

Auditor Regulation and External Reporting Bill

Government Bill

Explanatory note

General policy statement

This Bill strengthens the regulation of practitioners who carry out audits of issuers. It also reconstitutes the Accounting Standards Review Board (**ASRB**) as the External Reporting Board and consolidates financial reporting and audit and assurance standards-setting within the new Board.

Auditor regulation

The purpose of carrying out an audit is to provide a high level of assurance that a set of financial statements is free from material error. Users can be confident that they can rely on the financial statements to provide information that will help them make sound business and economic decisions if audits are consistently carried out to a high standard. The need for audit firms to have a strong reputation makes a significant contribution to promoting audit quality. However, regulation is needed in some form or other to provide users with the necessary degree of confidence.

The aim of *Parts 1 to 3* of the Bill is to maintain and promote audit quality by strengthening the regulatory system relating to issuer audits. The statutory definition of issuer covers 2 broad categories. First, it includes entities that seek funding through debt and equity

instruments that are offered to the public. Secondly, it includes banks, insurance companies, mutual funds, and other entities that take deposits from the public or hold assets in a fiduciary capacity for broad groups of outsiders. Issuer audits are targeted in this Bill because this is the class of audits where investors are most at risk of losing substantial amounts of money in the event of audit failure.

At present, audits of financial statements prepared by issuers must be carried out by—

- chartered accountants as defined in the Institute of Chartered Accountants of New Zealand Act 1996 (the **ICANZ Act**); or
- persons appointed by the Auditor-General under the Public Audit Act 2001; or
- accountants who are members of overseas professional accounting organisations that have been approved by the Registrar of Companies; or
- overseas qualified persons approved by the Registrar of Companies.

Thus, the New Zealand system has the following features:

- it recognises 1 domestic professional accounting body; and
- self-regulation by that professional body; and
- there is an assumption that other countries also have self-regulation; and
- there is an expectation that auditors can be effectively regulated as part of the broader system for regulating chartered accountants.

The Bill will strengthen the regulation of practitioners who carry out issuer audits in 2 main ways. First, the New Zealand Institute of Chartered Accountants (**NZICA**) and any other professional body accredited by the proposed Financial Markets Authority (**FMA**) will be required to license issuer auditors as a specialist profession. Secondly, the FMA will be responsible for monitoring and reporting on the adequacy and effectiveness of NZICA's regulatory systems and processes.

The FMA is to be established under the Financial Markets (Regulators and KiwiSaver) Bill.

The FMA will also be responsible for setting the minimum standards for becoming a licensed auditor, and for carrying out practice

reviews. The FMA will also take over responsibility for regulating overseas-qualified auditors from the Registrar of Companies. Any accredited professional bodies other than NZICA would be subject to the same requirements placed on NZICA. The Registrar will be responsible for operating the register of licensed auditors.

The changes are needed for 2 main reasons. The first relates to concerns about the current regulatory system, which places a significant degree of reliance on chartered accountants with practising certificates to self-assess whether they have the competence and the necessary level of independence to carry out issuer audits. The finance company experience indicates that some practitioners did not make sound self-assessments.

Secondly, self-regulation is no longer within the range of international acceptability. Consequently, New Zealand practitioners are unable to obtain registration in some jurisdictions and are at risk of losing recognition in other jurisdictions. New Zealand practitioners cannot obtain registration from the Australian Securities and Investments Commission. This means that New Zealand practitioners cannot be the engagement partner for Australian company audits. Without regulatory change, New Zealand is also at risk of losing recognition from the European Union. This would mean that New Zealand practitioners would not be able to audit financial statements prepared by New Zealand entities listed on European exchanges. To summarise, self-regulation needs to be replaced for Single Economic Market, international recognition, and international credibility reasons.

Standards setting

At present, the responsibility for standards setting is divided between NZICA and the ASRB as follows:

- NZICA recommends draft financial reporting standards for approval to the ASRB:
- the ASRB decides whether to approve financial reporting standards submitted to it by NZICA or any other person or body:
- it is unclear which body is responsible for financial reporting standards strategy. In practice, NZICA and the ASRB have both made strategic decisions, usually together:

- no legislation, other than audits carried out under the Public Audit Act 2001, explicitly authorises any person or body to set auditing and assurance standards. However, it is implicit that NZICA has this responsibility in relation to its members because the ICANZ Act requires it to regulate auditors.

Part 4 of the Bill proposes that all financial reporting and auditing and assurance standards setting be consolidated within a reconstituted ASRB, to be called the External Reporting Board. These changes are needed for the following reasons:

- to promote strategic policy coherence and co-ordinated service delivery:
- to make New Zealand's system consistent with the international norm that standards setting should be seen to be independent of the interests of the profession:
- to meet the concern expressed by NZICA that it is finding it increasingly difficult to discharge its standards-related responsibilities, mainly due to resource constraints:
- to deal with uncertainty about whether the auditing and assurance standards approved by NZICA apply to overseas-qualified auditors who are not members of NZICA.

It is intended that the Bill will be divided at the committee of the whole House stage into separate Bills as follows:

- *Parts 1 to 3* and *Schedule 1* will become the Auditors Bill:
- *Part 4* and *Schedule 2* will become a Financial Reporting Amendment Bill.

Regulatory impact statement

The Ministry of Economic Development produced regulatory impact statements dated 5 October 2009, 3 March 2010, April 2010, and 9 July 2010 to help inform the main policy decisions taken by the government relating to the contents of this Bill.

Copies of these regulatory impact statements can be found at—

- http://www.med.govt.nz/templates/MultipageDocument-TOC___43992.aspx
- http://www.med.govt.nz/templates/MultipageDocument-TOC___44004.aspx

- http://www.med.govt.nz/templates/MultipageDocument-TOC___44089.aspx
- http://www.med.govt.nz/templates/MultipageDocument-TOC___44696.aspx
- <http://www.treasury.govt.nz/publications/informationreleases/ris>

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 relates to commencement. The preliminary provisions and the regulation-making powers come into force on the day after the Bill receives the Royal assent. The rest of the Bill comes into force (not later than 1 July 2012) by Order in Council. These provisions will come into force after arrangements have been made to prepare for the new system for regulating auditors, after arrangements have been made to prepare for the new standard-setting process under the Financial Reporting Act 1993, and after regulations have been made to give effect to some parts of the Bill.

Part 1 Preliminary and key provisions

Preliminary provisions

Clause 3 is the purpose clause. The purpose of *Parts 1 to 3* is to regulate auditors who carry out audits in respect of issuers and to establish an independent oversight system in order to—

- promote, in respect of issuer audits, quality, expertise, and integrity in the profession of auditors; and
- promote the recognition of the professional status of New Zealand auditors in overseas jurisdictions.

Clause 4 contains an overview of *Parts 1 to 3*.

Clause 5 relates to the Financial Markets Authority's functions under *Parts 1 to 3*, including—

- to issue licences to overseas auditors:
- to prescribe certain licensing matters:
- to grant accreditation to persons as accredited bodies and to monitor those accredited bodies:

- to conduct quality reviews and investigations.

The Financial Markets Authority (**FMA**) is to be established under a separate Bill. *Clause 6(2)* provides that until the FMA is established, references to the FMA must be read as references to Securities Commission.

Clause 6 relates to interpretation.

Clause 7 provides that *Parts 1 to 3* bind the Crown.

Key provisions

Clause 8 contains the fundamental requirement for a person that acts as an auditor in respect of an issuer audit to hold a licence that authorises the person to act (being a licence that is recorded in the register of licensed auditors (the **register**)). A person who breaches this requirement commits an offence and is liable to a fine not exceeding \$50,000.

The clause also clarifies the application of the requirement in circumstances where an audit firm is acting.

Clause 9 prohibits a person from holding out that the person is entitled, qualified, able, or willing to act as the auditor in respect of an issuer audit unless the person is authorised by a licence or otherwise to do so. A person who breaches this requirement commits an offence and is liable to a fine not exceeding \$50,000.

