

Accounting Infrastructure Reform Bill

Government Bill

As reported from the Commerce Committee

Commentary

Recommendation

The Commerce Committee has examined the Accounting Infrastructure Reform Bill and recommends that it be passed with the amendments shown.

Introduction

The bill is an omnibus one that seeks to amend the Auditor Regulation Act 2011, the Charities Act 2005, the Financial Reporting Act 2013, and the New Zealand Institute of Chartered Accountants Act 1996. The main purpose of the bill is to allow the accounting and audit industry to be more efficient and effective. The principal amendments proposed in this bill would

- amend the rules as to who may perform statutory audits
- replace references to “chartered accountant” in legislation with “qualified statutory accountant” or “qualified auditor”
- allow audit firms to incorporate
- introduce a requirement for the independent assurance of the financial statements of large and medium-sized charities

- allow the New Zealand Institute of Chartered Accountants (NZICA) to enter into an arrangement with its Australian counterpart to form, in effect, a trans-Tasman institute.

Our commentary discusses the main amendments we recommend to the bill. It does not cover minor or technical amendments. We received a submission from the NZICA which made a number of recommendations which we believe we have adequately addressed.

Professional accounting bodies and audit companies

Changes proposed in the bill would allow audit companies to perform statutory audits. Whilst we support these changes, we recommend an amendment to clause 5 (new section 9(2C) of the Auditor Regulation Act) to make it clear that accredited bodies can investigate and discipline their members who are operating within audit companies.

We recommend an amendment to clause 6 (new section 10(3)) to ensure that provisions of the Auditor Regulation Act related to cancellation or suspension of licences could apply where a director or a partner of an audit firm was held responsible for a Financial Markets Conduct audit.

Definition of “qualified auditor” and “qualified statutory accountant”

The bill as introduced includes a requirement for qualified auditors and statutory accountants to be members of an accredited body. We consider that auditors carrying out statutory audits need to be regulated to protect consumers. Accredited bodies provide a means of self-regulation, and already have established processes for assessing, monitoring, and disciplining members. We recognise, however, that requiring membership in legislation might raise issues relating to the right to freedom of association under the New Zealand Bill of Rights Act 1990.

We recommend an amendment to clause 31 (to insert new section 36M) to exempt from membership of an accredited body an auditor who the body is satisfied is a practising member of a religious society or order “whose doctrines or beliefs preclude membership of any organisation or body other than the religious society or order”. Our amendment would allow such people to be qualified auditors if they had an agreement with an accredited body to comply with its code

of ethics and its rules regarding regulatory matters, and they met the body's requirements for recognition. We understand a comparable provision is included in the Employment Relations Act 2000. New section 36O sets out the requirements for such arrangements.

We also recommend extending the definition of qualified statutory accountant in a similar way (clause 27 and new section 36N in clause 31). This would provide for members of these religious societies or orders to be subject to substantially similar professional requirements as the members of an accredited body. In all cases the body would retain powers to cancel or suspend recognition if the agreement was not adhered to (as set out in new section 36G(1A) of clause 31). We note that the new provisions in sections 36M to 36O of the bill are enabling only; accredited bodies would not be required to enter into these types of arrangements. We considered this matter in detail, to the point of seeking further advice from officials with respect to any precedent and comparative legislation.

Approval of overseas auditors

The Financial Reporting Act includes provisions for the Registrar of Companies to approve overseas individuals to act as qualified auditors in New Zealand, and to approve associations of accountants, whose members would then be able to act as qualified auditors. We received a letter from the Minister of Commerce after the referral of the bill, suggesting amendment to remedy two weaknesses in these provisions. They are a lack of guidelines for approval, and of any ongoing requirements or monitoring of overseas auditors. Our recommended amendments to these provisions are set out below.

Qualifications of auditor

We recommend amending clause 30 to require that overseas associations recognise individual members as being eligible to perform non-Financial Markets Conduct statutory audits, before they perform them. The association would be required to notify a member of such recognition, maintain a record of recognised members on its website, and keep recognition under review (as set out in clause 31, new sections 36IA, 36J, and 36C). The bill includes similar requirements regarding members of accredited bodies.

Competency requirements and conditions

We recommend amending clause 31 (insertion of new section 36AA) to require the Registrar to take into account prescribed matters and be satisfied the applicant meets prescribed requirements and minimum standards when approving overseas associations or individuals. We believe that establishing detailed criteria in regulations is necessary to ensure that overseas auditors meet a prescribed level of competence and have their work monitored, and to give their New Zealand clients access to redress if necessary. These matters, requirements, and minimum standards to be taken into account would be prescribed in regulations made by the Governor-General by Order in Council. All approvals must be notified by written notice, as required by new section 36IA.

New section 36AA also allows fees for approval applications, and for the submission of ongoing reports (under new section 36AB), to be prescribed by regulations. We consider that fees are appropriate, as the Registrar would have to undertake significant additional work relating to approvals.

We recognise that overseas associations and individuals may pose a higher risk than their local counterparts. We therefore recommend inserting new section 36AA(4) and (5) in clause 31, to allow the Registrar discretion to impose conditions on an approval, by written notice.

Appeals relating to recognition or approval matters

New section 36K in clause 31 provides for appeal to the District Court against decisions of accredited bodies or approved associations to decline, cancel, or suspend recognition. We recommend extending this provision to include declined, cancelled, or suspended approvals. Decisions under sections 36M to 36O (of clause 31) would not be eligible for appeal, as accredited bodies would not be under a duty to enter into arrangements under those provisions.

Regular reporting

We recommend inserting new section 36AB (clause 31) to require approved associations and individuals to report to the Registrar in order to maintain their approval. Reporting requirements would be set out in regulations prescribed by the Governor-General by Order in Council. We consider this necessary to make sure overseas-qual-

ified auditors were continuing to meet standards. Any associations or individuals who fail to meet this requirement would have their approval suspended. We also recommend inserting new subsections 36AB(2) and (3), so that associations and individuals would be required to notify the Registrar if they were aware they no longer fulfilled the requirements.

Cancellation of approval

We recommend amending clause 31 to insert new section 36G(1B). This provision would allow the Registrar to suspend, or cancel, an approval if approved associations or individuals requested the cancellation, no longer met the prescribed requirements or minimum standards, or failed to comply with a condition. Once approval had been cancelled, re-approval could not be sought within the time specified in a written notice, as set out in new section 36G(5).

We recommend amending new section 36H(2) (clause 31) to make it clear that if the approval of an association were cancelled or suspended, any recognition by that association is also cancelled or suspended. This is consistent with the provisions for the cancellation or suspension of an accredited body.

Register of approved persons

We recommend an amendment to clause 31 (insertion of new section 36JA) to require the Registrar to publish the name, and town or city of the principal place of business, and any conditions of approval, of all the approved individuals and associations on a public register. The purpose of the register would be to allow people to check whether a person was approved, and to learn of any important conditions relating to the approval. Provisions relating to the search of the register are set out in new section 36JB.

Offences

We recommend amending the offences in new section 36L (clause 31) and new section 39B (clause 32) to include making false declarations to gain approval, and falsely claiming to be an approved association or individual.

Transitional provisions

We understand that a number of approved overseas associations and individuals may need transitional provisions should this bill be passed. We recommend amending Schedule 1 to allow existing approvals to continue for one year after the provisions come into force (unless the approval is cancelled sooner). The association or individual would be required to seek re-approval under the new requirements within this period.

Other amendments

We recommend a number of other amendments to the bill.

Declaration of non-activity

We recommend amending the bill by inserting new clause 32A, which would require entities that would otherwise be “large” to declare to the Registrar if they had been inactive (in the relevant accounting period) in order to be exempt from being considered “large”. This parallels a provision of the Financial Reporting Act 1993.

Transitional provisions for changes to the Charities Act

The bill proposes a number of changes to the Charities Act relating to audit and financial assurance. We recommend an amendment (resulting in new Schedule 1AA) to make it clear that the new provisions would apply only to accounting periods that commenced on or after the date the provisions come into force.

Electoral Act audits

We recommend amending Schedule 2 to allow recognised bodies corporate to perform audits of a political party’s election expenses under the Electoral Act 1993.

Appendix

Committee process

The Accounting Infrastructure Reform Bill was referred to the committee on 28 January 2014. We presented an interim report to the House on 30 January 2014. The closing date for submissions was 3 March 2014. We received and considered 16 submissions from interested groups and individuals. We heard five submissions.

We received advice from the Ministry of Business, Innovation and Employment. The Regulations Review Committee reported to the committee on the powers contained in clause 2.

Committee membership

Jonathan Young (Chairperson)

Kanwaljit Singh Bakshi

Hon Clayton Cosgrove

Clare Curran

Kris Faafoi

Julie Anne Genter

Mark Mitchell

Hon Chris Tremain

Dr Jian Yang

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Key to symbols used in reprinted bill

As reported from a select committee

text inserted unanimously

text deleted unanimously

Hon Craig Foss

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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Accounting Infrastructure Reform Act **2013**.

2 Commencement

- (1) This Act comes into force on a date appointed by the Governor-General by Order in Council; and 1 or more orders may be made bringing different provisions into force on different dates. 5
- (2) To the extent that it has not previously been brought into force under **subsection (1)**, the rest of this Act comes into force on 1 April 2017. 10

Part 1 Amendments to Acts

Subpart 1—Amendments to Auditor Regulation Act 2011

- 3 Principal Act** 5
This **subpart** amends the Auditor Regulation Act 2011 (the **principal Act**).
- 4 Section 6 amended (Interpretation)**
- (1) In section 6(1), definition of **engagement partner**, after “**partner**”, insert “**or director**”. 10
- (2) In section 6(1), definition of **engagement partner**, after “means the partner”, insert “, director,”.
- (3) In section 6(1), definition of **limited partnership**, replace paragraph (b) with:
“(b) an overseas limited partnership within the meaning of the Limited Partnerships Act 2008”. 15
- (4) In section 6(1), replace the definition of **overseas audit firm** with:
“**overseas audit firm** means an audit firm that is—
“(a) a partnership where a majority of the partners are ordinarily resident in a country, state, or territory outside New Zealand; or
“(b) an overseas company”. 20
- (5) In section 6(1), insert in their appropriate alphabetical order:
“**company** has the same meaning as in section 2(1) of the Companies Act 1993 25
“**overseas company** means a body corporate that is incorporated outside New Zealand”.
- 5 Section 9 amended (Audit firms engaged or appointed to act as auditor in respect of issuer FMC audits must be registered)** 30
- (1) In section 9(1), delete “a partnership that is”.
- (2) Replace section 9(2) with:
“(2) If an audit firm is engaged or appointed to act as the auditor in respect of an FMC audit, the audit firm must ensure that each 35

engagement partner or director is a licensed auditor whose licence authorises him or her to act as the auditor in respect of that kind of FMC audit.

