Independent Regulatory Board for Auditors
PO Box 8237
Greenstone 1616
JOHANNESBURG
South Africa

Dear Sirs

CONSULTATION PAPER ON MANDATORY AUDIT FIRM ROTATION ISSUED 25 OCTOBER 2016

AngloGold Ashanti Limited (AGA) sets out below its comments to the Independent Regulatory Board for Auditors (IRBA) as it considers the implementation of Mandatory Audit Firm Rotation (MAFR).

AGA, headquartered in Johannesburg, South Africa, is a global gold company with a portfolio of long-life, relatively low-cost assets and differing orebody types in key gold producing regions. The company’s 17 mining operations are located in 9 countries (Argentina, Australia, Brazil, Democratic Republic of Congo, Ghana, Guinea, Mali, South Africa and Tanzania) and are supported by extensive exploration activities in a number of countries around the world. The combined proved and probable ore reserves of the group amounted to 51.7 million ounces as at 31 December, 2015.

Our shares are listed on the Johannesburg Stock Exchange (JSE) under the symbol “ANG” as well as on the New York Stock Exchange (NYSE) under symbol “AU”, the Ghana Stock Exchange and the Australian Securities Exchange. Currently we have a market capitalization in excess of ZAR 65.2bn (USD 4.7bn).

We file our annual report under IFRS with the JSE, which is subject to the proactive monitoring process. We also file our US Form 20-F with the Securities and Exchange Commission (“SEC”) using IFRS which is subject to the SEC comment letter process. The SEC process is designed to review, on at least a three yearly cycle, every US listed company filings with the SEC, not limited to financial statements, as part of the investor protection mandate of the SEC.

As a US listed company AGA is subject to compliance with various sections of the Sarbanes-Oxley Act (“SOX”), primarily related to internal controls over financial reporting (“ICFR”). As a consequence our CEO and CFO are annually required to certify that internal controls over financial reporting are effective and thus by analogy are an acceptable basis from which to prepare annual financial statements.

The external auditors are also required to review and report on the effectiveness of the internal controls over financial reporting for each annual reporting year in terms of SOX.

If, in a subsequent year, the CEO and CFO certifications are shown to be invalid, by the necessity of a restatement of previously issued annual financial statements, then there are financial penalties applicable to the CEO and CFO which the regulations and law require to be pursued by AGA even if the CEO and CFO have left the employ of AGA. Failure by AGA to effectively pursue the recovery of previous remuneration awarded based on the previous financial result prior to restatement can result in the SEC compelling the deregistration of AGA from US Stock Exchanges.
Further, the financial penalties also extend to other employees of AGA at the discretion of the Audit Committee and where such discretion has been applied, then disclosure requirements are required.

All of the processes set out above form an environment that supports investor protection and AGA has been an active participant in forums, in countries where our shares are listed, where the debate on enhancing investor protection has been raised or proposed.

Accordingly, at the outset AGA is not supportive of MAFR as is proposed in the consultation paper as it will not be an effective manner to improve auditor independence and thus enhance investor protection and does not enhance any of the current processes that already exist in the investor protection mandate. Our audit committee already reviews the performance of the auditors on an annual basis and undertakes a rigorous review every three years prior to recommending to the shareholders that the auditors be reappointed as part of their duties. The reporting by the audit committee to shareholders should be enhanced to provide the necessary details to shareholders on the rationale for the continuation of the audit appointment after a set number of years.

AGA fundamentally believes that IRBA does not have the administrative authority to implement rules that materially impact shareholder rights and the fiduciary duty of directors. The rights of shareholders to fundamentally direct the operations of their investment is fully established in Company law, including the rights to appoint directors to act in the best interests of the shareholders to whom they are responsible and the power to appoint auditors to act as the “watchdog” of the same shareholders – an effective process of checks and balances. Thus any amendment to regulations that impact shareholder rights needs to be processed through the mechanisms required to amend the Companies Act.

We believe that effective processes have already been established to provide these checks and balances, including:

- the IRBA Code of Professional Conduct to which all auditors have to comply;
- mandatory rotation of the audit partner;
- the natural rotation of audit firm employees assigned to the audit engagement;
- the responsibility of the audit firm to report material irregularities;
- the requirement by the audit firm to report issues when they are replaced as auditors;
- the review process already implemented by IRBA;
- the prohibition of certain non-audit services by auditors;
- the disclosure of audit tenure in the audit report;
- the common law responsibility to report illegal acts of any nature by auditors; and
- the recent introduction of the long form audit report.