Part 2

Licences, registration, accreditation, and role of FMA

Subpart 1—Licences

Issue of licences by accredited bodies

Clause 10 provides for accredited bodies (for example, the Institute of Chartered Accountants of New Zealand (the **Institute**)) to issue a licence to a person if the person—

- meets the minimum standards for the issue of a licence that are prescribed by the FMA; and
- is otherwise a fit and proper person to hold a licence.

Issue of licences by FMA to overseas auditors

Clause 11 provides for the FMA to issue a licence to an overseas auditor if—

- the auditor meets the minimum standards for the issue of a licence that are prescribed by the FMA; and
- the auditor is required to comply with overseas ongoing competence requirements and overseas professional and ethical standards that are equivalent to, or as satisfactory as, the New Zealand requirements and standards; and
- the auditor's practice is subject to quality review arrangements; and
- the auditor is otherwise a fit and proper person to hold a licence.

Clause 12 requires an overseas auditor to notify the FMA of certain relevant changes (for example, a change in the circumstances of the person that results in the person no longer meeting the prescribed minimum standards).

Licence details to be sent to Registrar

Clause 13 requires an accredited body or the FMA to send to the Registrar of Companies (who will maintain the register) notification of the issue of licences.

Conditions

Clauses 14 and 15 provide for an accredited body or the FMA to issue a licence subject to conditions (being conditions prescribed under *subpart 2* as conditions that may, or must, be imposed, and conditions that specify the kinds of issuer audits in respect of which the person is authorised to act).

Duration of licence

Clause 16 provides that a licence must specify the date of its expiry (being not later than 5 years after the date of the issue of the licence).

Ongoing competence requirements

Clauses 17 and 18 provide for—

- persons issued with a licence to complete competence programmes to maintain their ongoing competence; and
- the consequences of failing to satisfy the requirements of the competence programme (for example, changing the conditions of the licence or suspension of the licence).

Cancellation and suspension of licences

Clauses 19 and 20 provide for the cancellation or suspension of the licence of a person in various circumstances (for example, if the person no longer satisfies the prescribed minimum standards for the issue of a licence, the person has failed to comply with a condition of the licence, or the person has failed to comply with various obligations under the Bill).

Clause 21 provides for a licensed auditor to have an opportunity to make submissions to the relevant body before his or her licence is suspended or cancelled.

Clause 22 allows the FMA to authorise a person to continue to act in respect of an issuer audit despite the cancellation or suspension of their licence.

Appeals in respect of licensing and related matters

Clause 23 provides for appeals to a District Court in respect of licensing and certain other decisions of an accredited body or the FMA.

Subpart 2—FMA may prescribe licensing and other matters

This subpart provides for the FMA to prescribe the following matters in respect of the licensing system established by the Bill:

- the minimum standards for licensing;
- the conditions to which licences must, or may, be subject;
- the requirements for ongoing competence;
- the minimum standards for accreditation that a person must meet in order to be granted accreditation by the FMA under *subpart 4*:

- the procedure that accredited bodies must follow when performing regulatory functions:
- various transitional arrangements.

Clause 26 requires the FMA to be guided by the following principles when prescribing matters:

- the matters must be necessary or desirable to promote quality, expertise, and integrity in the profession of auditors or to promote the recognition of the professional status of New Zealand auditors in overseas jurisdictions (or for incidental or consequential matters); and
- the matters should not unnecessarily restrict the licensing of auditors; and
- the matters should not impose undue costs on auditors or on issuers.

Clause 27 requires the FMA to consult on proposed notices promulgated under the subpart.

Clause 28 provides that each notice published under the subpart is a regulation for the purposes of the Regulations (Disallowance) Act 1989 but is not a regulation for the purposes of the Acts and Regulations Publication Act 1989.

The FMA must publish notices on its Internet site, make copies of them available for inspection, and allow copies to be obtained for a reasonable fee. This is considered more appropriate than publication in the Statutory Regulations series, given that the notices contain technical matters relevant to auditors, rather than matters that are of general application or interest to the public. Publication of the notices on the FMA's Internet site, in particular, will ensure that the notices are readily available to all persons that are affected by the notices and to the public.

Subpart 3—Register of licensed auditors

This subpart provides for a register of licensed auditors that will be maintained by the Registrar of Companies. The register will contain various information about licensed auditors and the status and relevant history of their licences.

The purpose of the register is—

- to enable any person to—

- determine whether a person is a licensed auditor and, if so, the status and relevant history of the person's licence; and
 - choose a suitable person to carry out an issuer audit; and
 - know which licensed auditors have been disciplined within the last 7 years; and
- to assist any person in the exercise of the person's powers or the performance of the person's functions under the Bill or any other enactment.

The subpart—

- requires licensed auditors, accredited bodies, and the FMA to notify the Registrar of certain relevant changes within 10 working days of the licensed auditor, the accredited body, or the FMA (as the case may be) first becoming aware of the change (for example, a change in the status or relevant history of a licence):
- requires accredited bodies and the FMA to send an annual confirmation to the Registrar that either confirms that the information supplied to the Registrar in respect of the licences issued by the accredited body or the FMA is correct or contains updated information.

The subpart provides for searches of the register (including search criteria and search purposes).

Subpart 4—Accreditation

This subpart provides for the accreditation of accredited bodies. Accredited bodies may issue licences and carry out various other regulatory functions for the purposes of the Bill.

Clause 39 provides that the FMA may grant accreditation to a person if the FMA is satisfied that the person—

- will implement and maintain audit regulatory systems that are adequate and effective; and
- meets the minimum standards for the grant of accreditation prescribed under *subpart 2*; and
- is a fit and proper person to perform regulatory functions for the purposes of the Bill.

Clause 40 provides that accreditation may be granted subject to conditions, including—

- conditions relating to the procedure that an accredited body must follow when performing regulatory functions;
- conditions to ensure that the accredited body's audit regulatory systems are adequate and effective.

Clause 41 provides that the Institute must be treated as having been granted accreditation. This does not prevent the FMA from imposing any conditions of accreditation or exercising any other powers in respect of the accreditation.

Clause 42 requires every accredited body to supply to the FMA an annual report that includes information relating to its performance in carrying out regulatory functions for the purposes of the Bill and information relating to any material changes to its audit regulatory systems.

Clauses 43 and 44 require the FMA to publish,—

- each year, a plan relating to its intentions in relation to auditor regulation and oversight under the Bill; and
- its policies in relation to how it acts, or proposes to act, in determining applications for accreditation and in imposing conditions of accreditation.

Clauses 45 and 46 require the FMA to monitor the audit regulatory systems of each accredited body in order to determine the extent to which those systems are adequate and effective (and to report on those systems).

Clauses 47 to 49 provide for the FMA to give directions to an accredited body if—

- its audit regulatory systems are not adequate and effective; or
- the adequacy or effectiveness of the audit regulatory systems can be improved in order to better meet the purposes of the Bill; or
- its audit regulatory systems are inconsistent with the FMA's plan under *clause 43*.

The directions may require the accredited body to amend its audit regulation systems to effectively address the matters that caused the FMA to give the directions. An accredited body that fails to comply

with a direction commits an offence and is liable to a fine not exceeding \$50,000.

Clauses 50 and 51 allow the FMA to suspend or cancel accreditation or to censure an accredited body in certain circumstances, including where—

- the accredited body has failed to comply with a condition of its accreditation, to supply an annual report under *clause 42*, or to comply with a direction; or
- the audit regulatory systems of an accredited body are not adequate and effective.

Clause 52 provides that if the accreditation of a body is cancelled or suspended, each licence issued by the body is treated as cancelled or suspended (unless the FMA orders otherwise). The FMA may also authorise a person whose licence is suspended or cancelled under the clause to act, or continue to act, in respect of an issuer audit under *clause 22*.

Clause 53 provides for an accredited body to have an opportunity to make submissions to the FMA before various decisions are made under the subpart.

Clause 54 provides for appeals to the High Court against decisions of the FMA under the subpart.

Clause 55 provides that certain provisions of the Institute of Chartered Accountants of New Zealand Act 1996 apply to accredited bodies that are not the Institute (for example, provisions relating to discipline).

