

## 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 for an auditor may be extended with the approval of the Competent Authority (the FRC) 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 2019, the FRC received one further application for the extension of an audit engagement.

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

1. Swiss Re Special Insurance (UK) Limited to extend PWC LLP's appointment by two years.

***The FRC was unable to grant the request, which sought retrospective permission for the audit of the 2017 financial statements. This did not meet the requirements set out in s494ZA of the Companies Act, which cannot be applied retrospectively. The appointment of PWC LLP as auditor of the applicant's 2017 financial statements was accordingly in breach of s485C of the Companies Act.***

2. Petropavlovsk PLC to extend Deloitte LLP's appointment for 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 as a result of the need to constitute a new board and new board committees following the vote at the company's AGM in 2018. We also note the importance set out in the application to ensuring that there is appropriate focus by those charged with governance on the 2018 year-end process.***

Financial Reporting Council

15 February 2019