Thus the role of the independent auditor in enhancing investor protection is but one leg of a regulatory regime that already exists and thus we believe that without sound, robust and logically based research to why the current processes are ineffective.

Further, increasing regulation without the concomitant publication of enforcement activities does not create a deterrent but only adds costs to the investor protection mandate. The real effect of regulation is to make it impossible for the “bad apples” to act in a malicious manner and therefore, the publication of results of enforcement by the regulator, assists in this manner as “sunlight is the best disinfectant”.

The IRBA report of 2016 itself provides some shocking statistics on the effect of regulation set out below and extracted from Page 5.

**DISCIPLINARY MATTERS**

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These statistics are further elaborated on pages 47 – 48, where there are no matters on independence issues that were felt necessary to institute disciplinary actions. Therefore, in the absence of any other compelling evidence,
there does not appear to be an issue with auditor independence. From this background we have set out below the answers to your questions set out in the consultation paper. As we do not believe that anything in this letter is libelous, offensive or not based on facts we welcome that our letter will be published by yourselves as we believe a transparent process of all views and all evidence, is the most effective way to achieve robust and supportable laws and regulations.

1. **Explain the practical implementation and implications of MAFR on the listed company.**

As set out above AGA is subject to legislation and regulations in many jurisdictions. The US laws and regulations create difficult obstacles for the implementation of MAFR, whilst not insurmountable will be onerous and expensive.

The US legislation mandates that auditors report on three income statements and two balance sheets in their audit opinion. In the event of a change in auditors, the new incumbents may refer to the previous reporting periods and the responsibility of the previous auditors for these prior period numbers.

The consequence on this is that the previous auditors have to issue a "consent" that they have performed sufficient work since their prior period audit opinion that indicates that nothing has come to their attention that would cause them to change or withdraw their prior opinion; effectively a subsequent events review covering an annual period.

This "consent" is not only required for two subsequent years after the auditors have been replaced but also whenever, in the two subsequent years, that the listed entity participates in any capital market transaction such as a share issue or debt issue.

Further, US legislation requires all interim periods to be reviewed by the external auditor, unlike the Johannesburg Stock Exchange rules which only make a review mandatory in specified circumstances. The consequence of this would be that any change in auditors would have to be approved by shareholders at the annual general meeting in the preceding year as it would not be possible for a new auditor to perform a half year review if they have only been appointed at the current year's annual general meeting.

As a US listed entity, we would need to provide all necessary assistance to the incoming auditor to ensure a smooth transition from the incumbent, in order to reduce the inherent risk of change of auditors having differing views on accounting matters that require the use of judgement, as well as reducing the risk to the company on the internal control opinion required separately under US legislation. We believe that this can only be effectively performed if the incoming auditor performs an "oversight" role during the final year of the incumbent auditor, including participating in all areas where judgement has been applied by the corporate and by attending all audit committee meetings, including the private sessions of the audit committee with the auditors.

The oversight role we envision will, by necessity, have to occur at all of the worldwide operations that the incumbent auditor deems to be in scope and thus will have an effect of all of the costs of a joint audit, without the joint audit opinion for the transition year. This transition period will also impact on management time and thus reduce the amount of time that management has to focus on the operational issues of the business.

If we consider the proposal time necessary to select the new auditor and the transition phase, we estimate that it will take approximately 18 months to transition to a new auditor. This based on the fact that our financial year end is December and we generally hold our annual general meeting in May of each year. The proposal process will have to commence no later than the September of the year preceding the transition year so that most of the management time necessary to support the audit committee in the proposal process does not occur during the year end time pressures, as that will put more risk on the incumbent auditors and management due to the time constraints.

This time frame is further compounded by the multi-jurisdictional nature of our business requiring us to comply with auditor appointment processes that are statutorily laid out in the legislation of each country in which we operate.
2. **Quantify the potential costs of implementing MAFR in the listed company.**

In terms of 2016 pricing, we estimate that the cash outflow costs of transitioning to new auditors will be in excess of ZAR 40m. This is based on the following parameters:

- Incoming auditor's costs during the transition year. As set out above the incoming auditors will have to attend various meetings at all of our in scope geographical locations during the year preceding their appointment, for which we will be liable for their fees and travelling costs.

- The incumbent auditor will be entitled to seek additional fees for the time they spend with the incoming auditor on any issues that are raised during the transition year audit.

- The incumbent auditor will be required to issue "consents" under US legislation for at least two years after they have resigned from the audit. This is effectively an annual subsequent events review on our worldwide operations requiring work to be performed at all of our in scope operations and an understanding of issues raised in the current year that may have retrospective effect.