Subpart 5—Quality review

Clause 56 requires the FMA to ensure that a review is carried out of the systems, policies, and procedures of audit firms that have at least 1 licensed auditor and of licensed auditors who are not partners or employees of an audit firm. A review must be carried out at least once in every 4-year period. The purpose of the review is to ensure that issuer audits are carried out by the audit firm or licensed auditor in accordance with—

- the requirements imposed by or under the Bill and other enactments; and
- auditing and assurance standards issued by the Board; and

- professional and ethical standards issued by the Board.

Clause 57—

- allows the FMA to arrange for the review to be carried out by an accredited body or any other suitably qualified person; and
- requires the FMA to take reasonable steps to ensure that there is no conflict of interest in respect of the individuals who carry out the quality review on its behalf.

Clause 58 provides for restrictions on the quality review requirements in relation to the Auditor-General.

Clause 59 sets out the matters that a quality review must include.

Clause 60 creates an offence of hindering, obstructing, or delaying the FMA in carrying out a quality review (with a maximum fine of \$40,000 in the case of an individual and \$100,000 in the case of a body corporate). The provision applies to partners or directors of the audit firm, the licensed auditor, employees and contractors of the audit firm or licensed auditor, and every issuer in relation to which the audit firm or licensed auditor has carried out, or is carrying out, an issuer audit.

Clause 61 provides for the FMA to issue directions if it is satisfied on reasonable grounds that the systems, policies, and procedures of the audit firm or licensed auditor are insufficient. The directions can require the audit firm or the licensed auditor to amend the systems, policies, and procedures to effectively address the matters that caused the FMA to give the directions. The FMA can also give a direction requiring failures in respect of a particular issuer audit to be mitigated or remedied.

Clause 62 provides that a failure to comply with a direction is an offence (with a maximum fine of \$25,000) and may result in the cancellation or suspension of a licence.

Clause 63 provides for miscellaneous matters relating to directions and orders.

Clause 64 requires the FMA to prepare a report on each quality review and to publish a copy of it on an Internet site maintained by or on behalf of the FMA.

Subpart 6—Investigations by FMA

Clause 65 allows the FMA to start or take over an investigation or investigate in conjunction with an accredited body if the FMA is satisfied that it is in the public interest to do so. However, the FMA may not act in the case of a member of an accredited body unless it is satisfied that the matter is not being investigated promptly or otherwise in a reasonable manner by, or on behalf of, the accredited body or the accredited body has asked the FMA to act.

Clause 66 provides that,—

- if the FMA starts, or takes over, an investigation in respect of a member of an accredited body, the body may investigate or take action against the auditor in respect of the same matter only with the FMA's written approval; but
- the FMA may not act in respect of conduct that is, or has been, the subject of proceedings before a disciplinary body.

Clause 67 requires an accredited body to give all reasonable assistance to the FMA to enable the investigation to be carried out. An accredited body commits an offence (with a maximum fine of \$100,000) if it fails to give the assistance or otherwise hinders, obstructs, or delays the FMA in carrying out an investigation.

Clause 68 allows the FMA to make various orders if it is satisfied that a licensed auditor has failed to comply with various requirements, including cancelling or suspending his or her licence. The FMA's decision can be appealed under *clause 23*.

Clause 69 provides for various miscellaneous matters relating to the orders.

Subpart 7—FMA may take over and perform regulatory functions

This subpart allows the FMA to take over and perform a regulatory function (in whole or in part), or perform a regulatory function (in whole or in part) in conjunction with the accredited body, if—

- the accredited body asks the FMA to act; and
- the FMA is satisfied on reasonable grounds that it is necessary or desirable for the FMA to act in that manner in order to promote the recognition of the professional status of New Zealand auditors in overseas jurisdictions.

Part 3

Amendments to other Acts, regulations, transitional provisions, and other miscellaneous matters

Subpart 1—Amendments to other Acts

This subpart and *Schedule 1* provide for amendments to other enactments.

Subpart 2—Regulations and levies

Clause 73 provides for regulations (for example, regulations relating to fees, forms, and the operation of the register).

Clause 74 provides for levies to recover the estimated costs of exercising or performing the FMA's functions, powers, and duties under *Parts 1 to 3*. Levies may be imposed on licensed auditors, the Auditor-General, and issuers.

Subpart 3—Transitional provisions

Clause 75 provides for persons to be treated as holding a licence issued by the Institute if,—

- immediately before commencement, the person is a chartered accountant who has, at any time within the 2-year period before that commencement, acted as the auditor in respect of an issuer audit; and
- satisfies the transitional requirements prescribed under *subpart 2 of Part 2*.

Clause 76 provides for persons to be treated as holding a licence issued by the FMA if,—

- immediately before commencement, the person is an overseas auditor who has, at any time within the 2-year period before that commencement, acted as the auditor in respect of an issuer audit; and
- satisfies the transitional requirements prescribed under *subpart 2 of Part 2*.

The licences have a term of 2 years but may expire earlier if, for example, the licence holder does not supply registration information to the Registrar.

Clause 77 provides that these provisions do not prevent the Institute or the FMA from exercising any powers in respect of the licences under the Bill.

Subpart 4—Miscellaneous provisions

Clause 78 provides that *clauses 8 and 9* do not apply to the Auditor-General. In addition, the definition of issuer audit in *clause 6* does not include audits carried out under the Public Audit Act 2001. Accordingly, the Auditor-General and employees and other persons who act under the Public Audit Act 2001 are not required to hold a licence in respect of audits under that Act.

Clause 79 provide that the Commission has a power to amend or revoke orders, directions, or notices given under the Bill.

Clause 80 provides for accredited bodies to share information with the FMA.

Clause 81 provides for notice and service of documents under the Bill.

Clause 82 provides for an offence of making false declarations or representations for the purposes of the Bill (with a penalty of a fine not exceeding \$50,000).

Part 4 Amendments to Financial Reporting Act 1993

This Part amends the Financial Reporting Act 1993 (the **Act**). The main changes are as follows:

- the External Reporting Board (the **Board**) is continued under the Act. The Board is the same body as the Accounting Standards Review Board that was originally established by the Act:
- the arrangements for setting financial reporting standards have changed. Currently, the Board reviews and, if it thinks fit, approves financial reporting standards submitted to it for approval by the Institute or any other organisation. Under this Part, these arrangements are changed so that it is the Board that will prepare, consult on, and issue financial reporting standards. Existing financial reporting standards will, however, continue in force:

- the Board will have a number of new functions, including—
 - preparing and issuing auditing and assurance standards; and
 - developing and implementing the overall strategy for the issue of financial reporting standards and auditing and assurance standards (including a strategy for tiers of financial reporting); and
 - preparing and issuing professional and ethical standards that will govern the professional conduct of licensed auditors; and
 - liaising with international or national organisations that exercise functions that correspond with, or are similar to, those conferred on the Board:
- the membership of the Board must be not more than 9 members (rather than not more than 7 members) and the qualifications for membership include an express mention of knowledge of, or experience in, auditing:
- *clause 86* amends section 15 (which requires the financial statements of issuers and the group financial statements of issuers to be audited) to require these audits to be carried out by a licensed auditor (unless the issuer is a public entity under the Public Audit Act 2001):
- the new auditing and assurance standards are given the force of law. *New section 15A* (inserted by *clause 87*) provides that if, under section 15 of the Act or any other Act (other than the Public Audit Act 2001 or an Act that is prescribed by regulations), the financial statements of a reporting entity or group financial statements of a group are required to be audited, the auditor must comply with the applicable auditing and assurance standards. An auditor that fails, without reasonable excuse, to comply commits an offence and is liable to a fine not exceeding \$30,000:
- *new section 28(2)* (inserted by *clause 88*) allows a financial reporting standard, an amendment, or a determination to be treated as taking effect on the date of the notification of the issue of the standard, amendment, or determination in the *Gazette* (rather than 28th day after notification). This is to facilitate the ability of certain reporting entities that elect to

take advantage of the provision to comply with international financial reporting or accounting standards:

- *new section 29* (inserted by *clause 88*) provides for the new auditing and assurance standards. Those standards may have general or specific application and differ according to differences in time or circumstance:
- *new sections 34 to 34B* (inserted by *clause 88*) provide for the development of a strategy relating to tiers of financial reporting. The tiers of financial reporting will involve imposing different financial reporting requirements in respect of different classes of reporting entities and other entities in order to ensure that the requirements that apply are appropriate. The strategy must be submitted to the Minister for approval. After it is approved, the Board must take reasonable steps to implement the strategy:
- *new sections 42C and 42D* (inserted by *clause 91*) provide for levies to be imposed for the purpose of funding a portion of the costs of the exercise and performance of the Board's functions, powers, and duties under the Act and recovering the cost of collecting the levies. Levies may be imposed on chartered accountants, licensed auditors, the Institute and other accredited bodies, the Auditor-General, issuers, and other persons who are in the business of offering accounting or auditing services to the public in New Zealand.

