

16 February 2005

Public Company Accounting Oversight Board
Attention: Office of the Secretary
1666 K Street, NW
Washington, DC 20006-2803
USA

Dear Sir,

PCAOB Consultation - docket no 017

We understand that you have just consulted on rules regarding the provision of tax services by auditors to senior officers of the audit clients. The effect of the suggested new rules has only just become apparent to us.

Essentially, we understand that the rules will prohibit a firm of auditors from providing personal tax advice to a client's directors and others who exercise influence over the contents of a company's financial statements. However, we understand that there is no *de minimis* exemption and that it is not clear whether this would apply only to quoted companies or only to executive directors or to all directors including the non-executives. If the latter, and if those non-executive directors are on several boards, they may find themselves in a position where they are unable to appoint any of the Big Four accounting / auditing firms. However, it is our understanding that the Sarbanes-Oxley Act did not prohibit the provision of tax advice and we do not think that advice of this type for non-executive directors is likely to prejudice the independence of the auditors.

We do not wish to dispute the principle that audit firms must be independent and be seen to be independent and that there must be a clear dividing line between services provided to the company and services provided to directors. Our main concern, however, is that the effect of such a rule could be that auditors will be constrained in their ability to tender for or seek new audits to those companies, where they already provide tax services to any director. This could narrow the choice of audit firms available to companies, as they would be unable to select any audit firm already providing tax advice to a director. For larger listed companies, the choice of auditors is in reality already restricted to the Big Four and further narrowing of choice would be undesirable and would make SEC registration even more unattractive to foreign issuers.

We would therefore ask that the PCAOB should provide an appropriate exemption or narrower application, such as limitation of any prohibition to a few key executive directors such as the CEO, CFO and Treasurer, or linkage to s309 / 906 certificates and that any rule be limited to quoted companies.

Yours sincerely
John Cridland

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