- “(2A) If an audit firm that is a partnership is engaged or appointed to act as the auditor in respect of an FMC audit, each partner of the audit firm, from time to time, who is a licensed auditor and whose licence authorises him or her to act as the auditor in respect of that kind of FMC audit must, for the purposes of this Act, be treated as acting as the auditor in respect of the FMC audit.”
- “(2B) If an audit firm that is a company or an overseas company is engaged or appointed to act as the auditor in respect of an FMC audit, the company or overseas company must, for the purposes of this Act, be treated as acting as the auditor in respect of the FMC audit.”
- “(2C) Nothing in this section or section 10 limits the power of the Institute or any other accredited body to make, maintain, and enforce any rules relating to the investigation and hearing of complaints against, and disciplining of, a member or former member in connection with the carrying out of an audit (for example, if a company is treated as acting as the auditor, a director or an employee of that company may be subject to disciplinary action in respect of the audit).”
- (3) In section 9(3), replace “(2)(b)” with “**(2)**”.
- 6 Section 10 amended (Partners who are responsible if issuer FMC audit not carried out in accordance with requirements)**
- (1) In the heading to section 10, after “Partners”, insert “**or directors**”.
- (2) In section 10(2), replace “Despite section 9(2)(a), a partner” with “Despite **section 9(2A) and (2B)**, a partner or director”.
- (3) In section 10(2), replace “only if” with “if, and only if,”.
- (4) In section 10(2)(a), replace “engagement partner” with “engagement partner or director”.
- (5) After section 10(2), insert:

“(3) For the purposes of subsection (2), sections 20(1)(c) and 21(1)(b) apply as if the FMC audit is carried out by the partner or director to which subsection (2)(a), (b), or (c) applies.”

7 Section 25 amended (Accredited body may authorise registration of audit firms)

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Replace section 25(1) with:

“(1) An accredited body may, on an application made by an audit firm that is a partnership or a company, authorise the Registrar to register the audit firm if the accredited body is satisfied that,—

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“(a) in the case of a partnership,—

“(i) 1 or more of the partners of the firm are licensed auditors; and

“(ii) the firm meets the prescribed minimum standards:

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“(b) in the case of a company,—

“(i) 1 or more of the directors of the firm are licensed auditors; and

“(ii) the firm meets the prescribed minimum standards; and

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“(iii) the firm satisfies the requirements prescribed for the purposes of this subparagraph.”

8 Section 26 amended (FMA may authorise registration of overseas audit firms)

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Replace section 26(1)(a) with:

“(a) in the case of a partnership, 1 or more of the partners of the firm are licensed auditors; and

“(ab) in the case of an overseas company,—

“(i) 1 or more of the directors of the firm are licensed auditors; and

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“(ii) the firm is eligible to act as an auditor in the country, State, or territory in which it is incorporated; and

“(iii) the firm is required, under the law or the regulatory requirements of the country, State, or territory in which it is incorporated, to comply with requirements for maintaining the firm’s

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independence as an auditor, and that those requirements are equivalent to, or as satisfactory as, the requirements that apply to New Zealand auditors; and

“(iv) the firm satisfies the requirements prescribed for the purposes of this subparagraph; and”.

9 Section 29 amended (Cancellation of registration)

- (1) In the heading to section 29, after “**Cancellation**”, insert “**or suspension**”.
- (2) In section 29(1), after “cancel”, insert “or suspend”.
- (3) Replace section 29(1)(a) with:
 - “(a) no longer has at least 1 partner or director who is a licensed auditor; or”.
- (4) After section 29(1)(c), insert:
 - “(ca) no longer satisfies the requirements prescribed for the purposes of **section 25(1)(b)(iii) or 26(1)(ab)(iv)**; or
 - “(cb) no longer satisfies the requirements of **section 26(1)(ab)(ii) or (iii)** (in the case of an overseas company); or”.
- (5) Replace section 29(2) with:
 - “(2) A suspension under subsection (1) is for the period that the relevant body thinks fit or until the audit firm satisfies any requirements specified by the relevant body and that period or those requirements must be specified in the notice given under **subsection (1)**.
- “(3) After receiving a notification under subsection (1), the Registrar must—
 - “(a) cancel or suspend the registration of the audit firm; and
 - “(b) give written notice of the cancellation or suspension to the audit firm.
- “(4) The Registrar must, after receiving notification of an order under subpart 7 of the cancellation or suspension of the registration of an audit firm, cancel or suspend the registration of the audit firm.
- “(5) The registration of an audit firm may also be treated as cancelled or suspended under **section 61(6)**.”

- 10 Section 30 amended (Relevant body must give notice before exercising power)**
In section 30(a), after “partners”, insert “or directors”.
- 11 Section 34 amended (Minimum standards for registration of audit firm)** 5
After section 34(2), insert:
“(3) Nothing in regulations made under **section 84(1)(ca)** limits the FMA’s power to prescribe minimum standards for the registration of an audit firm.”
- 12 Section 40 amended (Purpose of register)** 10
In section 40(a)(ii), after “partnership”, insert “, a company, or an overseas company”.
- 13 Section 41 amended (Contents of register)**
In section 41(2)(d), after “partners”, insert “, directors,”.
- 14 Section 61 amended (Effect of cancellation or suspension on licences issued and registrations authorised by accredited body or former accredited body)** 15
Replace section 61(6) with:
“(6) If A was the relevant body under subpart 2 in respect of a registered audit firm,— 20
“(a) the registration of the audit firm must be treated as cancelled if A’s accreditation is cancelled under section 59; and
“(b) the registration of the audit firm must be treated as suspended during the period in which A’s accreditation is suspended (if A’s accreditation is suspended under section 59); but 25
“(c) the FMA may order that **paragraph (a) or (b)** does not apply in respect of 1 or more classes of audit firm.
“(7) If 1 or more classes of audit firm continue to be registered as the result of an order under **subsection (6)(c)**, the FMA may order, on the terms and conditions that it thinks fit, that another accredited body may act as the relevant body under subpart 2 30

(and that other accredited body may be the FMA acting under section 91).”

15 Section 63 amended (Appeals)

Replace section 63(1)(e) with:

“(e) to decline to make an order under section 61(2) or **(6)(c)** 5
in respect of the person’s licence or registration.”

16 Section 71 amended (Consequences of failing to comply with directions)

In section 71(1)(c), after “cancel”, insert “or suspend”.

17 Section 75 amended (FMA may start or take over investigation or investigate in conjunction with accredited body) 10

Replace section 75(3) with:

“(3) In this subpart, an **investigation** is an investigation into the 15
conduct of either or both of the following:
“(a) a licensed auditor in respect of 1 or more FMC audits
(whether he or she holds a licence issued under section
11 or 12):
“(b) a registered audit firm in respect of 1 or more FMC
audits (whether the firm’s registration is authorised 20
under section 25 or 26).”

18 Section 77 amended (Accredited body must give reasonable assistance)

Replace section 77(1) with:

“(1) An accredited body must, in respect of the following kinds 25
of investigation, give all reasonable assistance to the FMA to
enable the investigation to be carried out:
“(a) an investigation by the FMA involving a member of the
accredited body:
“(b) an investigation by the FMA involving a registered 30
audit firm that has 1 or more partners, directors, or em-
ployees who are members of the accredited body.”

19 Section 78 amended (Disciplinary powers of FMA)

Replace section 78(1) to (3) with:

- “(1) The FMA may, after acting under section 75, make 1 or more of the orders specified in **subsection (2)** if it is satisfied on reasonable grounds that 1 or more FMC audits carried out by the licensed auditor (A) or registered audit firm (B) (or both) are not being, or have not been, carried out—
- “(a) in accordance with—
- “(i) the requirements imposed by or under this Act or any other enactments that relate to the conduct of FMC audits; or
- “(ii) auditing and assurance standards; or
- “(b) with reasonable care, diligence, and skill.
- “(2) The orders are—
- “(a) an order that A’s licence be cancelled:
- “(b) an order that B’s registration be cancelled:
- “(c) an order that the person whose licence or registration is cancelled may not apply to be relicensed or reregistered, whether with the same or a different accredited body, before the expiry of a specified period:
- “(d) an order that A’s licence be suspended for the period that the FMA thinks fit:
- “(e) an order that B’s registration be suspended for the period that the FMA thinks fit:
- “(f) an order prohibiting A or B (or both) from acting in respect of a specified FMC audit, or a specified class or classes of FMC audit,—
- “(i) permanently; or
- “(ii) for any period that the FMA thinks fit:
- “(g) an order that A or B (or both) pay to the FMA any sum that the FMA considers just and reasonable towards the costs and expenses of, and incidental to, the FMA’s investigation and the proceedings.
- “(3) The FMA must not exercise a power referred to in this section in relation to A or B unless—
- “(a) the FMA gives A or B at least 10 working days’ written notice of the following matters before it exercises the power:

- “(i) that the FMA may exercise a power under this section; and
“(ii) the reasons why it is considering exercising that power; and
“(b) the FMA gives A or B or his, her, or its representative an opportunity to make written submissions and to be heard on the matter within that notice period.” 5
- 20 Section 79 amended (Miscellaneous matters relating to orders)**
Replace section 79(2)(a) and (b) with: 10
“(a) the licensed auditor or audit firm against which the order is made; and
“(b) the accredited body that issued the licence to that licensed auditor or authorised the registration of that audit firm; and”. 15
- 21 Section 80 amended (FMA may take over and perform regulatory functions)**
Replace section 80(a) with:
“(a) the accredited body asks the FMA to act in that manner in relation to— 20
“(i) a class of its members; or
“(ii) a class of audit firms that the accredited body has authorised the registration of under section 25; and”.
- 22 Section 84 amended (Regulations)** 25
(1) After section 84(1)(c), insert:
“(ca) prescribing requirements for the purposes of **section 25(1)(b)(iii) or 26(1)(ab)(iv)**, including (without limitation) requirements relating to a company’s or an overseas company’s— 30
“(i) ownership, including requirements relating to who may be a shareholder or member and who may exercise voting rights (for example, requiring all or a majority of voting rights to be held by members of the Institute or an accredited body): 35

- “(ii) governance, including requirements relating to who may be a director or senior manager (for example, requiring all or a majority of directors to be members of the Institute or an accredited body): 5
- “(iii) legal structure:
- “(iv) systems, policies, and procedures that relate to any of the following:
- “(A) promoting compliance with the requirements imposed by or under any enactment that relates to the conduct of FMC audits: 10
- “(B) promoting compliance with auditing and assurance standards:
- “(C) otherwise promoting reasonable care, diligence, and skill in the carrying out of FMC audits: 15
- “(v) professional indemnity insurance:”.
- (2) After section 84(1), insert:
- “(1A) ~~Regulations~~—Any regulations made under **subsection (1)(ca)(v)** relating to professional indemnity insurance may, without limitation,— 20
- “(a) specify the terms and conditions upon which insurance is to be available, and any circumstances in which insurance cover may be excluded or modified:
- “(b) specify the minimum terms and conditions that an insurance policy must satisfy: 25
- “(c) specify circumstances in which a body corporate or any class of bodies corporate is exempt from the requirements:
- “(d) require a body corporate to have arrangements in place that ensure that an accredited body can ascertain whether the insurance is being maintained in accordance with the regulations.” 30

Subpart 2—Amendments to Charities Act
2005

- 23 Principal Act**
This **subpart** amends the Charities Act 2005 (the **principal Act**). 5
- 23A New section 6A inserted (Transitional, savings, and related provisions)**
After section 6, insert:
“6A Transitional, savings, and related provisions
The transitional, savings, and related provisions set out in Schedule 1AA have effect according to their terms.” 10
- 24 New sections 42C to 42F inserted**
After section 42B, insert:
- “42C When financial statements must be audited or reviewed**
“(1) This section applies to— 15
“(a) every charitable entity that is large; and
“(b) every charitable entity that is of medium size.
“(2) Every charitable entity to which this section applies (A) must ensure that the financial statements of A that accompany an annual return under section 41 are— 20
“(a) audited by a qualified auditor if A is large in respect of the accounting period to which the financial statements relate:
“(b) audited or reviewed by a qualified auditor if A is of medium size in respect of the accounting period to which the financial statements relate. 25
“(3) If financial statements are prepared on a consolidated basis in respect of a single entity under section 46(1A)(a),—
“(a) the parent entity must ensure that the financial statements of the single entity that accompany an annual return under section 41 are— 30
“(i) audited by a qualified auditor if the single entity is large in respect of the accounting period to which the financial statements relate:
“(ii) audited or reviewed by a qualified auditor if the single entity is of medium size in respect of the 35

- accounting period to which the financial statements relate; and
- “(b) for the purposes of **paragraph (a)**, the references to a charitable entity in **subsection (1)** and in **sections 42D(1) and 42F** must be treated as references to the single entity. 5
- “**42D Meaning of large and medium size**
- “(1) In **section 42C**,—
- “(a) a charitable entity is **large** in respect of an accounting period if, in each of the 2 preceding accounting periods of the entity, the total operating expenditure of the entity is \$1 million or more: 10
- “(b) a charitable entity is of **medium size** in respect of an accounting period if—
- “(i) it is not large under **paragraph (a)**; and 15
- “(ii) in each of the 2 preceding accounting periods of the entity, the total operating expenditure of the entity is \$500,000 or more:
- “(c) **qualified auditor** has the same meaning as in section 35 of the Financial Reporting Act 2013. 20
- “(2) A financial reporting standard (within the meaning of the Financial Reporting Act 2013), or a part of such a standard, that is expressed as applying for the purposes of **subsection (1)(a) or (b)** must be applied in determining whether that provision applies (for example, the standard may define operating expenditure). 25
- “**42E Offence relating to audit or review**
- If a charitable entity fails to comply with **section 42C**, the charitable entity commits an offence and is liable on conviction to a fine not exceeding \$50,000. 30
- “**42F Audit or review must be carried out in accordance with auditing and assurance standards**
- “(1) An auditor must, in carrying out an audit or a review of the financial statements of a charitable entity, comply with all applicable auditing and assurance standards. 35

“(2) The auditor’s report must comply with the requirements of all applicable auditing and assurance standards.

“(3) This section does not apply in respect of a charitable entity that is a public entity (within the meaning of the Public Audit Act 2001). 5

“(4) In this section, **applicable auditing and assurance standards** has the same meaning as in section 5 of the Financial Reporting Act 2013.”

25 Section 46 amended (Board or chief executive may treat parent entity and 1 or more other entities as forming part of single entity on certain terms and conditions) 10

Before section 46(2), insert:

“(1C) If terms and conditions referred to in subsection (1A) relate to the financial statements of an entity, those terms and conditions must be treated as including a requirement for the financial statements to disclose, in the statement of accounting policies section, a brief description of the terms and conditions that apply under subsection (1A).” 15

25A New Schedule inserted

Before Schedule 1, insert the **Schedule 1AA** set out in **Schedule 1AA** of this Act. 20

Subpart 3—Amendments to Financial Reporting Act 2013

26 Principal Act

This **subpart** amends the Financial Reporting Act 2013 (the **principal Act**). 25

27 Section 5 amended (Interpretation)

In section 5(1), insert in their appropriate alphabetical order:

“**accredited body** means a person that is granted accreditation, or is treated as having been granted accreditation, under subpart 5 of Part 2 of the Auditor Regulation Act 2011 30

“**approved association** means an association of accountants that is approved for the time being by the Registrar of Companies under section 36(1)(c)

“**Institute** means the New Zealand Institute of Chartered Accountants constituted under the New Zealand Institute of Chartered Accountants Act 1996 5

“**qualified statutory accountant** means a person who is—

“(a) a chartered accountant (within the meaning of section 19 of the New Zealand Institute of Chartered Accountants Act 1996); or 10

“(b) a member of an accredited body (other than the Institute) who holds the full professional designation of that body (for example, a certified practising accountant); or

“(c) recognised under **section 36N**

“**Registrar** means the Registrar of Companies appointed in accordance with section 357(1) of the Companies Act 1993”. 15

28 New section ~~10A~~ 9A inserted (Transitional and savings provisions relating to amendments to this Act, savings, and related provisions)

After section ~~10~~ 9, insert: 20

“10A Transitional and savings provisions relating to amendments to this Act

The Schedule contains transitional and savings provisions (relating to amendments made to this Act) that affect other provisions of this Act (*see* **section 62**). 25

“9A Transitional, savings, and related provisions

The transitional, savings, and related provisions set out in the **Schedule** have effect according to their terms.”

29 Section 34 amended (Purpose and application)

(1) After section 34(1)(b), insert: 30

“(c) offences for an unqualified person to act as an auditor or to hold himself, herself, or itself out as being a qualified auditor.”

(2) In section 34(2), after “of the entity”, insert “or of its financial statements”. 35

30 Section 36 amended (Qualifications of auditor)

- (1) In section 36(1), after “of a specified entity”, insert “(or of its financial statements)”.
- (2) Replace section 36(1)(a) with:
- “(a) the person is— 5
- “(i) a chartered accountant (within the meaning of section 19 of the New Zealand Institute of Chartered Accountants Act 1996); and
- “(ii) recognised by the Institute, in accordance with the rules of that body, as being eligible to act as an auditor in respect of entities of the same kind as the specified entity; or 10
- “(ab) the person is—
- “(i) a member of an accredited body; and
- “(ii) recognised by the accredited body, in accordance with the rules of that body, as being eligible to act as an auditor in respect of entities of the same kind as the specified entity; or” 15
- (2A) In section 36(1)(c)(i), replace “Registrar of Companies” with “Registrar in accordance with **section 36AA(1)**”. 20
- (2B) After section 36(1)(c)(i), insert:
- “(ia) the person is recognised by the association, in accordance with the rules of that association, as being eligible to act as an auditor in respect of entities of the same kind as the specified entity; and”. 25
- (2C) In section 36(1)(d)(ii), replace “Registrar of Companies by notice in the *Gazette*” with “Registrar by notice in the *Gazette* in accordance with **section 36AA(2)**”.
- (3) In section 36(1)(d)(ii), after “*Gazette*”, insert “; or”. 30
- (4) After section 36(1)(d), insert:
- “(e) the person is a company, or an overseas company, that is a registered audit firm; or
- “(f) the person is a company that is recognised, in accordance with **section 36A**, as being eligible to act as an auditor in respect of entities of the same kind as the specified entity; or 35
- “(g) the person is an overseas company that—

- “(i) is recognised, in accordance with **section 36A**, as being eligible to act as an auditor in respect of entities of the same kind as the specified entity; and
- “(ii) is incorporated or constituted in a country, State, or territory that is approved for the time being under **section 36B**; and 5
- “(iii) has a legal structure that is approved for the time being under **section 36B**.”
- (5) In section 36(2)(a), replace “unless he or she is a licensed auditor” with “unless he, she, or it is a licensed auditor or a body corporate that is a registered audit firm” 10
- (6) Replace section 36(4)(d) with:
 “(d) a body corporate (unless the body corporate is a registered audit firm or recognised as referred to in **subsection (1)(f) or (g)**);” 15
- (7) After section 36(5), insert:
 “(6) A notice in the *Gazette* referred to in this section or **section 36B** is neither a legislative instrument nor a disallowable instrument for the purposes of the Legislation Act 2012 and does not have to be presented to the House of Representatives under section 41 of that Act.” 20
- 31 New sections 36AA to 36L 36O and cross-heading inserted**
 After section 36, insert:
- “36AA Power of Registrar of Companies to approve associations and auditors”** 25
- “(1) The Registrar may, after receiving an application from an association of accountants, approve the association under section 36(1)(c)(i) if, after taking into account the prescribed matters (if any), the Registrar is satisfied that the association satisfies the requirements that are prescribed for the purposes of this subsection.” 30
- “(2) The Registrar may, after receiving an application from a natural person, approve the person under section 36(1)(d)(ii) if, after taking into account the prescribed matters (if any), the Registrar is satisfied that the person—” 35