The Act currently provides that standards and certain other determinations are subject to disallowance under the Regulations (Disallowance) Act 1989. However, those standards and determinations are not regulations for the purposes of the Acts and Regulations Publication Act 1989. The Act currently provides for public notice of standards in the *Gazette* and other publications that the Board considers appropriate. This is considered more appropriate than publication in the Statutory Regulations series, given that the standards contain highly technical and complex matters relevant to accountants and auditors, rather than obligations that are of general application or interest to the public. Publication of the standards in the manner that the Board considers appropriate, in particular, ensures that the standards are readily available to all persons that are affected by the standards. This position has been carried over under *new section 32*.

Various consequential changes have been made to the provisions of the Act dealing with consultation, revocation of standards, public notice of standards, disallowance, and certificates to reflect—

- the new standard setting process; and
- the new function of issuing auditing and assurance standards and professional and ethical standards.

Clause 94 amends the Public Audit Act 2001 to require audits of issuers carried out under that Act to, at a minimum, be carried out in accordance with auditing and assurance standards issued by the Board.

Clauses 95 to 97 provide for transitional matters, including—

- that financial standards approved under the Act continue in effect; and
- that further consultation is not required if the Board adopts auditing and assurance standards or professional and ethical standards that have previously been issued or approved by the Institute; and
- provisions that relate to the chairperson and members of the Accounting Standards Review Board.

Schedule 2 contains consequential amendments relating to the changes to the Act.

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Reporting Bill**

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The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the Auditor Regulation and External Reporting Act **2010**.
- 2 Commencement**
- (1) **Sections 1 to 7, 73, 74, 90, and 91** come into force on the day after the date on which this Act receives the Royal assent. 5
- (2) The rest of this Act comes into force on a date to be 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. 10
- (3) To the extent that it is not previously brought into force under **subsection (2)**, the rest of this Act comes into force on 1 July 2012.

Part 1
Preliminary and key provisions 15

Preliminary provisions

- 3 Purpose**
The purpose of **Parts 1 to 3** is to regulate auditors who carry out audits in respect of issuers and to establish an independent oversight system in order to— 20
- (a) promote, in respect of issuer audits, quality, expertise, and integrity in the profession of auditors; and
- (b) promote the recognition of the professional status of New Zealand auditors in overseas jurisdictions.

4 Overview

- (1) In **Parts 1 to 3**,—
- (a) this Part—
 - (i) requires auditors who carry out audits of financial statements and group financial statements of issuers, or otherwise in respect of issuers, to hold a licence; and 5
 - (ii) provides for other preliminary provisions, including purposes and interpretation; and
 - (b) **Part 2** provides for— 10
 - (i) the issue of licences by accredited bodies; and
 - (ii) other matters relating to licences, including conditions, duration, cancellation, suspension, and appeals; and
 - (iii) the register of licensed auditors; and 15
 - (iv) the FMA to perform the functions referred to in **section 5**; and
 - (c) **Part 3** provides for amendments to other Acts, regulations, and transitional and other miscellaneous matters.
- (2) This section is only a guide to the general scheme and effect of **Parts 1 to 3**. 20

5 FMA’s functions under Parts 1 to 3

The FMA’s functions under **Parts 1 to 3** are as follows:

- (a) to issue licences to overseas auditors:
- (b) to prescribe licensing and other matters under **subpart 2 of Part 2**: 25
- (c) to grant accreditation to persons under **subpart 4 of Part 2**:
- (d) to monitor the audit regulatory systems of accredited bodies, report on the adequacy and effectiveness of those systems, and take action in respect of those systems that are inadequate or ineffective: 30
- (e) to conduct quality reviews and investigations under **subparts 5 and 6 of Part 2**:
- (f) to take over and perform regulatory functions under **subpart 7 of Part 2**: 35

- (g) to perform or exercise any other functions, powers, and duties conferred or imposed on it by or under **Parts 1 to 3**.

6 Interpretation

- (1) In **Parts 1 to 3**, unless the context otherwise requires,— 5
- accredited body** means a person that is accredited under **sub-part 4 of Part 2**
- audit firm** means a partnership or body corporate that carries on the business of providing auditing services (whether or not it provides other services) 10
- audit regulatory systems** means, in relation to an accredited body, the body's systems and processes for performing its regulatory functions
- auditing and assurance standard** has the same meaning as in section 2(1) of the Financial Reporting Act 1993 15
- Auditor-General** has the same meaning as in section 4 of the Public Audit Act 2001
- director** has the same meaning as in section 2 of the Securities Act 1978
- disciplinary body**,— 20
- (a) in relation to the Institute, means the Disciplinary Tribunal referred to in section 6(1)(g) of the Institute of Chartered Accountants of New Zealand Act 1996:
- (b) in relation to any other accredited body, means the tribunal, committee, or other body that has been— 25
- (i) set up to take disciplinary action in respect of the members of the accredited body; and
- (ii) approved by the FMA to act as the disciplinary body
- engagement partner**, in respect of an issuer audit where an audit firm is acting, means the partner, director, or other person in the firm who is responsible for the audit and its performance, and for the audit report that is issued on behalf of the firm 30
- financial statements** has the same meaning as in section 8 of the Financial Reporting Act 1993 35

- FMA** means the Financial Markets Authority established under **Parts 1 to 4** of the **Financial Markets (Regulators and KiwiSaver) Act 2010** (subject to **subsection (2)**)
- group financial statements** has the same meaning as in section 9 of the Financial Reporting Act 1993 5
- Institute** means the Institute of Chartered Accountants of New Zealand constituted under the Institute of Chartered Accountants of New Zealand Act 1996
- issuer** has the same meaning as in section 4 of the Financial Reporting Act 1993 10
- issuer audit**—
- (a) means the audit of—
 - (i) the financial statements of an issuer and, if the issuer is required to complete group financial statements, of those group financial statements; or 15
 - (ii) the financial statements of a scheme, a fund, or a retirement village referred to in section 9A of the Financial Reporting Act 1993; but
 - (b) does not include any audit carried out under the Public Audit Act 2001 (whether the Auditor-General or any other person is acting as the auditor) 20
- licence**—
- (a) means a licence issued by an accredited body or the FMA under **Part 2**; and
 - (b) includes a licence that a person is treated as holding under **subpart 3 of Part 3** 25
- licensed auditor** means a person who holds, or is treated as holding, a licence
- Minister** means the Minister of the Crown who, under the authority of any warrant or with the authority of the Prime Minister, is for the time being responsible for the administration of this Act 30
- member** means, in relation to an accredited body, a person to whom the accredited body has issued a licence
- overseas auditor** means a person who is entitled to act as an auditor in a country, state, or territory outside New Zealand that is prescribed for the purposes of this definition 35

- prescribed minimum standards** means the prescribed minimum standards for the issue of a licence prescribed under **subpart 2 of Part 2**
- professional and ethical standards** means the standards issued by the External Reporting Board under **section 24(1)(e)** of the Financial Reporting Act 1993 that govern the professional conduct of licensed auditors
- quality review** means a quality review under **subpart 5 of Part 2**
- register** means the register kept under **subpart 3 of Part 2**
- Registrar** means the Registrar of Companies appointed in accordance with section 357(1) of the Companies Act 1993
- regulatory function** includes any of the following functions that are performed by an accredited body or any committee or disciplinary body of an accredited body (to the extent that those functions relate to, or are in connection with, persons who apply for, hold, or have held a licence):
- (a) considering applications for licences, issuing licences, and setting conditions of licences:
 - (b) adopting, implementing, and monitoring codes of ethics:
 - (c) monitoring compliance with auditing and assurance standards:
 - (d) promoting, monitoring, and reviewing the ongoing competence of members:
 - (e) inquiring into the conduct of members:
 - (f) investigating complaints against members and former members:
 - (g) hearing complaints about, and taking disciplinary action against, its members and former members:
 - (h) dealing with appeals from decisions of the disciplinary body.
- (2) Until the establishment of the FMA under **Parts 1 to 4** of the **Financial Markets (Regulators and KiwiSaver) Act 2010**, references in **Parts 1 to 3** to the FMA must be read as references to the Securities Commission.

