

05 July 2016



Public Company Accounting Oversight Board
1666K Street, NW,
Washington DC 20006-2803
United States of America

By email: comments@pcaobus.org

Dear Sirs,

INVITATION TO COMMENT – PCAOB RULEMAKING DOCKET MATTER NO. 042

AngloGold Ashanti Limited is pleased to provide comments to the Public Company Accounting Oversight Board (the "PCAOB or the Board") on its proposed amendments relating to the supervision of other auditors PCAOB Release No 2016-002 (April 12, 2016) (the "Release").

AngloGold Ashanti Limited, 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 December 31, 2015 and currently a market capitalisation in excess of USD 6bn.

AngloGold Ashanti's American depository shares are listed on the New York Stock Exchange under the symbol "AU". As a well-known seasoned issuer and a foreign private issuer, AngloGold Ashanti files annual reports with the Securities and Exchange Commission ("SEC") on Form 20-F and furnishes its home jurisdiction periodic reports with the SEC on Form 6-K.

AngloGold Ashanti fully supports the aim of the proposed amendments relating to the supervision of other auditors as it has the potential to increase transparency in the interactions of the audit committee with the external auditors and thus assist investors in understanding and evaluating the role and performance of the audit committee and the lead auditors.

We have concerns, however, that the proposed amendments will have unintended consequences beyond those described in the Rulemaking Docket, including the potential for impacting the ability of the Audit Committee to perform its supervision role, increasing the costs and risk of leakage of market sensitive information during potential future transactions and by allowing the lead auditor to potentially deflect litigation liability at the cost of investor protection. We also recommend that identification by the lead auditor of matters of non-compliance with auditing standards by the referred-to auditor identified by the lead auditor be a reportable matter to the audit committee.

We believe that the points we raise to the questions you pose in the Rulemaking Docket will add to the necessary debate on this issue. As preparers of financial statements we are as interested as investors in ensuring that high quality audits are the norm for the industry and regard any audit that is not "high quality" as an automatic audit failure.

AngloGold Ashanti Limited

Reg No: 1944/017354/06

Directors: SM Pityana (Chairman) S Venkatakrishnan (British/Indian) (Chief Executive Officer) KC Ramon (Chief Financial Officer) R Gasant A Garner (American) DL Hodgson
NP January-Bardill MJ Kirkwood (British) M Richter (American/Panamanian) Prof LW Nkuhlu RJ Ruston (Australian)
Group General Counsel and Company Secretary: ME Sanz Perez



Notwithstanding the intent of the proposed amendments we need to guard against creating regulations that imply that compliance, in and of itself, guarantees high quality, as slavish adherence to checklists does not achieve high quality in anything, if it results in losing sight of the ultimate objective.

Without doubt, the lead auditor is ultimately responsible for the overall audit opinion and any delegation of this responsibility needs to be strongly discouraged and accordingly auditing standards which enforce this ultimate responsibility must be encouraged. The lead auditor must ensure that the global audit plan, for which he is responsible, is enforced by all participants assigned to work on the engagement and the Corporate entities must provide all the necessary resources to ensure that the lead auditor is unhindered in this objective. This symbiotic relationship will work towards ensuring a high quality audit is the ultimate outcome.

Circumstances where the lead auditor can delegate or otherwise shift responsibility for the high quality audit must be actively discouraged as only one auditor can be responsible for this objective. High quality by consensus responsibility is difficult to regulate, difficult to enforce and difficult to measure and thus processes which permit or otherwise encourage responsibility shifting effectively weaken regulation rather than enhancing.

Accordingly, although we support enhancing the lead auditor role and responsibility we do not support processes, such as referring to other auditors in the audit report. This referral process creates a perception that the "referred-to auditor" is responsible for such work and thus the lead auditor is blameless should an error or failure occur in the work performed by the "referred-to auditor".

"The buck stops here" not "The buck stops, there, there and over there".

Further, it is reasonably possible that an audit failure by the "referred-to auditor" may be incapable of a litigation remedy by the aggrieved shareholders assuming that the "referred-to auditor" has no place of business or any assets in the United States, thereby reducing investor ability to hold someone accountable for the audit failure.

It is our considered opinion that the proposed auditing standard has some very good and useful parts that will have the ability, if implemented thoughtfully, to improve the audit process and lead to a high quality audit. We also believe that the matters raised in the proposed standard are important to investors and will provide them with useful information.

Accordingly, we would recommend that the disclosure consequences of this proposed standard would be better served by including them as a Critical Audit Matter for inclusion as part of the Improving the Auditors Report proposals set out in PCAOB Release No. 2016-003 – PCAOB Rulemaking Docket matter No. 032 (Auditor Reporting Reform").

This process of implementation would provide investors with all of the useful information, would show how the lead auditor dealt with the consequences of reliance on the work of other auditors, without delegating any of the lead auditor responsibility for the overall audit opinion.

We have provided more detailed comments to your questions, where we believe we have a comment, in our appendix attached and are available should you wish to discuss any of our comments with us at a later date.

Yours faithfully

KC Ramon
EVP: Finance & Group Financial Director



1. *Does the description of existing audit practice accurately depict the state of practice? Does the discussion of the reasons to improve auditing standards sufficiently describe the nature of concerns arising from the use of other auditors that the Board should address? Are there additional concerns that the Board should seek to address?*

As we are preparers of annual financial statements we have no comment on the description of existing audit practices.

We believe that should the lead auditor have concerns on the application of PCAOB standards on the work performed by other auditors, the lead auditor should be raising those concerns with those charged with governance of the entity, specifically the Audit Committee.

Part of the duties of the audit committee is to assess the work performed by the lead auditor and if necessary other auditors performing work in relation to the audit opinion. In South Africa, our legislation requires all "public interest companies"¹ to appoint an audit committee. In a group situation, the group audit committee may take on the responsibilities of subsidiary companies.

