

From: Roy.Waight@shell.com
Sent: 27 January 2010 11:38
To: Hazel O'Sullivan
Cc: Roy.Waight@shell.com
Subject: Response to the APB's consultation paper on Audit Firms performing non audit work

Dear Sir,

With regard the Consultation Paper issued by the Auditing Practices Board (APB) in October 6th last year relative to the use by listed companies of their external auditors to conduct non-audit work, and in response to the invitation to comment, I should like to summarise my opinion as EVP Controller of Royal Dutch Shell (RDS).

In RDS, we usually avoid using our external auditors to do non-audit work. The Audit Committee strictly applies this policy and we require approval for any non audit work we wish the auditors to conduct. This policy works well. In practice, non audit work constitutes a small portion of the total audit activity level. However, there are occasions when it is reasonable to employ external auditors to do non audit work. For example, there are locations where the local branch of the audit firm is clearly better than any alternative for the conducting of local work involving, for example, tax. There are also occasions when work requires extensive knowledge of the history of a company where the external auditors are a reasonable choice.

For this reason, I believe that a blanket prohibition would be unwise and, very possibly, unworkable. It is appropriate to periodically reassess the regulatory framework, of course, but I see no need to change the current approach at the moment.

Addressing your questions included in section 7 of the consultation document (page 25) I would answer as follows:

1 Do you think that the provision of non-audit services by accounting firms to their audit clients currently impacts confidence in the independence of auditors? No. I have not experienced that concern myself. In my experience, people understand that, as long as non-audit work is not dominant in the work scope of an audit firm, and as long as the Audit Committee subject such work to appropriate scrutiny, it does not in itself undermine their independence

2 Are you aware of any instances where the provision of non-audit services by accounting firms to their audit clients has or may have adversely affected audit quality? No

3 In the light of your answers to questions 1 and 2, do you think that there needs to be a change in the approach taken by APB to the setting of standards relating to the provision of non-audit services by auditors to the entities that they audit? The current approach is fit for purpose and, in my view, has worked adequately. I see no virtue in changing something that works, especially if the alternative is less workable. If there is a widespread concern about current levels of non audit work involvement by audit firms, I would suggest it be best tackled by more extensive disclosure.

4 If you think that there should be a change in the current arrangements, would you advocate:

o Complete or more extensive prohibitions on the provision of non-audit services by accounting firms to their audit clients within the

Ethical Standards for Auditors;

o The imposition of other requirements through the Ethical Standards for Auditors (and if so which);

o More active corporate governance – e.g. so that non-audit service engagements were required to be pre-approved by the company's board of directors or audit committee;

o Better (and more extensive) disclosure in financial statements.

In essence the system works currently. One could consider adopting additional disclosure around the policy adopted for engagement of auditors to do non audit work and possibly make Audit Committee review of the amount spent obligatory.

5 In setting the standards relating to auditor independence, do you believe regard should be had to the perceived benefits that are derived by companies from the provision of non-audit services by their auditors?

Yes. As said in the introduction to this letter, there are occasions when it is reasonable to employ external auditors to do non audit work. There are locations where the local branch of the audit firm is clearly better than any alternative for the conducting of local work involving, for example, tax. There are also occasions when work requires extensive knowledge of the history of a company, where the external auditors are a reasonable choice, and where they bring cost effective support to such as due diligence work.

6 Are there any other views that you would like the APB to take into account? My overall view is expressed in the opening paragraphs of this note.

Regards

R D Waight, EVP Controller

Royal Dutch Shell plc

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