- “(a) satisfies the requirements that are prescribed for the purposes of this paragraph; and
- “(b) satisfies the minimum standards that are prescribed for the purposes of this paragraph.
- “(3) An application under **subsection (1) or (2)** must be accompanied by the prescribed fee. 5
- “(4) The Registrar may, by written notice given to an association or other person,—
- “(a) impose conditions on the approval of that association or person under section 36(1)(c)(i) or (d)(ii); and 10
- “(b) vary, revoke, add to, or substitute any such conditions at any time.
- “(5) The Registrar may impose any conditions that the Registrar thinks fit (for example, conditions that impose limits or restrictions on the ability of an approved association to recognise its members or conditions that impose limits or restrictions on the types of audits that a person approved under section 36(1)(d) may carry out). 15
- “36AB Approved associations and persons must report to Registrar** 20
- “(1) Every approved association and every person who is approved under section 36(1)(d) must, at the prescribed times or on the occurrence of the prescribed events and otherwise in the prescribed manner, send to the Registrar reports that contain the prescribed information (together with a prescribed fee). 25
- “(2) If an approved association (A) becomes aware that it does not comply, or no longer complies, with the requirements for approval under **section 36AA(1)**, A—
- “(a) must, as soon as practicable, give written notice of that non-compliance to the Registrar; and 30
- “(b) must cease to give recognition under **section 36(1)(c)(ia)** to any person who applies for or requests recognition after A becomes so aware.
- “(3) If a person who is approved under section 36(1)(d) (B) becomes aware that he or she does not comply, or no longer complies, with the requirements or minimum standards for approval under **section 36AA(2)**, B— 35

- “(a) must, as soon as practicable, give written notice of that non-compliance to the Registrar; and
- “(b) must not act as the auditor of a specified entity or of its financial statements.
- “(4) If an approved association or a person who is approved under section 36(1)(d) fails to comply with this section, the approval of that association or person is treated as suspended until— 5
- “(a) a date specified in a notice given by the Registrar to the association or person; or
- “(b) the approval is cancelled under **section 36G**. 10
- “**36A Institute, accredited bodies, and approved associations may recognise body corporate as eligible to act as auditor**
- “(1) The Institute, any other accredited body, or an approved association may recognise a company or an overseas company for the purposes of **section 36(1)(f) or (g)** if, after taking into account the prescribed matters, the Institute, accredited body, or approved association is satisfied that the company or overseas company— 15
- “(a) satisfies the requirements that are prescribed for the purposes of this paragraph; and 20
- “(b) satisfies the minimum standards that are prescribed for the purposes of this paragraph; and
- “(c) has at least 1 director who is—
- “(i) a member of the Institute, accredited body, or approved association; and 25
- “(ii) a qualified auditor under any of paragraphs (a) to (d) of section 36(1)(a) to (d) (in respect of all specified entities or 1 or more kinds of specified entities). 30
- “(2) Recognition may relate to all specified entities or to 1 or more kinds of specified entities. 30
- “**36B Registrar of Companies may approve overseas countries and legal structures**
- “(1) The Registrar of Companies may, by notice in the *Gazette*, approve, for the purposes of **section 36(1)(g)**,— 35
- “(a) a country, State, or territory; and

- “(b) a specified legal structure of that country, State, or territory (for example, a company incorporated under the law of a particular overseas country).
- “(2) The Registrar must, before approving a country, State, or territory and a legal structure, be satisfied that— 5
- “(a) the law or the regulatory requirements of that country, State, or territory impose requirements relating to auditor independence that are equivalent to, or as satisfactory as, the requirements that apply to New Zealand auditors; and 10
- “(b) entities that have that legal structure are eligible to act as an auditor in that country, State, or territory.
- “(3) The Registrar may not approve as a legal structure any kind of overseas limited partnership (within the meaning of section 4 of the Limited Partnerships Act 2008). 15
- “**36C Institute, accredited bodies, and approved associations must keep recognition under review**
- “(1) The Institute, any other accredited body, or an approved association that recognises any person for the purposes of **section 36(1)** must maintain adequate and effective systems for keeping under review the recognition of those persons. 20
- “(2) The purpose of the review is to provide reasonable assurance that the requirements and minimum standards for recognition continue to be satisfied.
- “(3) The systems must include an annual review of each person who is recognised (for example, by requiring the person to verify that the requirements and any minimum standards for recognition continue to be satisfied). 25
- “**36D Body corporate must ensure that engagement director is qualified auditor** 30
- “(1) If a body corporate (A) referred to in **section 36(1)(e), (f), or (g)** is appointed or is acting as the auditor of a specified entity or of its financial statements, A must ensure that each engagement director is a qualified auditor under any of paragraphs (a) to (d) of section 36(1)(a) to (d). 35

“(2) In this section, **engagement director**, in respect of an audit where A is appointed or is acting, means the director or other person in A who is responsible for the audit and the performance of the audit and for the audit report that is issued on behalf of A.

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“**36E Recognised body corporate must not act if requirements no longer met**

If a body corporate (A) that is recognised for the purposes of **section 36(1)(f) or (g)** becomes aware that A does not comply, or no longer complies, with the requirements or minimum standards for recognition under **section 36A**, A—

10

“(a) must not act as the auditor of a specified entity or of its financial statements; and

“(b) must, as soon as practicable, give written notice of that non-compliance to the Institute, the accredited body, or the approved association that recognised A.

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“**36F Offence relating to section 36D or 36E**

“(1) If a body corporate (A) fails to comply with **section 36D or 36E**,—

“(a) A commits an offence and is liable on conviction to a fine not exceeding \$150,000; and

20

“(b) every director of A also commits an offence and is liable on conviction to a fine not exceeding \$50,000.

“(2) It is a defence to a director charged with an offence in relation to the duty imposed under **section 36D or 36E** if the director proves that—

25

“(a) A took all reasonable and proper steps to ensure that the duty would be complied with; or

“(b) he or she took all reasonable steps to ensure that A complied with the duty; or

30

“(c) in the circumstances, he or she could not reasonably have been expected to take steps to ensure that A complied with the duty.

“**36G Cancellation or suspension of recognition or approval**

“(1) The Institute or, any other accredited body, or an approved association ~~must~~ may, in accordance with its rules, cancel or sus-

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pend its recognition of a person for the purposes of **section 36(1)(a) or (ab) or (c)(ia)** if the Institute or body, or association considers that the grounds for cancellation or suspension specified in its rules are satisfied.

- “(1A) The Institute or any other accredited body may cancel or suspend the recognition of a person for the purposes of **section 36(1)(a) or (ab)** if— 5
- “(a) the person is or was subject to an arrangement referred to in **section 360**; and
- “(b) the Institute or body is satisfied that— 10
- “(i) the person has failed to comply with that arrangement in any material respect; or
- “(ii) the term of the arrangement has ended.
- “(1B) The Registrar may—
- “(a) cancel or suspend his or her approval of an association for the purposes of section 36(1)(c) if the Registrar considers that the association does not satisfy, or no longer satisfies, the requirements prescribed for the purposes of **section 36AA(1)**: 15
- “(b) cancel or suspend his or her approval of a person for the purposes of section 36(1)(d) if the Registrar considers that the person does not satisfy, or no longer satisfies, the requirements or minimum standards prescribed for the purposes of **section 36AA(2)(a) or (b)**: 20
- “(c) cancel or suspend his or her approval of an association or a person for the purposes of section 36(1)(c) or (d) if the Registrar considers that the association or person has failed to comply with any conditions under **section 36AA(4)**: 25
- “(d) cancel his or her approval of an association or a person for the purposes of section 36(1)(c) or (d) on the written request of the association or person. 30
- “(2) The Institute, any other accredited body, or an approved association may—
- “(a) ~~must~~ cancel or suspend its recognition of a person for the purposes of **section 36(1)(f) or (g)** if the Institute, body, or association considers that the person does not satisfy, or no longer satisfies, ~~satisfies~~ the requirements 35

- or minimum standards prescribed for the purposes of **section 36A(1)(a) or (b)**:
- “(b) ~~may also~~ cancel its recognition of a person for the purposes of **section 36(1)** on the written request of the person. 5
- “(3) ~~A suspension is for the period that the Institute, accredited body, or approved association thinks fit or until the person satisfies any requirements specified by the Institute, body, or association.~~
- “(3) A suspension under— 10
- “(a) **subsection (1), (1A), or (2)** is for the period that the Institute, accredited body, or approved association thinks fit or until the person satisfies any requirements specified by the Institute, body, or association.
- “(b) **subsection (1B)** is for the period that the Registrar thinks fit or until the association or person satisfies any requirements specified by the Registrar. 15
- “(4) If a person that has been recognised for the purposes of **section 36(1)(f) or (g)** no longer has at least 1 director of the kind referred to in **section 36A(1)(c)**, the recognition is treated as suspended until the person again has at least 1 director of that kind (or the recognition is sooner cancelled). 20
- “(5) If the Institute, an accredited body, an approved association, or the Registrar cancels the recognition or approval of a person (A), the Institute, body, association, or Registrar (as the case may be) may give a written notice to A stating that A may not apply to be re-recognised or re-approved before the expiry of a specified period (and that notice is binding on A). 25
- “**36H Effect of cancellation or suspension of accreditation or approval on recognition under section 36** 30
- “(1) If the accreditation of the Institute or of an accredited body (A) is—
- “(a) cancelled under section 59 of the Auditor Regulation Act 2011, any recognition given by A and referred to in **section 36(1)** is treated as cancelled: 35
- “(b) suspended under section 59 of that Act, any recognition given by A and referred to in **section 36(1)** is treated as

suspended during the period in which A's accreditation is suspended.

