

## 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 July 2017, the FRC received one further application from Torotrak plc to extend PwC's appointment for a period of one year.

The FRC made the following decision in respect of that application:

***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 in relation to the UK PIE which is the subject of the application; and***
- ***The FRC is satisfied that exceptional circumstances exist principally as a result of the ongoing financial uncertainty that Torotrak plc faces, which is as a result of changes in the market in which Torotrak plc operates – this has had a material impact on the company resulting in questions over its ongoing viability.***

Financial Reporting Council

15 August 2017