The audit committee would expect that a lead auditor should be reporting areas of deficiency in auditing standards by other auditors to the audit committee in the required reporting to those charged with governance undertaken by the lead auditor.

We would therefore recommend that where the lead auditor identifies, during the course of his work, non-compliance with auditing standards, which therefore required extending of work, either by the referred-to auditor or the lead auditor, that such identified deficiency is a reportable matter to the audit committee.

2. *Are these proposed amendments to existing standards appropriate? Are additional changes needed to increase the likelihood that the lead auditor is sufficiently involved in the other auditor's work? Should the Board require specific procedures to address business, language, cultural, and other differences between lead auditors and other auditors, and if so, what types of procedures?*

We support standards that increase the responsibility of the lead auditor in assessing the capabilities of those other auditors involved in the audit engagement. We believe that such work by the lead auditor needs to be undertaken early on in the engagement process to ensure that any identified deficiencies are identified and remediated. This would be a similar process that management adopts in identifying and remediating weaknesses identified in a SOX process.

We do not support that the lead auditor should explicitly refer to other auditors in the lead auditor's opinion. We believe that the lead auditor is appointed by the audit committee to perform a role, being to provide an opinion on the financial statements of the entity as a whole. This role is supervised by the audit committee in fulfilling their fiduciary duties.

By permitting the lead auditor to divide responsibility this may result in the audit committee being unable, except by incurring undue costs and time, to fulfill the supervision role they are expected to perform.

Furthermore, the process to be included for all PCAOB audit reports issued on or after 30 June 2017, wherein Form AP will identify:

- The name of the audit partner responsible for issuing the firm's audit report, and
- The name, location and extent of participation of other accounting firms whose participation exceeded 5% of the total audit hours

¹ A public interest company is determined by a formula that considers the following:

- Average number of employees
- Amounts owing to third parties at financial year-end
- Turnover/revenue
- Number of individual/entities with a beneficial interest in the issued securities.



will provide investors with the necessary information for them to assess the involvement of the lead auditor in the formulation of the audit opinion.

3. *Are there any other areas of improvement in existing standards relating to audits that involve other auditors that the board should address? Should the board's standards be amended to address other responsibilities of the lead auditor? Are there related areas of practice for which additional or more specific requirements are needed, such as determining tolerable misstatement for the individual locations or business units under AS 2105?*

We recommend that the PCAOB should consider this whole topic in the light of the proposals on "Auditor Reporting Reform". We believe that the strategy that the lead auditor considers in determining audit role and materiality is directly linked to the work allocated to other auditors and the level of reliance that the lead auditor places on other auditors. Thus we believe that it easily fits the requirements for assessment as a Critical Audit Matter and is appropriately discussed in this context.

You correctly point out that SEC rules require that the other accounting firm's reports be filed with the SEC (Rule 2-05 of Regulation S-X, 17 C.F.R.210.2-05). This does not come at no cost.

The entity filing the other accounting firm opinion with its Annual Report on Form 10-K or Form 20-F is required to obtain a consent letter from the other accounting firm. Prior to the issue of the consent, the other accounting firm is required to undertake various audit procedures not limited to reading the Form 10-K or Form 20-F, and conducting any necessary subsequent events reviews, amongst others.

Further, whenever the Form 10-K or Form 20-F is cross referenced with a Registration Statement, whenever the Issuer draws down on the Registration Statement the other accounting firm may be required to issue a further consent or even be involved in a comfort letter process with underwriters.

All of these extra procedures expand the net of individuals and entities that could be involved in a corporate transaction and unnecessarily increase the risk of potential leakage of market sensitive information, which would not be beneficial to investors.

Based on the above, we would not be supportive of any reference by the lead auditor to other auditors which trips the requirements of Rule 2-05 of Regulation S-X, 17 C.F.R.210.2-05, other than that already required.

We believe that in the event of an anticipated transaction the lead auditor may consider referring to other auditors in order to reduce audit risk which would have nothing to do with the risk for the actual audit opinion, but only the potential risk that may arise from the anticipated transaction.

We also believe that providing the lead auditor with the decision making power of referring to other auditors reduces the effectiveness of the audit committee's oversight responsibilities as the audit committee may have no relationship with the referred-to auditor and thus will receive no communication from the referred-to auditor. The referred-to auditor may also not wish to communicate with the audit committee of the entity directly in order to reduce litigation risk to third parties.

In some circumstances we believe there is a potential outcome, where the lead auditor refers to other auditors in the opinion with the objective of reducing litigation exposure. An example of this would be where the two firms, not part of the same global network, have different judgmental opinions. As US GAAP moves to a principles base similar to IFRS more judgment will be required in determining the applicable accounting treatment for a transaction. We can envisage a situation where one of the firms has a different "global network firm-wide" opinion on the accounting treatments than the other firm. This situation already exists in the global network firms IFRS guidance books. The lead auditor may elect to take the option of referring to the other auditor purely because the global network firm disagrees with the perfectly legitimate accounting interpretation.

This is not a desirable outcome for investor protection as it could create a perception that the referred-to firm is not in compliance with the required accounting literature whereas in reality the event is a different judgmental position.

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4. *The Board requests comment generally on the baseline for evaluating the potential economic impacts of the proposal. Are there additional academic studies or data the Board should consider? The Board is particularly interested in studies or data that could be used to assess potential benefits and costs.*

We have no comment on this matter.

5. *The Board requests comment generally on the analysis of the need for the proposal. The Board is interested in any alternative economic approaches to analyzing the issues presented in this release, including references to relevant data, studies, or academic literature.*

We have no comment on this matter.

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