

Decisions taken by the Frc to extend the maximum duration of an audit engagement

The Companies Act 2006 provides that, upon a request by a public-interest entity (**'the applicant'**), the maximum engagement period may be extended with the approval of the Competent Authority for up to two years. In a case where a 10-year audit engagement is being extended, the Competent Authority may only grant an extension if the appointment of the auditor for the first complete financial year following the end of that period is made following a selection procedure carried out in accordance with the relevant 'selection requirements'. In any case, the Competent Authority may only approve an extension if it is satisfied that exceptional circumstances exist. In no case can an extension be granted which would result in an overall audit engagement period exceeding 22 years.

Where the FRC decides to extend the maximum duration of an audit engagement, the FRC has committed to publishing those decisions in full, except where that would risk harming the commercial interests of an applicant. In those cases, the decision will be published in abridged form.

During the quarter ending 31 January 2018, the FRC received five further applications.

The FRC made the following decisions in respect of those applications:

1. Scottish Hydro-Electric Power Distribution plc to extend KPMG's appointment by two years.

The FRC granted the application concluding that:

- ***The application demonstrates that measures are in place to carry out a selection and appointment exercise in accordance with the requirements of the Companies Act 2006 at the end of the extended engagement period; and***
- ***The FRC is satisfied that exceptional circumstances exist on the basis that the extent of the new requirements imposed by the Audit Regulation and the consequential amendments to the Act are not such that they are regularly, routinely or normally encountered. We have also taken into consideration the efforts undertaken at group level to re-examine the timetable for selecting a new group auditor with effect from the year ending 31 March 2020.***

2. Standard Life Equity Income Trust plc to extend Grant Thornton's appointment by two years.

The FRC granted the application, but only for one year, as it concluded that was the period necessary to carry out a retender for the provision of audit services in accordance with the Act, concluding that:

- ***The application meets the requirements under s494ZA of the Act; and***
- ***The FRC is, on balance, satisfied that exceptional circumstances exist on the basis of the very recent discovery by management that SLEIT's incumbent auditor would not be eligible to report on the 2017 financial statements under the maximum engagement period as set out in s494ZA of the Act.***

3. Assured Guaranty London plc to extend PWC's appointment by two years.

The FRC granted the application concluding that:

- ***The application demonstrates that measures are in place to carry out a selection and appointment exercise in accordance with the requirements of the Companies Act at the end of the engagement period; and***
- ***The FRC is satisfied that exceptional circumstances exist on the basis of the discovery by management that AGLN had not been included in the 2016 audit tender exercise, and the planned business combination which will transfer AGLN's business to AG Europe, with the aim of completing this by the end of 2018, subject to being granted the necessary regulatory and court approvals.***

4. MPS Risk Solutions to extend Grant Thornton's appointment by one year.

The FRC granted the application concluding that:

- ***The application meets the requirements under s494ZA of the Act; and***
- ***The FRC is, on balance, satisfied that exceptional circumstances exist on the basis of the recent confirmation by MPSRS's incumbent auditor that it would not be eligible to report on the 2017 financial statements under the maximum engagement period as set out in s494ZA of the Act. Without an extension, MPSRS would find itself in breach of legal and regulatory reporting obligations as set out in the Companies Act.***

5. Intu Debenture plc to extend PWC's appointment by two years.

The FRC granted the application concluding that:

- ***The application meets the requirements under s494ZA of the Act; and***
- ***The FRC is, on balance, satisfied that exceptional circumstances exist as a result of the combination of the planned acquisition of the Intu Group by Hammerson PLC, and because Intu Group failed to identify the auditor rotation requirements applicable to Intu Debenture when conducting the tender for the provision of a new group auditor in 2017.***

Financial Reporting Council

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