

## STAFF GUIDANCE NOTE 03/2016

### Period of Engagement

The Audit Regulation requires the auditor's report for a public interest entity (PIE) to disclose the date of appointment of the auditor, and the period of total uninterrupted engagement, including previous renewals and reappointments of the auditor. The FRC has developed illustrative wording to support practitioners in fulfilling this requirement. In developing this wording, the FRC has adopted an approach which is consistent with the treatment of auditor appointments in the FRC Ethical Standard. Auditors may want to provide more extensive disclosure to address these requirements.

**The wording in the illustrative examples complements the illustrative wording included in Appendices 4-7 of the *Bulletin: Compendium of Illustrative Auditor's Reports* (October 2016).**

The date of appointment is deemed to be the earlier of: (i) the formal appointment of the auditor at the annual general meeting of the audited entity; and (ii) the agreement of an engagement letter between the audit firm and the audited entity.

#### **Example 1 – An auditor was appointed at the annual general meeting and is now in its second year of appointment**

*Following the recommendation of the audit committee we were appointed by the Company at its annual general meeting on 20 September 2015 to audit the financial statements of the Company for the period ending 30 June 2016 and subsequent financial periods.*

*Our total uninterrupted period of engagement is 2 years, covering periods from our appointment through to the period ending 30 June 2017.*

#### **Example 2 – An auditor was appointed mid-way through a financial year, to fill a 'casual vacancy', and the audited entity subsequently changed its year-end**

*We were appointed by management on 7 July 2015 to audit the financial statements of the Company for the period ending 31 December 2015 and subsequent financial periods. Our appointment was subsequently ratified at the annual general meeting of the Company.*

*The Company decided to change its financial year end to 31 March, with the period ending 31 March 2017 being a 15 month period of account.*

*Our total uninterrupted period of engagement is 2 years and 3 months, covering periods from our appointment through to the period ending 31 March 2017.*

**Example 3 – An illustrative example of an auditor that has been reappointed following a tender process**

*We were appointed by the Company at its annual general meeting on 15 July 2005 to audit the financial statements of the Company for the period ending 31 March 2006 and subsequent financial periods. Following a competitive tender process, we were reappointed as auditor of the Company for the period ending 31 March 2016 and subsequent financial periods.*

*Our total uninterrupted period of engagement is 12 years, covering periods from our initial appointment through to the period ending 31 March 2017.*