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Mr Desmond Wright
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Dear Sir

Re: The voluntary code of practice on disclosure of audit profitability

We welcome the opportunity of commenting on the Consultative Committee of Accountancy Bodies (CCAB) voluntary code of practice on disclosure of audit profitability and are grateful to the members of the working paper for their efforts in drafting this code of practice.

In implementing a recommendation of the Market Participants Group to provide greater transparency and comparability of audit profitability, we should not lose sight of the fact that audit firms, like other businesses, must balance operating within a competitive environment with the calls to provide greater transparency.

Within our annual report we already provide financial information for the benefit of interested parties which is broadly consistent with that provided by other large businesses.

However, we believe these proposals are at the limit of what audit firms can produce that satisfies the calls for greater transparency without both incurring disproportionate cost and adversely impacting competitive issues.

We also consider that these proposals should be given sufficient time to 'bed in' before any assessment of their effectiveness is carried out. If it is accepted that the code will apply to reporting periods commencing 1 April 2009 we suggest that a first review should not be performed until 31 March 2013 at the earliest (this would capture at least three annual and transparency reports).

In response to the specific questions raised in the CCAB paper:

Question 1: Do you agree that the proposed scope captures the appropriate firms to report in compliance with the [draft] Code?

We agree with the proposed scope as identified in the draft code.

Question 2: Do you agree with the overall definition of the reportable segment?

We agree with the overall definition.

Question 3: Do you agree that the examples in paragraph 5 of audits to be included in the reportable segment are appropriate? Should any examples be omitted, or are there other examples that should be included?

We agree with the examples identified in paragraph 5 and do not consider that any should be omitted or that other examples should be included.

Question 4: Do you agree that the examples in paragraphs 7 and 8 of directly related services to be included in or excluded from the reportable segment are appropriate? Should any examples be omitted, or are there other examples that should be included?

We agree with the examples identified in paragraphs 7 and 8 and do not consider that any should be omitted or that other examples should be included.

Question 5: Do you agree that this is the appropriate basis for recognising and measuring revenue? If not, why not, and what other basis would you suggest?

We consider that this is an appropriate basis for recognising and measuring revenue.

Question 6: Do you agree that direct costs should not normally be allocated by methods such as applying a gross margin from another business segment?

We believe that the cost allocation basis proposed in the code is both sensible and appropriate.

Question 7: Do you agree that overheads should be allocated to the reportable segment?

We agree that overheads should be allocated to the reportable segment on the basis proposed.

Question 8: Do you agree that the proposed guidance on allocating overheads achieves an appropriate balance between minimising prescription for preparers while achieving comparability between firms?

We consider that the proposed guidance on allocating overheads is sensible and appropriate and achieves the desired balance as identified above.

Question 9: Do you agree that reporting firms should disclose the impact of material non-recurring or 'lumpy' costs, in order to highlight their effect on profitability? Will the current guidance achieve sufficient comparability between firms, or is further guidance needed on the identification and disclosure of such costs?

Priscilla Lane Cooper LLP
We consider that reporting firms should disclose the impact of material non recurring costs to highlight their effect on profitability and that the guidance will achieve comparability. We do not believe that further guidance is required and would suggest that this is an area for review if, and when, the effectiveness of this code is assessed.

Question 10: Do you agree that the basis of accounting for members' or partners' remuneration should be consistent with the firm's legal structure, with disclosure of the basis and the extent of allocation to the reportable segment?

For audit firms subject to the requirements to produce annual transparency reports there is already a regulatory requirement to provide information regarding the basis for the remuneration of partners and it is also a requirement under the LLP SORP. We agree, therefore, with the basis for accounting for members' or partners' remuneration as proposed in the code.

Question 11: Do you agree with the option to disclose in either the Annual Report or the Transparency Report?

We agree that firms should be given flexibility to disclose information under this code in either their annual or transparency report. Of course, as a voluntary code, firms may elect to either not or partially report against the code. This must be a matter for the firm in question.

Question 12: Do you agree with the proposals for the timing of implementation of the [draft] Code?

Recognising that for most firms subject to this voluntary code their financial years commence after June, we consider that the proposed timing is appropriate.

Please contact Peter Wyman if you require any further information. We are content for this response to be published.

Yours faithfully

Priscilla Lane Cooper LLP