

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 July 2018, the FRC received three further applications for the extension of an audit engagement.

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

1. Healthcare Support (North Staffs) Finance plc to extend Deloitte LLP'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 need to align audit rotation requirements for Healthcare Support (North Staffs) Finance plc, with that of the wider John Laing Infrastructure Fund. These arise from the first-time application of the requirement of the Audit Regulation. Without an extension, Healthcare Support (North Staffs) Finance plc would find itself in breach of legal and regulatory reporting obligations as set out in the Companies Act.***

2. Dudley Summit plc to extend Deloitte LLP's appointment by two years.

The FRC granted a one-year extension, 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 comply with regulatory requirements, and requirements your lending organisations have set which would otherwise be at risk of breach. These arise from the first-time application of the requirement of the Audit Regulation, and a failure on the part of the statutory auditor to advise of its ineligibility for reappointment once the 31 March 2017 financial statement audit had been completed.***

3. Greene King Finance plc to extend EY LLP'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 as a result of the failure of the tender exercise to appoint a new group auditor, following the withdrawal of one of the two shortlisted firms identified through that process on independence grounds (which would make them ineligible for appointment as statutory auditor). The FRC also noted the need to comply with regulatory requirements, and requirements set out in the company's Issuer Borrower Financing Agreement***

Financial Reporting Council

15 August 2018