- The process will require additional time by our audit committee and our board of directors that will not be covered by our shareholder approved remuneration table specifically, but will fall within the additional meetings fee table. We estimate that that will be approximately 5 days for members of our audit committee and an additional day for our board of directors.

- Our cash outflow estimate does not include any allocation for management time or expenses as this will depend on the assistance that the audit committee require. We have discussed this with several of our peers based in Europe and they have advised, that in their cases, the audit committee have required a senior middle management individual, with experience in accounting and auditing matters, to be made available full time to assist the audit committee. They also stated that senior executives should allow a minimum of 100 hours during the proposal process time period to answer question of the proposing firms.

- Post the appointment and during the transition phase, we have been advised that executives that are required to attend meetings with the auditors, should budget on these meetings being approximately 50% longer than current meetings, as both the incoming and the incumbent auditors, will be expressing views and these are not always in alignment given the consequences of the application of judgement.

In the current business environment, whilst many companies are attempting to reduce costs and rationalize businesses, to ensure that they are able to compete on a global market, incurring these additional costs, with no significant benefits being gained, are unjustifiable and result in a destruction of shareholder value.

3. **Should the scope of MAFR be extended beyond listed companies to other entities that operate in the public Interest?**

As AGA is not supportive of MAFR for the reasons set out herein, we do not believe that this draconian proposal should be imposed on listed companies or any other entities.

4. **Please share any other comments you have on the implementation of MAFR.**

As mentioned earlier, we do not believe that it is appropriate for IRBA to continue with implementing MAFR which has significant adverse implications for the affected companies, without ensuring that the proposal to adopt and implement MAFR, has been through a formal, comprehensive and robust consultation process where all stakeholders are allowed to participate and where adequate research is conducted to firstly, confirm if auditor independence is indeed an issue, and secondly, if it is an issue, that MAFR is the best manner to address it or if there might be other more feasible alternatives that might be more effective.

We further have not discussed the MAFR proposals with any of our major shareholders and thus are unable to determine whether they support such proposals. This research needs to be undertaken not just in South Africa, against a domestic shareholder base, but also with the international shareholders of South African listed entities.

Should IRBA deem it necessary to extend the MAFR proposals to non-listed entities, this may further impact inward foreign investment as it would add further costs to operating in South Africa for foreign entities and also make the proposals extra territorial which may have impacts on international trading treaties.
Yours sincerely

KC Ramon
Chief Financial Officer

Rhidwaan Gasant
Audit and Risk Committee Chairman
APPENDIX 1

20 May 2016

Independent Regulatory Board for Auditors
PO Box 8237
Greenstone 1616
JOHANNESBURG
South Africa

Dear Sirs

CONSULTATION PAPER: MEASURES TO STRENGTHEN AUDITOR INDEPENDENCE

AngloGold Ashanti Limited is pleased to provide comments to the Independent Regulatory Board for Auditors (IRBA) as it considers potential alternatives in order to strengthen auditor independence.

AngloGold Ashanti Limited ("AGA"), headquartered in Johannesburg, South Africa, is a global gold company with a portfolio of long-life, relatively low-cost assets and differing orebody types in key gold producing regions. The company's 17 mining operations are located in 9 countries (Argentina, Australia, Brazil, Democratic Republic of Congo, Ghana, Guinea, Mali, South Africa and Tanzania) and are supported by extensive exploration activities in a number of countries around the world. The combined proved and probable ore reserves of the group amounted to 51.7 million ounces as at 31 December, 2015.

Our shares are listed on the Johannesburg Stock Exchange (JSE) under the symbol "ANG" as well as on the New York Stock Exchange (NYSE) under symbol "AU", the Ghana Stock Exchange and the Australian Securities Exchange. Currently we have a market capitalization in excess of ZAR 88bn (USD 5.7bn).

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As a US listed company AGA is subject to compliance with various sections of the Sarbanes-Oxley Act ("SOX"), primarily related to internal controls over financial reporting ("ICFR"). As a consequence our CEO and CFO are annually required to certify that internal controls over financial reporting are effective and thus by analogy are an acceptable basis from which to prepare annual financial statements.

The external auditors are also required to review and report on the effectiveness of the internal controls over financial reporting for each annual reporting year in terms of SOX.

