



Our Ref: DPT/SLC

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Dear Ms. O'Sullivan,

We are writing in response to the consultation paper produced by the APB on 6 October regarding the provision by audit firms of non-audit services to clients that they audit.

In general we do not believe from our experience that there has been any material adverse impact on confidence in the independence of our auditors or auditors generally from investors. Clearly there is scope for this confidence to erode in the absence of a rigorous system of checks and balances both within the audited company and the audit firm itself.

Among its many responsibilities the Audit Committee is responsible for reviewing annually the appointment of the auditors and satisfying itself that independence continues not to be compromised. A key consideration in this process is an assessment by the Audit Committee of the operational benefits (eg: organisational familiarity and understanding of internal processes) of using the external auditors resource and expertise weighed against any possible compromising of independence; this exercise will also as a matter of course (and notwithstanding operational benefits) ensure that close scrutiny is paid to the quantum of non-audit fees compared with that of audit fees. Where the fee for work exceeds a prescribed threshold on both a project by project basis and on a cumulative basis, management is obliged to refer propositions for non audit work by the auditors to the Audit Committee for prior approval. Only after careful examination of the details of the proposition and an assessment of the clear benefits of engaging the current auditors, as opposed to an alternative approach involving other organisations, will approval be granted.

We have also been satisfied that our auditors have carefully protected their independent status through the application of their own internal procedures with respect to the opportunities to carry out non-audit work.

Provided therefore that companies implement and maintain a robust approach to the authorisation of non-audit work, preferably through the Audit Committee and that this policy is clearly disseminated throughout the organisation, we do not see any significant issues arising out of the engagement of the external auditors for non-audit work.



We do however believe that the opportunity could be taken to strengthen the Combined Code by placing a greater emphasis on Audit Committees being required, as best practice, to implement the type of arrangement outlined above.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D.P. Turner', with a long horizontal flourish extending to the right.

D.P. Turner,  
**Company Secretary.**