- “(2) If the approval of a person (A) as an approved association is cancelled by the Registrar of Companies (by notice in the *Gazette*) any recognition given by A and referred to in **section 36(1)(f) or (g)** is treated as cancelled. 5
- “(2) If the approval of an association (A) as an approved association is—
- “(a) cancelled by the Registrar, any recognition given by A and referred to in **section 36(1)(c), (f), or (g)** is treated as cancelled. 10
- “(b) suspended by the Registrar, any recognition given by A and referred to in **section 36(1)(c), (f), or (g)** is treated as suspended.
- “(3) **Subsection (1) or (2)** does not apply if the person who is recognised by A is also recognised by another accredited body or approved association for the purposes of **section 36(1)**. 15
- “**36I Registrar of Companies may authorise person to continue to act in respect of audit despite cancellation or suspension under section 36H** 20
- “(1) This section applies if—
- “(a) a person's recognition is cancelled or suspended under **section 36H**; and
- “(b) the person is acting, or has been appointed to act, as the auditor in respect of an audit at the time that the recognition is cancelled or suspended. 25
- “(2) The Registrar of Companies may authorise the person to act, or to continue to act, as the auditor in respect of the audit on the terms and conditions that the Registrar thinks fit.
- “(3) The person may act, or continue to act, as the auditor in respect of the audit in accordance with the terms and conditions of the authorisation (and, for the purposes of that audit, the person's recognition must be treated as continuing). 30
- “**36IA Notification of recognised and approved persons**
- “(1) The Institute, any other accredited body, or an approved association must,— 35

- “(a) as soon as practicable after recognising a person (A) for the purposes of section 36(1), give A written notice of the recognition:
- “(b) as soon as practicable after cancelling or suspending such recognition, give A written notice of the cancellation or suspension. 5
- “(2) The Registrar must,—
- “(a) as soon as practicable after approving a person (B) for the purposes of section 36(1)(c) or (d), give B written notice of the approval: 10
- “(b) as soon as practicable after cancelling or suspending such approval, give B written notice of the cancellation or suspension.
- “(3) Every notice of suspension given under **subsection (1)(b) or (2)(b)** must specify the period of suspension or the requirements that must be satisfied before the suspension ends. 15
- “36J Notification and records—Records of recognised persons**
- “(1) The Institute, any other accredited body, or an approved association must,—
- “(a) as soon as practicable after recognising a person (A) for the purposes of **section 36(1)**; give A written notice of the recognition: 20
- “(b) as soon as practicable after cancelling or suspending such recognition, give A written notice of the cancellation or suspension. 25
- “(2) The Institute, any other accredited body, or an approved association must—
- “(a) keep a record of all persons that the Institute, accredited body, or approved association (as the case may be) has recognised for the purposes of **section 36(1)** and of all cancellations or suspensions of such recognition; and 30
- “(b) keep available a record of the persons recognised by it, at all reasonable times, on an Internet site maintained by or on behalf of the Institute, body, or association.
- “(3) The purpose of **subsection (2)(b)** is to enable any person to determine whether a person is recognised for the purposes of section 36 and, if so, to obtain relevant information relating to the recognition. 35

- “(4) For the purposes of **subsection (2)(b)**,—
- “(a) the record must include the following information about each recognised person:
- “(i) the full name of the person:
- “(ii) the town or city in which the person’s principal place of business in New Zealand is located (unless **subparagraph (ia)** applies): 5
- “(ia) in the case of recognition under **section 36(1)(c)(ia)**, the town or city in which the person’s principal place of business is located: 10
- “(iii) the conditions or limitations on the recognition (if any); and
- “(b) the record must be reasonably prominent on the Internet site or the Internet site must contain a reasonably prominent link to the record. 15
- “(5) A record under **subsection (2)** is required to include information relating to a suspension under **section 36G(4)** only if the Institute, accredited body, or approved association is aware of the suspension.
- “(6) A person that fails to comply with **subsection (2) or (4)** commits an offence and is liable on conviction to a fine not exceeding \$50,000. 20

“36JA Register of approved persons

- “(1) The Registrar must keep a register of all persons that the Registrar has approved for the purposes of section 36(1)(c) or (d). 25
- “(2) The purpose of the register is to enable any person to determine whether a person is approved for the purposes of section 36(1) and, if so, to obtain relevant information relating to the approval.
- “(3) The register may— 30
- “(a) be an electronic register; or
- “(b) be kept in any other manner that the Registrar thinks fit.
- “(4) The register must contain the following information about each approved person:
- “(a) the full name of the person: 35
- “(b) the town or city in which the person’s principal place of business is located:

“(c) the conditions or limitations on the approval (if any):

“(d) any other prescribed information.

“36JB Search of register

“(1) A person may search the register kept under **section 36JA** in accordance with this Act or the regulations. 5

“(2) The register may be searched only by reference to the contents of the register required by **section 36JA** or any other prescribed criteria.

“(3) A search of the register may be carried out only by the following persons for the following purposes: 10

“(a) a person, for a purpose referred to in **section 36JA(2)**:

“(b) a person, for the purpose of advising another person in connection with any of the purposes referred to in this subsection:

“(c) an individual, or a person with the consent of the individual, for the purpose of searching for information about that individual. 15

“36K Appeals in respect of recognition or approval matters

“(1) A person may appeal to a District Court against any decision of the Institute, an accredited body, or an approved association, or the Registrar— 20

“(a) to decline to recognise a person for the purposes of **section 36(1)**; or

“(ab) to decline to approve the person for the purposes of **section 36(1)(c) or (d)**; or 25

“(b) to cancel or suspend that recognition or approval.

“(2) **Subsection (1)** does not apply to a decision if the rules of the Institute, the accredited body, or the approved association provide for an appeal against the decision to a body established to hear appeals against the decision (for example, the Appeals Council referred to in section 6(1)(h) of the New Zealand Institute of Chartered Accountants Act 1996). 30

“(2A) **Subsection (1)** does not apply to a decision under **sections 36M to 36O**.

“(3) An appeal to a District Court under this section must be brought— 35

- “(a) in accordance with the rules of court; and
- “(b) within 20 working days after notice of the decision is communicated to the appellant, or within any further time a District Court Judge allows on application made before or after the period expires. 5

“36L False declarations and representations

- “(1) Every person commits an offence who, for the purpose of obtaining or maintaining recognition or approval for the purposes of **section 36(1)** either on the person’s own behalf or on behalf of any other person,— 10
 - “(a) either orally or in writing, makes any declaration or representation to the Institute, another accredited body, ~~or~~ an approved association, or the Registrar that, to the person’s knowledge, is false or misleading in any material particular; or 15
 - “(b) provides to the Institute, another accredited body; ~~or~~ an approved association, or the Registrar any document knowing that the document—
 - “(i) contains any declaration or representation that is false or misleading in any material particular; or 20
 - “(ii) is not genuine; or
 - “(c) makes use of any document knowing that the document—
 - “(i) contains any declaration or representation that is false or misleading in any material particular; or 25
 - “(ii) is not genuine.
- “(2) A person who commits an offence under **subsection (1)** is liable on conviction to,—
 - “(a) in the case of an individual, a fine not exceeding \$50,000; 30
 - “(b) in the case of a body corporate, a fine not exceeding \$150,000.

“36M Exemption from membership requirement for certain members of religious societies or orders

- “(1) Section 36(1)(a)(i) or (ab)(i) (requirement to be a chartered accountant or member of an accredited body) does not apply to a person (A) if— 35

- “(a) the relevant body is satisfied that A is a practising member of a religious society or order whose doctrines or beliefs preclude membership of any organisation or body other than the religious society or order of which A is a member; and 5
- “(b) the relevant body has entered into a written arrangement with A that complies with **section 360**.
- “(2) The exemption under **subsection (1)** ceases if—
- “(a) the relevant body ceases to be satisfied as referred to in **subsection (1)(a)** and gives written notice of that fact to A; or 10
- “(b) the arrangement is terminated or otherwise comes to an end (unless a subsequent arrangement that complies with **section 360** is entered into).
- “(3) See also **section 36G(1A)**, which provides for the cancellation or suspension of recognition if there has been a material failure to comply with an arrangement. 15
- “(4) In this section, **relevant body** means,—
- “(a) in relation to **section 36(1)(a)(i)**, the Institute; or
- “(b) in relation to **section 36(1)(ab)(i)**, another accredited body. 20
- “36N Institute or other accredited body may recognise as qualified statutory accountants certain members of religious societies or orders**
- “(1) **Subsection (2)** applies if— 25
- “(a) the Institute or another accredited body is satisfied that a person (A) is a practising member of a religious society or order whose doctrines or beliefs preclude membership of any organisation or body other than the religious society or order of which A is a member; and 30
- “(b) the Institute or other accredited body has entered into a written arrangement with A that complies with **section 360**; and
- “(c) the Institute or other accredited body is satisfied that A— 35
- “(i) has satisfactory competence, qualifications, and experience to act as a qualified statutory accountant; and

- “(ii) is otherwise a fit and proper person to be a qualified statutory accountant.
- “(2) The Institute or other accredited body may recognise A as a qualified statutory accountant by including a statement of that recognition in or with the arrangement under **section 36O**. 5
- “(3) The recognition under **subsection (2)** ceases if—
- “(a) the Institute or other accredited body ceases to be satisfied as referred to in **subsection (1)(a)** and gives written notice of that fact to A; or
- “(b) the arrangement is terminated or otherwise comes to an end (unless a subsequent arrangement that complies with **section 36O** is entered into). 10
- “36O Requirements for arrangement**
- “(1) For the purposes of **section 36M or 36N** (or both), the arrangement must— 15
- “(a) state that the arrangement is entered into for the purposes of this section; and
- “(b) include a binding agreement by A to be subject to the following:
- “(i) the rules relating to the investigation of complaints against a member or former member of the Institute or other accredited body: 20
- “(ii) the rules relating to the hearing of complaints and other matters by a disciplinary body:
- “(iii) the rules relating to appeals from decisions of a disciplinary body: 25
- “(iv) the rules relating to the kinds of conduct for which a member or former member of the Institute or other accredited body may be disciplined:
- “(v) the rules relating to the actions that may be taken in respect of, and the penalties that may be imposed on, a member or former member of the Institute or other accredited body for such conduct: 30
- “(vi) in the case of **section 36M**, the rules referred to in **section 36(1)(a)(ii) or (ab)(ii)**: 35
- “(vii) the code of ethics that governs the professional conduct of the members of the Institute or other accredited body.