If, in a subsequent year, the CEO and CFO certifications are shown to be invalid, by the necessity of a restatement of previously issued annual financial statements, then there are financial penalties applicable to the CEO and CFO which the regulations and law require to be pursued by AGA even if the CEO and CFO have left the employ of AGA. Failure by AGA to effectively pursue the recovery of previous remuneration awarded based on the previous financial result prior to restatement can result in the SEC compelling the deregistration of AGA from US Stock Exchanges.

AngloGold Ashanti Limited
Reg No: 1944/017354/06

Directors: SM Piyana (Chairman) S Venkataratnam (British/Indian) (Chief Executive Officer) KC Ramon (Chief Financial Officer) R Gazan A Garner (American) DL Hodgson NP January-Bardi MJ Kirkwood (British) M Richter (American/Panamanian) Prof LW Nhluhu RU Ruston (Australian)
Group General Counsel and Company Secretary: ME Sando Perez
Further, the financial penalties also extend to other employees of AGA at the discretion of the Audit Committee and where such discretion has been applied, then disclosure requirements are required.

Thus, in our case, the role of the independent auditor in enhancing investor protection is but one leg of a regulatory regime and thus we believe that enhancing only one leg, concentrating on auditor independence, without the necessary strengthening of other legs does not fulfil a mandate of investor protection effectively.

Further, increasing regulation without the concomitant publication of enforcement activities does not create a deterrent but only adds costs to the investor protection mandate. The real effect of regulation is to make it impossible for the "bad apples" to act in a malicious manner and therefore enforcement publication assists in this manner as "sunlight is the best disinfectant".

From this background we have set out below the answers we believe are relevant as you consider the best approach to improve regulations applicable to auditors in order to increase investor protection.

1. Which of the measure(s) stated above, in your opinion, will achieve the intended objectives of the IRBA?

We do not support the idea that a regulation on the premise that "one size fits all" is the correct approach to realise an objective of investor protection. Both mandatory audit firm rotation (MAFR) and mandatory audit tendering (MAT) have their weaknesses and neither provide a panacea for auditor independence or investor protection.

The consultation paper does not identify whether the intention is to regulate for:
(1) all entities that are audited,
(2) only public interest companies. or
(3) only entities listed on a stock exchange.

The consultation paper does state:

"Objective

Given the importance of responding to the need to strengthen auditor independence, the IRBA Board had a workshop in July 2015 to consider desk top research performed by the IRBA and information informally submitted by certain audit firms. The main reasons why the board must consider further measures are the following:

• It will strengthen auditor independence and so protect the public and investors, which is part of the IRBA’s strategy;

• It will address market concentration of audit services and create a more competitive environment, which will positively influence audit quality; and

• It will promote transformation by creating more opportunities for small and mid-tier audit firms to enter certain markets, provided they are competent to audit in those markets."

Although the above objectives are worthwhile, regulation of audit firms alone will not achieve them in any meaningful manner. South Africa is part of the global market place and as stated earlier AGA is subject to regulation that exists in many countries of the world. SOX specifically requires us to employ an auditor that is registered with the PCAOB and subjects itself to review by the PCAOB inspectors. Further audit regulation requires the auditor we select to be able to undertake work covering the majority of our income statement, balance sheet and cash flows.

These regulations, alone, which are extremely important in ensuring a level of investor protection, automatically limit the number of audit firms that are available to us due to the necessity of a global reach by the selected firm. Coupled with this are certain extra regulations that are applicable to raising capital and debt in US markets that are very dissimilar to the South African requirements but are implemented by the SEC as part of its investor protection mandate and require specific services of independent auditors.
As a multinational company we require services from consultants on projects where we do not possess the necessary skills in-house for the challenges currently faced by gold companies globally. In some cases multinational audit firms are selected and as some of these projects put the consultant into a position of performing work in the role of management of the projects are therefore not permitted to be provided by our incumbent auditors due to current independence rules under IRBA, IAASB, SEC and PCAOB, thereby limiting our selection of potential auditors should we consider MAT or MAFR.

As a result, should our Audit Committee decide, in any one year, that it wished to commence an audit tender process; the audit firm failing the independence requirements is then automatically excluded, further limiting our selection options.

MAT would have the further unintended impact of restricting our selection of consultants in the independence period applicable under IRBA and PCAOB prior to the tendering process thereby causing the potential for harm to AGA due to our inability to select what we thought would be the best service provider for our consulting need.

MAFR would have the same concomitant effect as MAFR is not possible without a tendering process.

Furthermore, independence is perception and a state of mind; it is not thus possible to institute regulations that are capable of enforcing these human characteristics.

