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Dear Ms O'Sullivan

Consultation on audit firms providing non audit services to listed companies that they audit

This letter is in response to your consultation document dated 6 October 2009. We have seen the response of the GC100, which we endorse. In view of this, we will restrict our response to a summary of the key points that we believe need to be considered.

In essence the board:

- is supportive of the current regime under which the provision of non-audit services provided by listed companies' auditors is managed and disclosed;
- believes that the existing requirements are well-understood and very well-managed by boards of directors and audit committees;
- considers that the current governance framework is effective and gives companies the flexibility and choice they need;
- has a concern that further restrictions will reduce the choice available to companies, increases their costs and may be detrimental to audit quality (and the auditing profession);
- while not supporting further restrictions, consider that clearer disclosure requirements would be helpful.

In coming to these views, the board took account of the following factors:

- a) In line with most, if not all, listed companies, United Utilities has a policy on the provision of non-audit services by its auditors which specifies categories of activity that are prohibited and those that may be permitted, but ultimately the board and the audit committee (consisting entirely of non-executive directors) retain the ability to exercise judgement over non-audit engagements. The board and the audit committee do not believe that a reduction in the company's flexibility to procure best value services to support the company's business, would assist the board to promote the long term interests of the company.

- b) The company's policy specifies that any material non-audit engagement requires approval by the audit committee before any such engagement is undertaken. Furthermore, the level of non-audit services is regularly monitored in relation to the cost of external audit provision. Information on non-audit services provided by the company's auditors is disclosed by the committee in the company's annual report.
- c) In sourcing external assistance for technical and operation matters the audit committee considers that, by utilising the "know how" of the company within the audit firm, it is able to obtain for the company a benefit in terms of cost, response time and quality of work product. In making these assessments the audit committee discharges this responsibility carefully and balances the benefit that may be obtained from using the audit firm against any risks of lack of independence.
- d) Additional controls or prohibitions in this area would in the board's view remove an element of the company's ability to manage its business affairs for no particular enhancement to the governance processes.
- e) The company has not experienced any difficulty in exercising its judgement over the circumstances in which it would be appropriate to use its auditors for non-audit services without impacting their independence and does not consider, even in the light of recent events in world markets, that this is an area where the corporate governance process would be enhanced by limiting further the services offered by accountancy firms to audit clients.
- f) The company believes that the existing disclosures in this area provide a reasonable level of transparency for shareholders. Nevertheless, the board can see some benefit in there being clearer guidance relating to disclosure of such information in companies' published accounts.

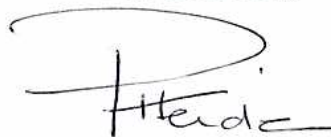
We trust that the above comments are helpful.

Yours sincerely



John McAdam
Chairman

Yours sincerely



Paul Heiden
Chairman of the Audit Committee