- “(2) The arrangement may provide for any other matters that the Institute or other accredited body thinks fit, including matters—
- “(a) relating to practice reviews: 5
- “(b) relating to continuing professional development: 10
- “(c) relating to reports and access to information: 5
- “(d) to promote compliance with the requirements imposed by or under any enactment that relate to the conduct of audits or other accounting engagements: 10
- “(e) to promote compliance with auditing and assurance standards and financial reporting standards: 10
- “(f) to otherwise promote reasonable care, diligence, and skill in the carrying out of audits or other accounting engagements: 10
- “(g) relating to the payment of fees: 15
- “(h) relating to the term of the arrangement. 15
- “(3) Without limiting the means of enforcing the arrangement, the arrangement is binding on A as if A were a member of the Institute or other accredited body.
- “(4) In this section,—
- “disciplinary body has the same meaning as in section 6(1) of the Auditor Regulation Act 2011 20
- “rules means the rules of the Institute or other accredited body (as the case may be). 20

“Appointment of partnership”

- 32 New sections 39A and 39B and cross-heading inserted 25**
- After section 39, insert:
- “Offences concerning unqualified persons*
- “39A Offence for unqualified auditor to act**
- “(1) A person who acts as the auditor of a specified entity or of its financial statements commits an offence if the person is not a qualified auditor in respect of the entity. 30**
- “(2) A person who commits an offence under **subsection (1)** is liable on conviction to,—**
- “(a) in the case of an individual, a fine not exceeding \$50,000: 35**

“(b) in the case of a body corporate, a fine not exceeding \$150,000.

“39B Offence to hold out as qualified auditor or as approved person

- “(1) A person must not hold out that the person is— 5
 “(a) recognised for the purposes of **section 36(1)(a), (ab), (c)(ia), (f), or (g)** if the person is not so recognised; or
 “(ab) approved for the purposes of section 36(1)(c) or (d) if the person is not so approved; or
 “(b) qualified to act as the auditor of a specified entity or of its financial statements if the person is not a qualified auditor in respect of the entity. 10
- “(2) A person who commits an offence under **subsection (1)** is liable on conviction to,—
 “(a) in the case of an individual, a fine not exceeding \$50,000; 15
 “(b) in the case of a body corporate, a fine not exceeding \$150,000.”

32A Section 45 amended (Meaning of large)

Replace section 45(3) with: 20

- “(3) Despite subsections (1) and (2), an entity is not large in respect of an accounting period (period A) if—
 “(a) the entity was an inactive entity in respect of period A;
and
 “(b) the entity, within 5 months after the end of period A, delivers to the Registrar a declaration, in the prescribed form, stating that it was an inactive entity in respect of period A.” 25

33 Section 48 amended (Minister must regularly review amounts to take into account inflation)

In section 48(1)(a), after “of this Act”, insert “, **section 42D** of the Charities Act 2005;”. 30

34 Section 49 amended (Order may amend amounts)

After section 49(c), insert:

“(ca) amending the amounts specified in **section 42D** of the Charities Act 2005:”.

35 Section 50 amended (Regulations)

(1) After section 50(1)(a), insert:

“(ab) prescribing matters that must be taken into account 5
under **section 36AA(1) or (2) or 36A**:

“(aba) prescribing requirements for the purposes of **section**
36AA(1) or (2)(a):

“(ac) prescribing requirements for the purposes of **section**
36A(1)(a), including (without limitation) requirements 10
relating to a company’s or an overseas company’s—

“(i) ownership, including requirements relating to
who may be a shareholder or member and who
may exercise voting rights (for example, requir- 15
ing all or a majority of voting rights to be held
by members of the Institute, an accredited body,
or an approved association):

“(ii) governance, including requirements relating to
who may be a director or senior manager (for ex- 20
ample, requiring all or a majority of directors to
be members of the Institute, an accredited body,
or an approved association):

“(iii) systems, policies, and procedures that relate to
any of the following:

“(A) promoting compliance with the require- 25
ments imposed by or under any enactment
that relates to the conduct of audits:

“(B) promoting compliance with auditing and
assurance standards:

“(C) promoting reasonable care, diligence, and 30
skill in the carrying out of audits:

“(iv) professional indemnity insurance:

“(ad) prescribing minimum standards for the purposes of **sec-**
tion 36AA(2)(b) or 36A(1)(b):

“(ae) prescribing fees payable in respect of applications under 35
section 36AA or reports under **section 36AB(1)** (or
the manner in which those fees may be calculated):

- “(af) prescribing matters relating to reports under **section 36AB**, including the times and events referred to in that section and the information that must be contained in the reports (including prescribing the manner in which the information is to be presented, calculated, or prepared): 5
- “(ag) prescribing procedures, requirements, and other matters, not inconsistent with this Act, for the register kept under **section 36JA**, including matters that relate to—
- “(i) the operation of the register: 10
- “(ii) the form of the register:
- “(iii) the information to be contained in the register:
- “(iv) access to the register:
- “(v) search criteria for the register:
- “(vi) circumstances in which amendments must be made to the register: 15
- “(ah) prescribing a form for the purposes of **section 45(3)**.”:
- (2) Replace section 50(2) with:
- “(2) ~~Regulations~~—Any regulations made under **subsection (1)(ac)(iv)** relating to professional indemnity insurance may, without limitation,— 20
- “(a) specify the terms and conditions upon which insurance is to be available and any circumstances in which the insurance cover may be excluded or modified:
- “(b) specify the minimum terms and conditions that an insurance policy must satisfy: 25
- “(c) specify circumstances in which a body corporate or any class of bodies corporate are exempt from the requirements:
- “(d) require a body corporate to have arrangements in place that ensure that an accredited body or approved association can ascertain whether the insurance is being maintained in accordance with the regulations. 30
- “(2A) For the purposes of **subsection (1)(ae)**,— 35
- “(a) regulations may authorise the Registrar to refund or waive, in whole or in part and on any conditions that may be prescribed, payment of the fee in relation to any person or class of persons:

- “(b) the Registrar may refuse to perform a function or exercise a power until the prescribed fee is paid:
“(c) any fee payable under the regulations is recoverable by the Registrar in any court of competent jurisdiction as a debt due to the Registrar.” 5
- “(3) Different requirements, dates, methods, or other matters may be prescribed under the regulations in respect of different classes of persons or different circumstances.”
- 36 Section 51 amended (Levies)**
 Replace section 51(3)(a) with: 10
 “(a) qualified statutory accountants; and”.
- 37 New subpart 1A of Part 3 inserted**
 After section 53, insert:
 “Subpart 1A—Unqualified person must not hold out as qualified statutory accountant 15
- “53A Offence to hold out as qualified statutory accountant**
 “(1) If any enactment requires a qualified statutory accountant to act in respect of a matter, a person must not hold out that the person is qualified to act in respect of the matter if the person is not a qualified statutory accountant. 20
 “(2) A person who commits an offence under **subsection (1)** is liable on conviction to,—
 “(a) in the case of an individual, a fine not exceeding \$50,000;
 “(b) in the case of a body corporate, a fine not exceeding \$150,000.” 25
- 38 New section 62 inserted (Application, savings, and transitional provisions relating to amendments to Act)**
 After section 61, insert:
“62 Application, savings, and transitional provisions relating to amendments to Act 30
 The application, savings, and transitional provisions set out in the Schedule, which relate to amendments made to this Act, have effect for the purposes of this Act.”

- 39 New Schedule inserted**
 After section 62 (as inserted by **section 38** of this Act) section 61, insert the **Schedule** set out in **Schedule 1** of this Act.
- Subpart 4—Amendments to New Zealand
 Institute of Chartered Accountants Act 1996 5
- 40 Principal Act**
 This **subpart** amends the New Zealand Institute of Chartered Accountants Act 1996 (the **principal Act**).
- 41 Section 2 amended (Interpretation)**
 In section 2, insert in their appropriate alphabetical order: 10
 “**Executive Board** means the Executive Board of the Institute referred to in section 6(1)(e)
 “**specified association** means the association of accountants that is declared to be the specified association under **section 8A**”.
- 41A New section 2A inserted (Transitional, savings, and related provisions)**
After section 2, insert:
“2A Transitional, savings, and related provisions
The transitional, savings, and related provisions set out in **Schedule 1AA** have effect according to their terms.” 20
- 42 Section 5 amended (Functions of Institute)**
 (1) Before section 5(a), insert:
 “(aa) to carry out the duty imposed under **section 5A**.”
 (2) Replace section 5(b) with: 25
 “(b) to promote the profession of accountancy by its members in New Zealand.”
- 43 New sections 5A to 5C inserted**
 After section 5, insert:

- “5A Duty to control and regulate profession of accountancy practised by members in New Zealand**
- “(1) The Institute must, with reasonable skill and care, control and regulate the practice of the profession of accountancy by its members in New Zealand. 5
- “(2) The duty under **subsection (1)** includes—
- “(a) maintaining, complying with, monitoring compliance with, and enforcing the rules referred to in section 6(1)(f) to **(ja)** (which relate to the investigation and hearing of complaints and other matters, appeals, disciplinary matters, and the recognition of auditors); and 10
- “(b) maintaining, monitoring members’ compliance with, and enforcing professional and ethical standards, including the code of ethics required by section 7; and
- “(c) monitoring members’ compliance with the Auditor Regulation Act 2011 and other enactments that relate to the practice of accountancy; and 15
- “(d) monitoring compliance with, and enforcing, section 14; and
- “(e) complying with the Institute’s duties— 20
- “(i) as an accredited body under the Auditor Regulation Act 2011; and
- “(ii) that are imposed on the Institute (by name) under any other enactment.
- “5B Institute must perform duty to control and regulate profession but may delegate other functions** 25
- “(1) The Institute must not delegate the duty under **section 5A** (in whole or in part) to any person.
- “(2) The Institute may delegate the functions specified in section 5(a), **(b)**, (c), and (d) (except to the extent that those functions relate to the duty in **section 5A**), either generally or specifically, to any other person. 30
- “(3) **Subsection (2)** is subject to **subsection (1)**.