Creating a perception that as the audit firm is approaching a MAT or MAFR will result in a better quality audit is incongruous. Audit quality needs to be maintained in all years that the appointment is effective not just in the years approaching a MAT or MAFR on the basis that potential deselection will result in the potential for a hindsight alternative view and thus compel the incumbent auditor to act in a certain way.

As stated earlier the potential for a hindsight alternative view already exists in the application of IFRS interpretations at AngloGold Ashanti due to the JSE proactive monitoring procedures and the SEC comment letter process.

The potential for a hindsight alternative view also exists in the audit procedures and processes selected by the incumbent auditor through the IRBA review process and the PCAOB review process and thus one of the objectives of the consultation paper "It will strengthen auditor independence and so protect the public and investors, which is part of the IRBA's strategy" is already met.

The above conclusion assumes that the JSE, SEC, IRBA and PCAOB processes above are effective. Our analysis of these processes indicates that:

- there is public evidence of JSE proactive monitoring process though the annual JSE report on its proactive monitoring results which enables JSE listed entities to understand the JSE's views on annual financial statements;
- there is public evidence of the SEC comment letter process as these letters are made publically available, with each entity individually named, as well as the Big 4 audit firms preparing an annual summary of SEC comment letters which enable US entities to improve their compliance procedures;
- there is public evidence of the PCAOB process through the publication on the PCAOB website of the annual results of the individual firm inspections, both the South African firm and any other firm in the same global network; however
- it appears to us that the IRBA process is not as transparent as the JSE, SEC and PCAOB processes and improving this transparency would also improve the independence perception as the investor public would see effective enforcement in South Africa of the IRBA regulations as a positive step in asserting an investor protection mandate.

Our audit committee is able to review the JSE report, SEC comment letters and the PCAOB reports on firms associated with the AGA audit as part of the audit committee's assessment of audit quality and effectiveness and in fulfilling its fiduciary duty when it comes to recommending the appointment of independent auditors at the Annual General Meeting. The Audit Committee is not currently able to use any IRBA reports as part of their assessment as we are uncertain as to whether such reports are available to the general public.
With reference to the other objectives for the consultation, we are unable to find empirical evidence that MAT or MAFR will positively influence audit quality. In fact, current evidence seems to indicate that there will be a negative impact on audit quality as there is a greater chance for potential audit error in the initial years of accepting a new engagement which is especially higher in global multinational entities. IRBA is actually in the best situation to assess this by reviewing the audit files of both firms as part of the inspection process when the audit engagement has recently changed in order to assess the impact on audit quality.

Although MAT and MAFR will create a more competitive environment, we do not believe it will, as and of itself, improve audit quality, but it will, as in all competitive environments, reduce the audit fee that the entity will pay for the service. We do not believe that reduced fees will result in a positive influence on audit quality, it may actually impact audit quality as the new incumbent firm performs the appropriate work with limited staff and thus limited ability to identify matters that may need more professional judgement and scepticism.

Although MAT and MAFR will create more opportunities for small and mid-tier firms to enter certain markets, there needs to be active enforcement to restrict any firm, large, mid-tier or small, from entering markets they are not competent to enter. Active public transparency of enforcement will result in the market identifying the audit firm that will not meet the competence level to qualify for inclusion in the MAT or MAFR process and help to remove the myth that all auditors are capable of auditing any entity purely because of a registration and an examination qualification.

In our circumstances we have seen the evidence of the current 5 year partner rotation on independence and skepticism. As the current audit partner is responsible for the consequences of the current audit opinion and the quality of the current audit work performed, reliance on prior audit conclusions is not a given. We find that judgement calls made in a prior reporting year are carried forward to ascertain if the measurement criteria under IFRS for that reporting year is still relevant for the current year and to identify whether a remeasurement in the current year is required. One good example of this is the application of skepticism and judgement in determining impairments as IAS 36 requires impairment reversals if there is an indicator. Without carrying forward the prior period judgement calls it will not be possible for the auditor to assess the need for a reversal if a client has failed to identify the trigger.

We are also aware that a judgement call by an audit firm under one partner, will not necessarily be the same judgement call by a different partner of the same firm even if the facts and circumstances appear identical.

Furthermore, although scepticism and judgement are the domain and responsibility of the audit partner, in reality these are delegated to other members of the audit team. The rotation that exists at audit team members below the audit partner is far greater than every five years and this rotation adds to increased scepticism due to the "new eyes" as current transactions are audited in the current year, again highlighting that prior decision on similar facts will not necessarily result in the same judgement call, even though they will be persuasive.

