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13 September 2019

CORPORATE OFFICE**GROUP FINANCE AND PERFORMANCE
MANAGEMENT**

20 Carlton House Terrace
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For the attention of: James Ferris

Response to the Invitation to comment on the Exposure Drafts of the revised Ethical Standard and ISAs (UK)

Thank you for providing the opportunity to participate in the consultation on the Exposure Drafts of the revised Ethical Standard and ISAs (UK), dated 15 July 2019.

Having reviewed the matters raised in your document we write to provide you with our comments, which have been reviewed and approved by our Audit Committee Chairman and Chief Financial Officer.

In addition to the overarching comments below we have included specific responses to certain consultation questions in the Appendix.

Ethical standard

We concur with the FRC's proposal to clarify the Ethical standard by defining permitted non-audit services. However, we believe the list of permitted services in the Exposure draft should be clarified and expanded to include various services which might be provided by the auditor but which an objective, reasonable and informed third party would not view as a threat to independence.

We also believe that it is critical that the effective date of the revised standard is reconsidered and delayed in order to give PIEs sufficient time to understand the impact of the revisions and make any necessary changes. Consideration should also be given for those entities which are currently in the process of audit rotation and transition as we believe there are specific concerns that may arise in such situations.

Please do not hesitate to contact me if you have further questions or would like to discuss further.

Yours sincerely,

Ian Lawrence

Head of Financial Reporting

A member of the Anglo American plc group

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Appendix: Response to certain specific consultation questions

Ethical standard	
<p>Question 4: Do you agree with the introduction of a permitted list of services which the auditors of PIE audits can provide?</p>	<p>We concur with the FRC that providing a shorter, defined list of permitted non-audit services may provide more clarity than the current approach of listing prohibited services. However, we believe amendments should be made to the list of permitted services so that it provides a consistent approach based on the nature of the service itself. The proposals currently include categories based on where the information is presented (e.g. in the Annual Report) and whether it is a legal requirement, both of which may not be consistent between companies and jurisdictions.</p> <p>Permitted services should ensure that they explicitly include, but not be limited to, the following:</p> <ul style="list-style-type: none"> • Assurance services provided in relation to information such as sustainability reporting (which may not be included in the Annual Report for all PIEs); and • Services where the audit firm does not provide a tailored output or service for the client. These might include access to standardised online IFRS commentaries or benchmarking data. • Services where regulation in other countries permits but does not require the auditor to perform the service.
<p>Question 7: Do you agree with the proposed removal of the derogation in the 2016 Ethical standard which allowed for the provision of certain non-audit services where these have no direct or inconsequential effect on the financial statements?</p>	<p>We accept that the derogation in the 2016 Ethical standard has necessitated interpretation of the 'no direct or inconsequential effect' criteria and may have led to inconsistency in application. We concur with the FRC that removing the derogation and providing a list of permitted services will provide more clarity in this area. However as noted above, we believe the list of permitted services should be expanded to include certain services which may have been covered by the derogation such as the provision of non-tailored output and services (refer to our response to question 4 above).</p>
ISA (UK) 701	
<p>Question 11: Do you agree with the proposed additional auditor reporting requirements, including the description of significant judgements in respect of Key Audit Matters and increased disclosure around materiality?</p>	<p>We note that auditor reporting disclosures are also a subject of the Brydon review, which includes consideration of switching from a binary audit opinion to a more graduated disclosure.</p> <p>In our view, both "graduated" reporting of conclusions and extended description of judgements taken could</p>

	<p>be very open to interpretation by the reader as well as by the auditor in their choice of wording, and that consequently there is a risk that this could in fact result in less insightful, transparent and comparable reporting.</p> <p>If the proposal is implemented and the ISA updated, there should be a clear framework in place to ensure comparable and consistent reporting between both audit firms as a whole and the individual people signing those reports.</p>
<p>Other</p>	
<p>Question 13: We are proposing changes to the standards to be effective for the audit of periods commencing on or after 15 December 2019. Do you agree this is appropriate, or would you propose another effective date, and if so, why?</p>	<p>Transitional arrangements will be of particular importance for PIEs, such as Anglo American Plc, which are currently transitioning to a new auditor. In particular, the new cooling-in requirements could result in the retrospective ineligibility of the new auditor if there are not appropriate transitional arrangements clearly included in the revised standards.</p> <p>We propose that a later effective date of at least six months after the publication date of the Ethical Standard is required for the proposed amendments. This will give PIEs sufficient time to understand the impact of the new provisions on the various non-audit services provided to their global operations and to complete an orderly transition to minimise business disruption and fully comply with the new requirements.</p>