- (3) In **Parts 1 to 3**, unless the context otherwise requires, audit regulatory systems are **adequate and effective** if they are designed and operate in a manner that—
- (a) promotes, in respect of issuer audits, quality, expertise, and integrity in the profession of auditors; and 5
 - (b) promotes the recognition of the professional status of New Zealand auditors in overseas jurisdictions.

7 Parts 1 to 3 to bind the Crown
Parts 1 to 3 bind the Crown.

Key provisions 10

8 Auditors in respect of issuer audits must be licensed

- (1) Every person who acts as the auditor in respect of an issuer audit must hold a licence that—
- (a) authorises the person to act as the auditor in respect of that kind of issuer audit; and 15
 - (b) is recorded in the register.
- (2) A person who acts as the auditor in respect of an issuer audit in breach of **subsection (1)** commits an offence and is liable on summary conviction to a fine not exceeding \$50,000.
- (3) If an audit firm is engaged or appointed to act as the auditor in respect of an issuer audit,— 20
- (a) the audit firm must, by written notice to the issuer, identify 1 or more engagement partners in respect of the audit; and
 - (b) the engagement partner or partners identified under **paragraph (a)** must, for the purposes of **Parts 1 to 3**, be treated as acting as the auditor or auditors in respect of the issuer audit (and, accordingly, it is that engagement partner or those engagement partners that must each hold a licence as required by **subsection (1)**); and 25 30
 - (c) the audit firm must ensure that each engagement partner holds a licence as required by **subsection (1)**.
- (4) The audit firm—

- (a) must first identify the engagement partner or partners under **subsection (3)(a)** before the start of the issuer audit; but
- (b) may subsequently identify an additional or a different engagement partner or partners under **subsection (3)(a)**. 5
- (5) If an audit firm breaches **subsection (3)**, every partner or director of the audit firm commits an offence and is liable on summary conviction to a fine not exceeding \$50,000.
- 9 No holding out that entitled, qualified, able, or willing to act as auditor in respect of issuer audit unless authorised under licence** 10
- (1) A person who is not a licensed auditor must not use any name, title, trade mark, style, designation, or description that represents or implies that the person is a licensed auditor. 15
- (2) A person must not hold out (whether directly or indirectly) that the person is entitled, qualified, able, or willing to act as an auditor in respect of an issuer audit of a particular kind unless that person is, under a licence or otherwise under this Act, authorised or permitted to act as an auditor in respect of an issuer audit of that kind. 20
- (3) Every person who breaches **subsection (1) or (2)** commits an offence and is liable on summary conviction to a fine not exceeding \$50,000.

Part 2 25

Licences, registration, accreditation, and role of FMA

Subpart 1—Licences

Issue of licences by accredited bodies

- 10 Licences issued by accredited bodies** 30
- (1) An accredited body may, on an application made by a person, issue a licence to the person if the accredited body is satisfied that the person—
- (a) meets the prescribed minimum standards; and
- (b) is otherwise a fit and proper person to hold a licence. 35

- (2) The application must be accompanied by payment of the prescribed registration fee (which the accredited body will either send to the Registrar under **section 13(1)(c)** or refund to the applicant if the licence is not issued).

Issue of licences by FMA to overseas auditors 5

11 Licences issued by FMA to overseas auditors

- (1) The FMA may, on an application made by a person, issue a licence to the person if the FMA is satisfied that—
- (a) the person is an overseas auditor; and
 - (b) the person meets the prescribed minimum standards; 10
and
 - (c) the person is required, under the law or regulatory requirements of the person’s home jurisdiction, to comply with—
 - (i) requirements for maintaining the person’s on- 15
going competence that are equivalent to, or as satisfactory as, the requirements under **section 17**; and
 - (ii) professional and ethical standards that are 20
equivalent to, or as satisfactory as, the standards that are issued under **section 24(1)(e)** of the Financial Reporting Act 1993; and
 - (d) the enforcement of the standards referred to in **para- 25
graph (c)(ii)** is satisfactory; and
 - (e) the person’s practice is subject to review arrangements 25
that are equivalent to, or as satisfactory as, the quality review arrangements under **subpart 5**; and
 - (f) the person is otherwise a fit and proper person to hold a licence.
- (2) In **subsection (1), home jurisdiction**, in relation to a person, 30
means the country, state, or territory outside New Zealand in which the person is—
- (a) ordinarily resident; and
 - (b) entitled to act as an auditor.
- (3) Applications under **subsection (1)** must be— 35
- (a) made in the manner that is specified by the FMA; and

- (b) accompanied by payment of the prescribed fee for the application (if any); and
 - (c) accompanied by payment of the prescribed registration fee (which the FMA will either send to the Registrar under **section 13(1)(c)** or refund to the applicant if the licence is not issued). 5
- (4) Every applicant under **subsection (1)** must provide to the FMA the information that is required by the FMA to assist it in determining the application.
- (5) This section does not prevent a licence from being issued to an overseas auditor under **section 10**. 10

12 Person that holds licence under section 11 must notify FMA of relevant changes

- (1) Every person who holds a licence under **section 11** must give written notice to the FMA of any relevant change within 10 working days after the person first became aware of the change. 15
- (2) In this section, **relevant change**—
- (a) means, in relation to a person, a change in the circumstances of the person that result in the person no longer—
 - (i) being an overseas auditor; or
 - (ii) meeting the prescribed minimum standards; or
 - (iii) being required to comply with the requirements or standards referred to in **section 11(1)(c)**; and 20
 - (b) includes any change that may be prescribed. 25
- (3) Every person who fails to comply with this section commits an offence and is liable on summary conviction to a fine not exceeding \$10,000.

Licence details to be sent to Registrar 30

13 Accredited body or FMA must send licence details to Registrar

- (1) An accredited body or the FMA must, after issuing a licence to a person, send to the Registrar notification of the issue of the licence together with— 35

- (a) the relevant information referred to in **section 32(1)**;
and
 - (b) any other prescribed information; and
 - (c) the prescribed registration fee.
- (2) After receiving the notification and information under **sub-section (1)**, the Registrar must enter the relevant information in respect of the licence and the licensed auditor in the register. 5

Conditions

14 Licence subject to conditions

- (1) A licence issued to a person by an accredited body or the FMA— 10
- (a) must be subject to any applicable conditions of the kinds prescribed under **section 24(1)(b)(i)**; and
 - (b) may be subject to any other conditions of a kind prescribed under **section 24(1)(b)(ii)** that the accredited body or the FMA thinks fit; and 15
 - (c) must specify a condition relating to the kinds of issuer audits in respect of which the person is authorised to act under the licence.
- (2) The condition under **subsection (1)(c)** may specify that the person is authorised to act in respect of all kinds of issuer audits. 20
- (3) The accredited body or the FMA may, at any time after the licence is issued, vary, remove, add to, or substitute any conditions of licence. 25
- (4) The accredited body or the FMA must not exercise a power referred to in **subsection (3)** unless—
- (a) the accredited body or the FMA gives the licensed auditor at least 10 working days’ written notice of the following matters before it exercises the power: 30
 - (i) that the accredited body or the FMA may exercise a power under **subsection (3)**; and
 - (ii) the reasons why it is considering exercising that power; and
 - (b) the accredited body or the FMA gives the licensed auditor or his or her representative an opportunity to make 35

written submissions on the matter within that notice period.