Auditor independence regulations without the use of professional skepticism and professional judgement will never be operable.

On the assumption that the IRBA Board resolve to go ahead with the implementation of a MAT and MAFR process, notwithstanding the above comments we answer the question below.

2&3. In your opinion, if MAFR/MAT was to be considered in South Africa:
   • After how many years should an audit firm be required to rotate?
   • Which audited entities should MAFR/MAT apply to?
   • What should be the cooling off period of the audit firm?
   • Describe any exemptions which could be granted?
   • What role could MAFR/MAT play in the developing the audit industry in South Africa?

AGA believes that if IRBA continues this process then MAFR and MAT should be considered after fifteen years for a MAT and twenty years for MAFR.
Accordingly, MAT and MAFR should only be adopted for all entities listed on a stock exchange. Auditor rules on threshold requirements necessary to render an opinion will result in the necessary subsidiary auditors also being affected. The cooling off period should also be based on the UK model.

MAFR and MAT could be used to develop the audit industry if it has the benefit of encouraging all audit firms to apply the necessary investments in order to upskill for those areas of the market where they would like to position themselves to add value. Knowing that rotation and thus potential selection can occur will ensure that they are incentivised to develop the skills and market these skills to ensure they are included in the selection process by the entity. By definition, inclusion in MAT will provide the firm the ability to showcase these skills.

We do not support any process where corporate entities are required to provide the necessary training grounds for the development of the audit industry by the application of predetermined allocation of work to specified audit firms, such as all entities must include a small tier firm to subcontract part of the work of the large tier firm. The audit industry is a service provider to corporate entities and regulations where the corporate entity provides any investment to upskill the industry would definitely provide a perception of lack of independence.

4. In your opinion, if joint audits were to be considered in South Africa:
   - How could some continuity be ensured (e.g., through a staggered approach)?
   - How often should sections of the audit be rotated between the joint auditors?
   - For how long should two audit firms be joint auditors of the client?
   - What role could the joint audits play in the developing the audit industry in South Africa?

As joint audits are already a mandatory requirement in the banking industry the lessons learned in this industry could be investigated to ascertain if benefits could be derived from extending the requirements to other market sectors. This research could be undertaken with the audit firms, the audit committees of the banking entities and the Registrar of Banks.

We are aware that although joint audits are a tool that promotes audit quality as all material applications of judgement are peer reviewed, they tend to be inefficient and expensive to the corporate due to the inherent cost in peer reviews. In our experience where a small tier firm participates in subsidiary audits it requires extra work by the incumbent auditor which is compounded if the subsidiary auditor is not PCAOB registered or has not been subject to recent PCAOB reviews. These costs are currently borne, in an undisclosed or recognisable basis but as part of our Corporate philosophy, by AGA as part of providing necessary upskilling and training to non-Big 4 firms.

5. In your opinion, is there any additional measure(s) that the IRBA should consider to obtain the stated objectives above.

Additional measures that IRBA could consider to obtain the stated objectives will depend on which corporate entities will be affected by the decision.

If the proposals are limited to corporate entities listed on a stock exchange, then a change to the stock exchange rules will be necessary to give effect to the IRBA proposals. This could be in the format of a comply or explain commentary required by the audit committee chairman in the annual report and the Notice of Meeting where shareholders are required to confirm the appointment of auditors.

Should the shareholders conclude that in their opinion they do not support the conclusion of the audit committee that a MAFR or MAT is not be deemed necessary by the audit committee, then the shareholders can exercise their powers on the appointment of the auditors and the appointment of members of the audit committee and vote against the recommendations as they feel necessary.

Should the consequence of the proposal be extended to entities other than listed corporate entities, then the public exposure of the proposal will be limited and the stated objectives will not necessarily be identified by the general public.
We also understand that in some countries that have MAT and MAFR in practice for several years the practice of firm migration has developed, wherein the firm appointed to the audit as a result of MAFR headhunts the senior audit team of the previous incumbent as an upskilling process. Although the audit firm has changed the underlying process may not change due to the lack of new employees engaged in the audit, thereby potentially reducing the benefit of improving auditor independence.

We thank you for this opportunity to partake in the debate on strengthening auditor independence which we believe is a worthwhile objective and hope our comments will assist as you continue in the endeavor of improving investor protection through regulation of audit entities.

Should there be any matters above that you require further clarification we will be happy to discuss them with you further at a mutually convenient time.

Yours sincerely

[Signature]

KC Ramon
Chief Financial Officer