- “5C Specified association may act in its own interests rather than Institute’s interests**
- “(1) This section applies to the specified association if any functions referred to in **section 5B(2)** are delegated to the association. 5
- “(2) The specified association may, when performing a delegated function, act in a manner that the association believes is in the best interests of the association (or its members) even though it may not be in the best interests of the Institute (or the Institute’s members). 10
- “(3) **Subsection (2)** does not permit the specified association to act in a manner that may materially prejudice the Institute’s ability to carry out the duty imposed under **section 5A.**”
- 44 Section 6 amended (Rules of Institute)** 15
- (1) Repeal section 6(1)(d).
- (2) After section 6(1)(j), insert:
- “(ja) the recognition of persons for the purposes of **sections 36(1)(a) and 36A** of the Financial Reporting Act 2013, for keeping such recognition under review, and for the cancellation and suspension of such recognition; and 20
- “(jb) the powers of a person to whom functions are delegated under **section 5B(2)**, the effect of a delegation on the Institute, and the revocation of a delegation; and”.
- (3) In section 6(4), replace “Council” with “Executive Board”.
- 45 Section 7 amended (Code of ethics)** 25
- (1) In section 7(2), (4), and (5), replace “Council” with “Executive Board”.
- (2) Repeal section 7(3).
- (3) After section 7(5), insert:
- “(6) The code of ethics prescribed by the Council and that is in force immediately before the commencement of this subsection continues in force and may be amended, revoked, or replaced by the Executive Board under subsection (4).” 30

- 46 New section 7A inserted (Membership rules may require membership of specified association)**
After section 7, insert:
- “7A Membership rules may require membership of specified association** 5
- “(1) The rules that relate to the matters referred to in section 6(1)(b) (admission of members and the cessation of membership) may provide for either or both of the following:
- “(a) that a person may be admitted as a member of the Institute only if the person is a member of the specified association. 10
- “(b) that a person ceases to be a member of the Institute if the person—
- “(i) does not become a member of the specified association in accordance with the rules; or 15
- “(ii) ceases to be a member of the specified association.
- “(2) Those rules may provide for a cessation referred to in **subsection (1)(b)** to be automatic or to occur after a specified process.
- “(3) This section does not limit section 6(1)(b) (and, in particular, the ability to provide for other requirements for the admission of members).” 20
- 47 Section 8 amended (Application of Part 3 of Legislation Act 2012 to certain rules and code of ethics)**
In section 8(a), replace “(j)” with “**(jb)**”. 25
- 48 New sections 8A and 8B and cross-heading inserted**
After section 8, insert:
- “Provisions concerning specified association*
- “8A Specified association**
- “(1) The Governor-General may, by Order in Council made on the recommendation of the Minister of Commerce, declare an association of accountants to be the specified association for the purposes of this Act. 30
- “(2) The Minister of Commerce may make a recommendation under **subsection (1)** only after consulting the Institute. 35

- “(3) In this section, **association of accountants** includes any association or other professional body of accountants (whether constituted or established overseas or in New Zealand).
- “**8B Members of Council or Executive Board may act in best interests of specified association rather than Institute** 5
- “(1) This section applies to a person (A) who is appointed by or on behalf of the specified association, in accordance with the rules of the Institute, to be a member of either or both of the following:
- “(a) the Council: 10
- “(b) the Executive Board.
- “(2) A may, when exercising powers or performing duties as a member of the Council or the Executive Board, if expressly permitted to do so by the rules of the Institute, act in a manner that he or she believes is in the best interests of the specified association (or its members) even though it may not be in the best interests of the Institute (or the Institute’s members). 15
- “(3) **Subsection (2)** does not permit A to act in a manner that may materially prejudice the Institute’s ability to carry out the duty imposed under **section 5A**.” 20
- 49 Section 15 repealed (Accountants and auditors must be qualified)**
Repeal section 15.
- 50 Sections 21 to 24 and Schedules 3 to 5 repealed** 25
Repeal sections 21 to 24 and Schedules 3 to 5.
- 50A New Schedule inserted**
Before Schedule 1, insert the **Schedule 1AA** set out in **Schedule 1A** of this Act.
- 51 Schedule 1 amended** 30
In Schedule 1, clauses 3, 4(1)(a), and 8(1)(b), replace “Council” with “Executive Board” in each place.

Part 2
Amendments to other Acts

52 Amendments to other Acts

Amend the enactments specified in **Schedule 2** as set out in that schedule.

5

	<u>Schedule 1AA</u>	s 25A
	<u>New Schedule 1AA inserted</u>	
	<u>Schedule 1AA</u>	s 6A
	<u>Transitional, savings, and related provisions</u>	5
	<u>Provisions relating to subpart 2 of Part 1 of Accounting Infrastructure Reform Act 2013</u>	
<u>1</u>	<u>Interpretation</u>	
	<u>In clause 2,—</u>	10
	<u>2013 Amendment Act means subpart 2 of Part 1 of the Accounting Infrastructure Reform Act 2013</u>	
	<u>principal Act means the Charities Act 2005.</u>	
<u>2</u>	<u>Provisions relating to audit or review apply to accounting periods that commence on or after commencement</u>	15
(1)	<u>The principal Act, as amended by the 2013 Amendment Act, applies to a charitable entity in relation to accounting periods that commence on or after the commencement of this clause.</u>	
(2)	<u>The principal Act, as in force before the commencement of this clause, continues to apply to a charitable entity in relation to accounting periods that commenced before the commencement of this clause as if the 2013 Amendment Act had not been enacted.</u>	20

Schedule 1

s 39

New Schedule inserted

Schedule

s 62 9A

Application, savings, and transitional provisions relating to amendments made to this Act
Transitional, savings, and related provisions

5

Provisions relating to subpart 3 of Part 1 and Part 2 of Accounting Infrastructure Reform Act 2013

- 1 Interpretation 10
 In this schedule **clauses 2 and 3**,—
2013 Amendment Act means **subpart 3 of Part 1 and Part 2 of the Accounting Infrastructure Reform Act 2013**
principal Act means the Financial Reporting Act 2013.
- 2 New requirements for recognition apply to accounting periods that commence on or after commencement of 2013 Amendment Act 15
- (1) **Section 36(1)(a)** of the principal Act (as in force after the commencement of **section 30(2)** of the **2013 Amendment Act**) applies to audits of financial statements for accounting periods that commence on or after the commencement of **section 30(2)** of the **2013 Amendment Act**. 20
- (2) Section 36(1)(a) of the principal Act (as in force before the commencement of **section 30(2)** of the **2013 Amendment Act**) continues to apply to audits of financial statements for accounting periods that commence before the commencement of **section 30(2)** of the **2013 Amendment Act**. 25
- (3) Section 36(1)(c) of the principal Act (as in force after the commencement of **section 30(2B)** of the **2013 Amendment Act**) applies to audits of financial statements for accounting periods that commence on or after the commencement of **section 30(2B)** of the **2013 Amendment Act**. 30
- (4) Section 36(1)(c) of the principal Act (as in force before the commencement of **section 30(2B)** of the **2013 Amendment Act**) continues to apply to audits of financial statements for 35

accounting periods that commence before the commencement of **section 30(2B)** of the **2013 Amendment Act**.

- (5) **Section 45(3)** of the principal Act (as in force after the commencement of **section 32A** of the **2013 Amendment Act**) applies to accounting periods that commence on or after 1 April 2014. 5

3 Approval under section 36 continues for 1 year only unless re-approved by Registrar under new requirements

- (1) This clause applies to—
- (a) an association of accountants that, immediately before the commencement of this clause, has an approval that is in effect under section 36(1)(c); and 10
 - (b) a person who, immediately before the commencement of this clause, has an approval that is in effect under section 36(1)(d). 15
- (2) The approval referred to in **subclause (1)** continues in effect after the commencement of this clause.
- (3) However, that approval ceases to be in effect on the date that is 12 months after the date on which this clause comes into force unless the Registrar has re-approved the association of accountants or person under section 36(1)(c) or (d), as the case may be (in accordance with **section 36AA**). 20
- (4) Nothing in this clause limits the ability of the Registrar to do either or both of the following in respect of an association or a person referred to in **subclause (1)**: 25
- (a) cancel or suspend the approval of the association or person under this Act (and such a cancellation or suspension may take effect before or after the date that is 12 months after the date on which this clause comes into force); or 30
 - (b) impose, vary, revoke, add to, or substitute any conditions under **section 36AA** at any time.
- (5) However, for the 12-month period referred to in **subclause (3)**, **section 36AB(2) to (4)** does not apply.
- (6) Section 61 is subject to this clause. 35

	<u>Schedule 1A</u>	<u>s 50A</u>
	<u>New Schedule inserted</u>	
	<u>Schedule 1AA</u>	<u>s 2A</u>
	<u>Transitional, savings, and related provisions</u>	5
	<u>Provisions relating to subpart 4 of Part 1 of Accounting Infrastructure Reform Act 2013</u>	
<u>1</u>	<u>Interpretation</u>	
	<u>In clause 2,—</u>	10
	<u>2013 Amendment Acts means—</u>	
	(a) <u>subpart 4 of Part 1 of the Accounting Infrastructure Reform Act 2013</u> ; and	
	(b) <u>subpart 3 of Part 1 and Part 2 of the Accounting Infrastructure Reform Act 2013</u>	15
	<u>principal Act</u> means the New Zealand Institute of Chartered Accountants Act 1996.	
<u>2</u>	<u>References to President or Vice President of Institute</u>	
	<u>Unless the context otherwise requires, and subject to the provisions of the 2013 Amendment Acts, every reference in any other enactment or in any deed or other document to the President or a Vice President of the Institute must, after this clause comes into force, be read as if it were a reference to the Chair of the Executive Board (or his or her delegate).</u>	20

Schedule 2**s 52****Amendments to other Acts****Companies Act 1993 (1993 No 105)**

In section 186(3)(b), delete “chartered”.