15 FMA must have regard to limits on overseas auditors

The FMA must, in considering what conditions to impose under **section 14(1)(c)** in respect of an overseas auditor, have regard to any limitations on the overseas auditor's ability to act in respect of an audit that are imposed by or in relation to any certificate, registration, licence, or other authorisation that entitles the overseas auditor to act as an auditor in a country, state, or territory outside New Zealand.

Duration of licence

16 Duration of licence

- (1) A licence must specify the date of its expiry (the **expiry date**).
- (2) The expiry date must not be later than 5 years after the date of the issue of the licence.
- (3) A licence continues in force until the close of the expiry date unless sooner suspended or cancelled under **Parts 1 to 3**.
- (4) If a licensed auditor applies for a new licence before the expiry date of an existing licence that the new licence is intended to supersede, and the application is not disposed of before the expiry date, the existing licence continues in force until the application is disposed of.

Ongoing competence requirements

17 Ongoing competence requirements

- (1) An accredited body must, in accordance with the requirements prescribed under **section 24(1)(c)**,—
 - (a) require its members to complete competence programmes to maintain their ongoing competence; and
 - (b) otherwise promote, monitor, and review the ongoing competence of its members.
- (2) Every member must comply with the requirements under **sub-section (1)(a)**.

- (3) Any competence programme may require a member to do 1 or more of the following, within the period, or at the intervals, prescribed in the programme:
- (a) pass an examination or assessment (or both):
 - (b) complete a period of practical training: 5
 - (c) complete a period of practical experience:
 - (d) undertake a course of studies:
 - (e) anything else that the accredited body considers appropriate.
- 18 Unsatisfactory results of competence programme** 10
- (1) If any member who is required to complete a competence programme does not satisfy the requirements of the programme, the accredited body may—
- (a) vary, remove, add to, or substitute any conditions of the member’s licence under **section 14**; or 15
 - (b) suspend the member’s licence under **section 20**.
- (2) This section does not limit **sections 14 and 20**.

Cancellation and suspension of licences

- 19 Cancellation of licences**
- (1) A relevant authority may cancel a licence issued to a person— 20
- (a) if the person, by written notice, requests that the relevant authority do so; or
 - (b) if the relevant authority is satisfied on reasonable grounds that—
 - (i) the person has died; or 25
 - (ii) the person obtained the licence by making a false or misleading representation or declaration (whether oral or written); or
 - (iii) the person does not satisfy, or no longer satisfies, the prescribed minimum standards; or 30
 - (iv) the person has failed to comply with a condition of the licence; or
 - (v) the person has failed to comply with **section 12, 75(3), or 76(3)**; or
 - (vi) the person is otherwise not a fit and proper person 35 to hold a licence; or

- (c) if the relevant authority is satisfied on reasonable grounds that 1 or more issuer audits carried out by the person are not, or have not been, carried out in accordance with—
- (i) **Parts 1 to 3** or any other enactment that relates to the conduct of an issuer audit; or
 - (ii) any auditing and assurance standards; or
 - (iii) any professional and ethical standards (in the case of a licence issued under **section 10**); or
 - (iv) the standards referred to in **section 11(1)(c)(ii)** (in the case of a licence issued under **section 11**).
- (2) In this section and **sections 20 and 21**, relevant authority means,—
- (a) in the case of a licence issued under **section 10**, either or both of the following:
 - (i) the accredited body that issued the licence;
 - (ii) a disciplinary body in accordance with **subsection (3)**; or
 - (b) in the case of a licence issued under **section 11**, the FMA.
- (3) The rules of an accredited body may authorise a disciplinary body to act under this section or **section 20** and provide for any other reasonable matters, not inconsistent with **Parts 1 to 3**, in respect of the exercise of that power to act.
- (4) A licence may also be—
- (a) treated as cancelled under **section 52**;
 - (b) cancelled by the FMA under **subpart 5 or 6**.

20 Suspension of licences

- (1) A relevant authority may suspend a licence issued to a person if the relevant authority is satisfied on reasonable grounds—
- (a) that the person—
 - (i) has failed to comply with a condition of the licence; or
 - (ii) has failed to comply with **section 12, 75(3), or 76(3)**; or
 - (iii) has not satisfied the requirements of a competence programme that he or she is required to

- complete (in the case of a licence issued under **section 10**) or has failed to comply with the requirements referred to in **section 11(1)(c)(i)** (in the case of a licence issued under **section 11**);
or 5
- (b) that 1 or more issuer audits carried out by the person are not, or have not been, carried out in accordance with—
- (i) **Parts 1 to 3** or any other enactment that relates to the conduct of an issuer audit; or
 - (ii) any auditing and assurance standards; or 10
 - (iii) any professional and ethical standards (in the case of a licence issued under **section 10**); or
 - (iv) the standards referred to in **section 11(1)(c)(ii)** (in the case of a licence issued under **section 11**). 15
- (2) A suspension under **subsection (1)** is for the period that the relevant authority thinks fit or until the person satisfies any requirements specified by the relevant authority.
- (3) If a person’s licence is suspended, the person is not a licensed auditor during the period for which the licence is suspended (but this does not prevent the Registrar from including information in the register in relation to the person). 20
- (4) At the end of the period of suspension, the person’s licence is immediately revived (unless there is some other ground to suspend or cancel the licence). 25
- (5) A licence may also be—
- (a) treated as suspended under **section 52**;
 - (b) suspended by the FMA under **subpart 5 or 6**.
- 21 Procedure relating to exercise of cancellation or suspension powers** 30
- (1) A relevant authority must not cancel a licence under **section 19(1)(b)(ii) to (vi) or (c)** or suspend a licence under **section 20(1)** unless—
- (a) the relevant authority gives the licensed auditor at least 10 working days’ written notice of the following matters before it exercises the power: 35
 - (i) that the relevant body may cancel or suspend the licence; and

- (ii) the reasons why it is considering exercising that power; and
- (b) the relevant authority gives the licensed auditor or his or her representative an opportunity to make written submissions and to be heard on the matter within that notice period. 5
- (2) The relevant authority must give notice of the cancellation or suspension to—
- (a) the licensed auditor; and
- (b) the Registrar. 10
- (3) The notice given to the licensed auditor must include a statement of the grounds for the cancellation or suspension.
- 22 FMA may authorise person to continue to act in respect of issuer audit despite cancellation or suspension of licence**
- (1) This section applies if— 15
- (a) a person’s licence is cancelled or suspended; and
- (b) the person is acting, or has been appointed to act, in respect of an issuer audit at the time that the licence is cancelled or suspended.
- (2) The FMA may, on an application by the person, authorise the person to act, or to continue to act, in respect of the issuer audit referred to in **subsection (1)(b)**. 20
- (3) Applications under **subsection (2)** must be—
- (a) made in the manner that is specified by the FMA; and
- (b) accompanied by payment of the prescribed fee for the application (if any). 25
- (4) The authorisation may be subject to the terms and conditions that the FMA thinks fit.
- (5) A person who acts, or continues to act, in respect of an issuer audit in accordance with the terms and conditions of an authorisation does not commit an offence under **section 8**. 30

Appeals in respect of licensing and related matters

- 23 Appeals in respect of licensing and related matters**
- (1) A person may appeal to a District Court against any decision of an accredited body or the FMA to— 35

