

wpg



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

NBN

11 February 1986

Sir Michael

THAMES WATER AUTHORITY AUDIT: ARTHUR ANDERSEN & CO

I feel that I should let you know that, because of special circumstances, I am intending to reappoint Arthur Andersen as auditors for the Thames Water Authority.

In the context of forthcoming privatisation it will be necessary to obtain an accountant's report of the financial position and results of the Water Authority over the last five years. It would be highly awkward to have to appoint new auditors, who would have to do that within their first year of appointment. The advice of the Head of the Government Accountancy Service is that, in these circumstances, it would not be in the public interest to involve another firm at this stage, given that Arthur Andersen have performed well on this particular audit. I shall, of course, impose the condition that no member of the firm who was engaged upon the audit of De Lorean should have any contact with the audit of Thames Water.

I am copying this letter to Tom King, Paul Channon, other colleagues on E(NI), Sir Robert Armstrong and the Head of the Government Accountancy Service.

Tom King

Kenneth Baker

KENNETH BAKER

The Rt Hon Sir Michael Havers QC MP

CCPQ

MM

~~CONFIDENTIAL~~



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434
My ref: B/PSO/11843/86

Your ref:

28 February 1986

NBPQ

In Michael

THAMES WATER AUTHORITY AUDIT: ARTHUR ANDERSEN & CO

Thank you for your letter of 18 ^{attached} February. I agree that the Treasury Solicitor should be consulted about how the reappointment exercise is carried out, and my officials will make the necessary arrangements.

✓ Copies of this letter go to recipients of yours.

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KENNETH BAKER

The Rt Hon Sir Michael Havers QC MP

LOCAL GOVT

Water PZ



CPB



ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

01-936-6020

18 February 1986

The Rt Hon Kenneth Baker QC MP
Secretary of State for the Environment
2 Marsham Street
LONDON S W 1

N. Brown

Dear Kenneth,

THAMES WATER AUTHORITY AUDIT : ARTHUR ANDERSEN & CO

Thank you for your letter of ^{attached} 11 February 1986 indicating your intention to reappoint Arthur Andersen as auditors for the Thames Water Authority.

I accept that there are policy reasons that justify your desire to reappoint Arthur Andersens as auditors and I note your intention to impose the condition that no member of the firm who was engaged upon the audit of De Lorean should have any contact with this audit.

However, as the litigation with Arthur Andersens is still in progress and the Treasury Solicitor has the conduct of this, I think it would be desirable to ensure that he is consulted about how the reappointment exercise is carried out. As I indicated in my letter of 30 April 1985 to Norman Tebbit, particular care has to be exercised in such situations.

Copies of this letter go to Tom King, Paul Channon, on colleagues on E(NI), Sir Robert Armstrong, the Head of the Government Accountancy Service and to the Treasury Solicitor.

*Yours truly,
Michael*

LOCAL GOVT

Water PT3