In section 192(4)(b), delete “chartered”.

5

In section 214(3), replace “chartered accountant” with “qualified statutory accountant (within the meaning of section 5(1) of the Financial Reporting Act 2013)”.

Replace section 286(1)(f) with:

“(f) if the liquidator is a qualified statutory accountant (within the meaning of section 5(1) of the Financial Reporting Act 2013), a member of the governing body of the association of accountants of which the qualified statutory accountant is a member.”

10

In section 357(2), after “under this Act”, insert “, the Financial Reporting Act 2013,”.

15

Education Act 1989 (1989 No 80)

In section 35P(b), replace “chartered accountant” with “qualified auditor (within the meaning of section 35 of the Financial Reporting Act 2013)”.

20

In section 158K(3), replace “chartered accountant” with “qualified auditor (within the meaning of section 35 of the Financial Reporting Act 2013)”.

In section 159YD(3), replace “an independent chartered accountant” with “a qualified auditor (within the meaning of section 35 of the Financial Reporting Act 2013)”.

25

In section 159ZE(3), replace “an independent chartered accountant” with “a qualified auditor (within the meaning of section 35 of the Financial Reporting Act 2013)”.

In section 234C(1), definition of **trustee**, replace “chartered accountant” with “qualified statutory accountant (within the meaning of section 5(1) of the Financial Reporting Act 2013)”.

30

Electoral Act 1993 (1993 No 87)

Replace section 206K(e) with:

“(e) a body corporate that—

35

Electoral Act 1993 (1993 No 87)—*continued*

“(i) is not a registered audit firm (within the meaning of the Auditor Regulation Act 2011); and

“(ii) is not recognised as referred to in **section 36(1)(f) or (g)** of the Financial Reporting Act 2013; or”.

5

Financial Advisers Act 2008 (2008 No 91)

In section 5, repeal the definition of **chartered accountant**.

In section 5, insert in its appropriate alphabetical order:

“**qualified statutory accountant** has the same meaning as in section 5(1) of the Financial Reporting Act 2013”.

10

In section 14(1)(d), replace “chartered accountant” with “qualified statutory accountant”.

In section 77C(1)(a), replace “chartered accountant” with “qualified statutory accountant”.

Financial Markets Conduct Act 2013 (2013 No 69)

15

In section 6(1), repeal the definition of **chartered accountant**.

In section 6(1), insert in its appropriate alphabetical order:

“**qualified statutory accountant** has the same meaning as in section 5(1) of the Financial Reporting Act 2013”.

In section 372(3)(c), replace “chartered accountant” with “qualified statutory accountant”.

20

In section 461E(3), after “registered audit firm”, insert “that is a partnership”.

In section 461E(4)(c), after “body corporate”, insert “that is not a registered audit firm”.

25

In clause 41(1)(c) of Schedule 1, replace “chartered accountant” with “qualified statutory accountant”.

In clause 42(2)(a) and (b) of Schedule 1, replace “chartered accountant” with “qualified statutory accountant”.

In clause 43(1) and (2) of Schedule 1, replace “chartered accountant” with “qualified statutory accountant”.

30

Financial Service Providers (Registration and Dispute Resolution) Act 2008 (2008 No 97)

In section 4, repeal the definition of **chartered accountant**.

In section 4, insert in its appropriate alphabetical order:

“**qualified statutory accountant** has the same meaning as in section 5(1) of the Financial Reporting Act 2013”.

In section 7(2)(a), replace “chartered accountant” with “qualified statutory accountant”.

Gambling Act 2003 (2003 No 51)

In section 212, replace “chartered accountant (within the meaning of section 19 of the New Zealand Institute of Chartered Accountants Act 1996)” with “qualified auditor (within the meaning of section 35 of the Financial Reporting Act 2013)”.

Lawyers and Conveyancers Act 2006 (2006 No 1)

In section 109(3)(b), replace “chartered accountant” with “qualified statutory accountant (within the meaning of section 5(1) of the Financial Reporting Act 2013)”.

Replace section 150(f) with:

“(f) a qualified statutory accountant (within the meaning of section 5(1) of the Financial Reporting Act 2013):”.

In section 188(2)(d)(iv), after “Accountants”, insert “or a disciplinary tribunal, committee, or other body of any other accredited body (within the meaning of section 6(1) of the Auditor Regulation Act 2011)”.

In section 309(2), replace “chartered accountant” with “qualified auditor (within the meaning of section 35 of the Financial Reporting Act 2013)”.

In section 310(2), replace “chartered accountant” with “qualified auditor (within the meaning of section 35 of the Financial Reporting Act 2013)”.

In Schedule 2, clause 6(d), after “Accountants”, insert “or to the governing body of any other accredited body (which in this schedule has the same meaning as in section 6(1) of the Auditor Regulation Act 2011)”.

Lawyers and Conveyancers Act 2006 (2006 No 1)—*continued*

In Schedule 2, replace clause 8 with:

“8 Restrictions on publication by Council of New Zealand Institute of Chartered Accountants or other accredited body

“(1) If any disclosure is made under clause 6(d), the Council or governing body referred to in that paragraph must consider the information given in private and not otherwise. 5

“(2) It is not lawful for any member of the Council or governing body or for any officer of the New Zealand Institute of Chartered Accountants or the accredited body to publish to any person any information so disclosed except in evidence in disciplinary proceedings under the New Zealand Institute of Chartered Accountants Act 1996 or under the rules of the accredited body.” 10

In Schedule 3, clause 10(2)(b)(iv), after “Accountants”, insert “or a disciplinary tribunal, committee, or other body of any other accredited body (within the meaning of section 6(1) of the Auditor Regulation Act 2011)”. 15

Limited Partnerships Act 2008 (2008 No 1)

In section 67(3)(b), delete “chartered”. 20

In section 70(4)(b), delete “chartered”.

In section 76(4), replace “chartered accountant” with “qualified statutory accountant (within the meaning of section 5(1) of the Financial Reporting Act 2013)”. 25

Prisoners’ and Victims’ Claims Act 2005 (2005 No 74)

In section 54(5), replace “chartered accountant (within the meaning of section 19 of the New Zealand Institute of Chartered Accountants Act 1996)” with “qualified auditor (within the meaning of section 35 of the Financial Reporting Act 2013)”. 25

Privacy Act 1993 (1993 No 28)

In Schedule 2, Part 1, insert in its appropriate alphabetical order: 30

Financial Reporting Act 2013

section 36JA

Private Schools Conditional Integration Act 1975 (1975 No 129)

In section 36(8), replace “chartered accountant” with “qualified auditor (within the meaning of section 35 of the Financial Reporting Act 2013)”.

In section 37(4), replace “chartered accountant” with “qualified auditor (within the meaning of section 35 of the Financial Reporting Act 2013)”. 5

Protection of Personal and Property Rights Act 1988 (1988 No 4)

In section 46(2), (4) to (6), and (8), replace “chartered accountant” with “qualified auditor” in each place. 10

After section 46(8), insert:

“(9) In this section, **qualified auditor** has the same meaning as in section 35 of the Financial Reporting Act 2013.”

Public Audit Act 2001 (2001 No 10)

Replace section 32(1A)(a) and (b) with: 15

“(a) is a natural person who—

“(i) meets the prescribed minimum standards for the issue of a licence prescribed under subpart 3 of Part 2 of the Auditor Regulation Act 2011; or

“(ii) has the competence, qualifications, and experience that are equivalent to, or as satisfactory as, those standards; or 20

“(b) is a body corporate that is a registered audit firm (within the meaning of the Auditor Regulation Act 2011).”

Racing Act 2003 (2003 No 3)

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Replace section 13(1)(b) with:

“(b) have those financial statements audited by a qualified auditor (within the meaning of section 35 of the Financial Reporting Act 2013).”

In Schedule 3, clause 13(3), replace “chartered accountant (within the meaning of the New Zealand Institute of Chartered Accountants Act 1996)” with “qualified auditor (within the meaning of section 35 of the Financial Reporting Act 2013)”. 30

Real Estate Agents Act 2008 (2008 No 66)

In section 135(2)(b), replace “chartered accountant” with “qualified statutory accountant (within the meaning of section 5(1) of the Financial Reporting Act 2013)”.

Receiverships Act 1993 (1993 No 122)

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Replace section 37(1)(i) with:

- “(i) if the receiver is a qualified statutory accountant (within the meaning of section 5(1) of the Financial Reporting Act 2013), a member of the governing body of the association of accountants of which the qualified statutory accountant is a member:” 10

Retirement Villages Act 2003 (2003 No 112)

In section 13(1), replace “chartered accountant” with “qualified statutory accountant (within the meaning of section 5(1) of the Financial Reporting Act 2013)”.

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In section 94(3)(b), delete “chartered”.

Trustee Act 1956 (1956 No 61)

In section 83B(1), replace “chartered accountant (within the meaning of section 19 of the New Zealand Institute of Chartered Accountants Act 1996)” with “qualified statutory accountant” in each place.

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After section 83B(1), insert:

- “(1A) In subsection (1), **qualified statutory accountant** has the same meaning as in section 5(1) of the Financial Reporting Act 2013.”

Unclaimed Money Act 1971 (1971 No 28)

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Replace section 5(1)(j) with:

- “(j) any qualified statutory accountant (within the meaning of section 5(1) of the Financial Reporting Act 2013) in respect of money held on behalf of clients:”

Accounting Infrastructure Reform Bill

Legislative history

2 December 2013
28 January 2014

Introduction (Bill 180–1)
First reading and referral to Commerce Committee