- (a) decline to issue a licence to the person; or
 - (b) include conditions under **section 14(1)(b) or (c)** on the person’s licence or proposed licence (or to act under **section 14(3)**); or
 - (c) suspend or cancel his or her licence; or 5
 - (d) decline to authorise the person under **section 22** (or to include terms and conditions on that authorisation); or
 - (e) issue a direction to the person under **subpart 5**; or
 - (f) make any other order under **subpart 5 or 6** in respect of the person. 10
- (2) A person may appeal to a District Court against any decision of a disciplinary body to cancel or suspend his or her licence unless the rules of the accredited body 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 Institute of Chartered Accountants of New Zealand Act 1996). 15
- (3) An appeal to a District Court under this section must be brought—
- (a) in accordance with rules of court; and 20
 - (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.
- Subpart 2—FMA may prescribe licensing and other matters 25
- 24 FMA may prescribe licensing and other matters**
- (1) The FMA may, by notice in the *Gazette*,—
- (a) prescribe the minimum standards for licensing (including standards relating to required competence, qualifications, and experience) that a person must meet in order to be issued with a licence by an accredited body or the FMA; and 30
 - (b) prescribe the kinds of conditions to which licences— 35
 - (i) must be subject; and
 - (ii) may be subject if the accredited body or the FMA thinks fit; and

- (c) prescribe requirements for ongoing competence that must be complied with by persons who are issued with a licence under **section 10**; and
 - (d) prescribe the minimum standards for accreditation (including standards relating to the adequacy and effectiveness of audit regulatory systems) that a person must meet in order to be granted accreditation by the FMA; and 5
 - (e) prescribe the procedure that accredited bodies must follow when performing regulatory functions; and 10
 - (f) prescribe transitional requirements for the purposes of **subpart 3 of Part 3** (including requirements relating to required competence, qualifications, and experience).
- (2) Matters prescribed under **subsection (1)** may— 15
- (a) have general or specific application: 15
 - (b) differ according to differences in time or circumstance.

25 Minimum standards for licence

- (1) A notice under **section 24** may prescribe minimum standards for licensing in any way the FMA thinks fit, including in 1 or more of the following ways: 20
- (a) by requiring a degree or diploma or certificate of a stated kind recognised by the FMA: 25
 - (b) by requiring the successful completion of a degree, course of studies, or programme recognised by the FMA: 25
 - (c) by requiring a pass in a specified examination or any other assessment:
 - (d) by reference to registration with, a licence issued by, or other authorisation from an overseas organisation:
 - (e) by requiring experience in the provision of services of a particular kind: 30
 - (f) by requiring a certain level of competence.
- (2) The FMA may recognise any overseas qualification, certificate, registration, or licence as satisfying a particular minimum standard for licensing (in whole or in part) if, in the opinion of the FMA, that overseas qualification, certificate, registration, or licence is equivalent to, or as satisfactory as, the standard, or part of the standard, that is treated as being satisfied. 35

26 Principles guiding prescribing of licensing matters

In prescribing matters under this subpart, the FMA must be guided by the following principles:

- (a) the matters must be necessary or desirable to—
 - (i) promote, in respect of issuer audits, quality, expertise, and integrity in the profession of auditors; or 5
 - (ii) promote the recognition of the professional status of New Zealand auditors in overseas jurisdictions; or 10
 - (iii) carry out, give effect to, or provide for a matter that is incidental to, or consequential on, the matters relating to **subparagraph (i) or (ii)**; and
- (b) the matters should not unnecessarily restrict the licensing of auditors; and 15
- (c) the matters should not impose undue costs on auditors or on issuers.

27 FMA must consult before publishing notices

(1) Before the FMA publishes a notice in the *Gazette* under **section 24**, the FMA must consult the following about its proposal for the contents of the notice: 20

- (a) persons who the FMA considers are able to represent the views of auditors who carry out issuer audits (including the Institute); and
- (b) organisations— 25
 - (i) that the FMA considers will be substantially affected by the proposal; or
 - (ii) whose members the FMA considers will be substantially affected by the proposal.

(2) A failure to comply with **subsection (1)** does not affect the validity of any notice under **section 24**. 30

28 Other provisions relating to notices under section 24

(1) The FMA must ensure that an up-to-date version of each notice under **section 24** is—

- (a) available at all reasonable times on an Internet site maintained by or on behalf of the FMA; and 35

- (b) available at the head office of the FMA during business hours, so that members of the public may—
 - (i) inspect the notice free of charge; or
 - (ii) obtain a copy of the notice for a reasonable fee.
- (2) Each notice under **section 24**— 5
 - (a) is a regulation for the purposes of the Regulations (Disallowance) Act 1989 but is not a regulation for the purposes of the Acts and Regulations Publication Act 1989; and
 - (b) must be presented to the House of Representatives in accordance with section 4 of the Regulations (Disallowance) Act 1989. 10

Subpart 3—Register of licensed auditors

- 29 Register of licensed auditors** 15
The Registrar must establish and maintain, in accordance with this subpart, a register of licensed auditors.
- 30 Operation of and access to register**
 - (1) The register may be kept—
 - (a) as an electronic register; or
 - (b) in any other manner that the Registrar thinks fit. 20
 - (2) The register must be available for access and searching by members of the public unless suspended under **subsection (3)**.
 - (3) The Registrar may refuse access to the register or otherwise suspend the operation of the register, in whole or in part,— 25
 - (a) if the Registrar considers that it is not practical to provide access to the register; or
 - (b) for any other reason that is prescribed by regulations made under **Parts 1 to 3**.
- 31 Purpose of register** 30
The purpose of the register is—
 - (a) to enable any person to—
 - (i) determine whether a person is a licensed auditor and, if so, the status and relevant history of the person's licence; and 35

- (ii) choose a suitable person to carry out an issuer audit; and
- (iii) know which licensed auditors have been disciplined within the last 7 years; and
- (b) to assist any person in the exercise of the person's powers or the performance of the person's functions under **Parts 1 to 3** or any other enactment. 5

32 Contents of register

- (1) The register must contain the following information about each licensed auditor (to the extent that the information is relevant): 10
 - (a) full name and business address of the licensed auditor; and
 - (b) the name and business address of each accredited body that has issued a licence to the licensed auditor; and 15
 - (c) the date of each licence that has been issued to the licensed auditor; and
 - (d) the date on which each licence was recorded in the register; and
 - (e) the expiry date of each licence that is currently in force (and whether the licence continues in force under **section 16(4)**); and 20
 - (f) the kinds of issuer audits in respect of which the licensed auditor is authorised to act under each licence; and 25
 - (g) the conditions placed on each licence that is currently in force; and
 - (h) any suspension or cancellation of a licence that has been issued to the licensed auditor or any other action that has been taken on a disciplinary matter against the licensed auditor under **Parts 1 to 3** by an accredited body, a disciplinary body, or the FMA in the last 7 years; and 30
 - (i) any other prescribed information.
- (2) The register may also contain— 35
 - (a) information about former licensed auditors; and
 - (b) information about licences that have been cancelled or suspended or otherwise expired in the last 7 years; and

- (c) any other information or documentation that the Registrar considers necessary or desirable for the purposes of the register.
- (3) The Registrar must remove from the register information about a former licensed auditor contained in the register under **subsection (2)(a)** if the last licence held by the person was cancelled or expired more than 7 years ago. 5

33 Obligation to notify Registrar of relevant changes

- (1) Every licensed auditor, every accredited body, and the FMA must give written notice to the Registrar of any relevant changes within 10 working days after the licensed auditor, the accredited body, or the FMA (as the case may be) first becomes aware of the change. 10
- (2) In this section, **relevant change**—
- (a) means, in relation to a licensed auditor, any change in the information referred to in **section 32(1)(a)**; and 15
- (b) means, in relation to an accredited body or the FMA, any change in the information referred to in **section 32(1)(e) to (h)** in respect of a licence issued by the accredited body or the FMA; and 20
- (c) includes any change that may be prescribed.
- (3) A licensed auditor commits an offence if he or she fails to comply with this section and is liable, on summary conviction, to a fine not exceeding \$10,000.
- (4) An accredited body commits an offence if it fails to comply with this section and is liable, on summary conviction, to a fine not exceeding \$30,000. 25

34 Annual confirmation by accredited bodies and FMA

- (1) Every accredited body and the FMA must ensure that the Registrar receives each year, during the month allocated to the body or FMA for the purposes of this section, an annual confirmation. 30
- (2) The annual confirmation must—
- (a) be in the form (if any) required by the Registrar and be accompanied by the prescribed fee (if any); and 35
- (b) either—

