connection with the APB's consultation paper on audit firms providing non-audit services to listed companies that they audit. I write in my capacity as Group Finance Director of Redrow plc.

In response to the questions posed in the consultation paper:

- 1(a) Whilst the provision of non-audit services by accounting firms to audit clients can, in certain circumstances, impact confidence in the independence of auditors I do not believe it to be a significant factor at the current time given the existing standards framework in operation in the UK.

As your analysis in Appendix 2 identifies, joint provision of audit and non-audit services does affect perceptions of auditor independence but the degree to which it negatively impacts perceptions must be considered against both the controls regime and positive benefits flowing from joint provision.

- 1(b) I have no direct experience of any instances where the provision of non-audit services by accounting firms to their audit client has or may have adversely affected audit quality.
2. I do not consider that the provision of non-audit services has adversely affected quality or currently impacts confidence in the independence of auditors, however, this is because the existing framework correctly identifies those areas of non-audit services which could give rise to concern.
3. I do not believe there needs to be a change in the fundamental approach taken by APB because the existing framework, if followed and applied, provides proportionate protection.

4. Whilst I do not think there needs to be a change in fundamental approach, some of the current arrangements might be 'tweaked' slightly to enhance further the existing framework.

Specifically:

- (a) Consideration should be given to the inclusion of the cultural protection measures (4.18 of the consultation document) in place to preserve audit independence within the communication of audit matters with those charged with governance.
- (b) Publication by listed companies on their corporate websites of their policy on the provision of services by the external auditor to sit alongside the terms of reference of the Audit Committee.
5. In setting the standards relating to auditor independence, regard should be had to the real benefits that are derived by companies from the provision of non-audit services. For example, as part of our recent rights issue we engaged our audit firm to report on our prospectus and to undertake the working capital report. Familiarity with Redrow meant a faster process which in turn saved cost and allowed the Group to tap the markets in line with our timetable. It is difficult to quantify the precise saving in fees for this element of work but estimate it could have been c.£0.1m. More fundamental in this case was the objective to achieve a timetable to raise equity in a favourable market environment. Without using our audit firm such an objective might have been compromised.
6. The issue of competition and choice raised in 5.17 of the consultation paper has not been specifically addressed in your questions but remains an important issue. Whilst I do not believe the current framework for managing the provision of non-audit services has reduced either competition or choice, there are some that argue it could adversely affect both. It would be worth considering the experience of the U.S. and France on this issue to see whether their approach to the provision of non-audit services has materially enhanced competition or choice in the provision of audit services.

I hope the above feedback assists in your consultation process.

Yours sincerely



David Arnold
Group Finance Director