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Dear Mrs O'Sullivan

**Auditing Practices Board Ethical standards: Consultation on audit firms providing non-audit services to listed companies that they audit**

I write on behalf of Scottish and Southern Energy plc in response to the Auditing Practices Board's (APB) consultation on audit firms providing non-audit services to listed companies that they audit.

Our responses to the questions and proposals set out in the consultation are 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?**

We have no evidence that this is the case. We have a clear policy for approval of non-audit services, which our Audit Committee receives reports on.

- (b) Are you aware of any instances where the provision of non-audit services by accounting firms to their audit clients has or may have adversely affected audit quality?**

We are not aware of any such instances.

- 2. If you do consider that the provision of non-audit services has adversely affected audit quality or currently impacts confidence in the independence of auditors please identify which non-audit services are of concern.**

N/A

- 3. In the light of your answers to questions 1 and 2, do you think that there needs to be a change in the approach taken by APB to the setting of standards relating to the provision of non-audit services by auditors to the entities that they audit?**

We do not believe that there should be any change. Indeed, as a listed plc we are subject to comment and review of our non-audit fees level, particularly at the time of our AGM, when we receive copies of voting reports from organisations such as RREV and PIRC.

These voting reports focus on the level of fees when formulating their voting recommendation on resolutions such as approving the reappointment of auditors and fixing their remuneration.

**4. If you think that there should be a change in the current arrangements, would you advocate:**

- **Complete or more extensive prohibitions on the provision of non-audit services by accounting firms to their audit clients within the Ethical Standards for Auditors;**
- **The imposition of other requirements through the Ethical Standards for Auditors (and if so which);**
- **More active corporate governance – e.g. so that non-audit service engagements were required to be pre-approved by the company's board of directors or audit committee;**
- **Better (and more extensive) disclosure in financial statements.**

We believe the corporate governance guidelines will continue to develop the control and reporting requirements in this area.

**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?**

Agreed. There are many occasions when the auditors can perform non audit services more efficiently than other service providers. This can arise due to the familiarity with the Company's business in areas such as due diligence, but where there is no conflict.

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

As mentioned in 3 above, the control of non audit fees is through our internal policy for prior approval of the work, which involves the Chairman of our Audit Committee. It is also influenced by the external review of institutional voting recommendation firms. We also believe that the data in Para 5.4 and 5.8 of the consultation document is evidence of the trend on increasing scrutiny.

Yours sincerely



Gregor Alexander  
Finance Director