- (i) confirm that, as at the date of the certificate, the information supplied to the Registrar in respect of the licences issued by the accredited body or FMA is correct to the best of the accredited body's or FMA's knowledge; or 5
 - (ii) contain updated information to ensure that, as at the date of the certificate, the information referred to in **subparagraph (i)** is correct to the best of the accredited body's or FMA's knowledge; and 10
 - (c) contain, or be accompanied by, any other prescribed information or documents.
 - (3) The annual confirmation must be dated as at a day within the month during which the certificate is required to be received by the Registrar. 15
 - (4) The Registrar must allocate a month to an accredited body and the FMA for the purposes of this section.
 - (5) The Registrar may, by written notice to an accredited body or the FMA, alter the month allocated to the accredited body or FMA under **subsection (4)**. 20
- 35 Registrar may amend register in certain circumstances**
The Registrar may amend the register if—
- (a) a licensed auditor, an accredited body, or the FMA informs the Registrar of information that is different from the information entered on the register; or 25
 - (b) an annual confirmation contains information that is different from the information entered on the register; or
 - (c) the Registrar is satisfied at any time that the register contains a typographical error or a mistake, or omits information supplied to the Registrar; or 30
 - (d) the regulations otherwise provide for the register to be amended.
- 36 Registrar may refuse to accept document**
The Registrar may refuse to accept a document received by the Registrar under **Parts 1 to 3** if that document— 35
- (a) is not in the required form (if any); or
 - (b) does not comply with prescribed requirements.

- 37 Search of register**
- (1) A person may search the register in accordance with **Parts 1 to 3** or the regulations.
- (2) The register may be searched only by reference to the following criteria: 5
- (a) the name, or any part of the name, of a person:
 - (b) the business address of a person:
 - (c) the name of an accredited body:
 - (d) any kind of issuer audit in respect of which a licensed auditor is authorised to act under a licence: 10
 - (e) any conditions placed on a licence:
 - (f) any other prescribed criteria:
 - (g) any combination of the criteria in **paragraphs (a) to (f)**.
- (3) The register may be searched for the following purposes: 15
- (a) by an individual, or a person with the consent of the individual, for the purpose of searching for information about that individual in accordance with the Privacy Act 1993:
 - (b) by a person for a purpose referred to in **section 31**. 20
- (4) A search of the register for personal information that has not been carried out in accordance with this section constitutes an action that is an interference with the privacy of an individual under section 66 of the Privacy Act 1993.
- 38 Power of Registrar to delegate** 25
- (1) The Registrar may delegate to any person, either generally or particularly, any of the Registrar's functions, duties, and powers under **Parts 1 to 3** except the power of delegation.
- (2) A delegation— 30
- (a) must be in writing; and
 - (b) may be made subject to any restrictions and conditions the Registrar thinks fit; and
 - (c) is revocable at any time, in writing; and
 - (d) does not prevent the performance or exercise of a function, duty, or power by the Registrar. 35
- (3) A person to whom any functions, duties, or powers are delegated may perform and exercise them in the same manner and

with the same effect as if they had been conferred directly by **Parts 1 to 3** and not by delegation.

- (4) A person who appears to act under a delegation is presumed to be acting in accordance with its terms in the absence of evidence to the contrary. 5

Subpart 4—Accreditation

39 FMA may grant accreditation

- (1) The FMA may, on an application made by a person, grant accreditation to the person for the purposes of **Parts 1 to 3** if the FMA is satisfied that the person— 10
- (a) will implement and maintain audit regulatory systems that are adequate and effective; and
 - (b) meets the minimum standards for the grant of accreditation prescribed under **section 24(1)(d)**; and
 - (c) is a fit and proper person to perform regulatory functions for the purposes of **Parts 1 to 3**. 15
- (2) Applications under **subsection (1)** must be—
- (a) made in the manner that is specified by the FMA; and
 - (b) accompanied by payment of the prescribed fee for the application (if any). 20
- (3) Every applicant under **subsection (1)** must provide to the FMA the information that is required by the FMA to assist it in determining the application.

40 Accreditation subject to conditions

- (1) A person may be accredited as an accredited body subject to any conditions referred to in **subsection (2)** that the FMA thinks fit. 25
- (2) The conditions are—
- (a) conditions relating to the procedure that an accredited body must follow when performing regulatory functions: 30
 - (b) conditions to ensure that the accredited body’s audit regulatory systems are adequate and effective;
 - (c) any other prescribed conditions or conditions that relate to prescribed matters. 35

- (3) The FMA may, at any time after accreditation is granted or treated as having been granted, by written notice to any accredited body (including the Institute), vary, remove, add to, or substitute any conditions of accreditation.
- 41 Institute of Chartered Accountants of New Zealand treated as having been granted accreditation** 5
- (1) The Institute must be treated as having been granted accreditation under this subpart on the commencement of this section.
- (2) **Subsection (1)** does not prevent the FMA from—
- (a) imposing, varying, removing, adding to, or substituting any conditions of accreditation under **section 40**; or 10
- (b) cancelling or suspending the accreditation of the Institute under **section 50**; or
- (c) exercising or performing any other functions, powers, or duties under **Parts 1 to 3** in respect of the Institute. 15
- 42 Accredited bodies must supply annual report to FMA**
- (1) Every accredited body must supply to the FMA an annual report.
- (2) The annual report must—
- (a) be supplied each year within the time, and in the manner and form, specified by the FMA by a direction under **subsection (3)**; and 20
- (b) contain—
- (i) information relating to the accredited body’s performance in carrying out regulatory functions for the purposes of **Parts 1 to 3**; and 25
- (ii) information relating to any material changes to the accredited body’s audit regulatory systems that it has implemented, is in the process of implementing, or is considering implementing (including stating what it has done in response to any direction issued under **section 47**); and 30
- (iii) any other prescribed information.
- (3) The FMA must—
- (a) prepare a direction that specifies the time within which, and the manner and form in which, annual reports must be supplied; and 35

- (b) send a copy of the direction to each accredited body;
and
 - (c) publish the direction on an Internet site maintained by
or on behalf of the FMA.
- (4) An accredited body that fails to supply an annual report in accordance with this section commits an offence and is liable on summary conviction to a fine not exceeding \$50,000. 5

43 FMA must publish plan relating to auditor regulation and oversight

- (1) The FMA must, before the start of each financial year, publish on an Internet site maintained by or on behalf of the FMA a plan relating to its intentions in relation to auditor regulation and oversight under **Parts 1 to 3**. 10
- (2) The plan must relate to the forthcoming financial year and 2 or more further financial years. 15
- (3) The plan must describe, in relation to auditor regulation and oversight,—
- (a) the specific impacts, outcomes, or objectives that the FMA seeks to achieve or contribute to; and
 - (b) the ways in which the FMA expects accredited bodies to contribute to those impacts, outcomes, or objectives; and 20
 - (c) how the FMA proposes to monitor accredited bodies under **section 45**.
- (4) In this section and **section 46**, **financial year** means a financial year of the FMA. 25

44 Publication of policies

- The FMA must publish on an Internet site maintained by or on behalf of the FMA its policies in relation to how it acts, or proposes to act,— 30
- (a) in determining applications for accreditation; and
 - (b) in imposing, varying, removing, or adding to conditions of accreditation.

- 45 FMA must monitor audit regulatory systems**
The FMA must monitor the audit regulatory systems of each accredited body in order to determine the extent to which those systems are adequate and effective.
- 46 FMA must report on audit regulatory systems of each accredited body** 5
- (1) The FMA must, within 6 months of the start of each financial year, prepare a report on the extent to which the audit regulatory systems of each accredited body are adequate and effective. 10
- (2) **Subsection (1)** does not apply in respect of an accredited body if the FMA has, in the preceding financial year, been monitoring the accredited body under **section 45** for less than 6 months.
- (3) The FMA must, within 1 month of preparing a report under **subsection (1)**, publish a notice in the *Gazette* that— 15
- (a) states that it has published a report on the adequacy and effectiveness of the audit regulatory systems of 1 or more accredited bodies; and
- (b) names the accredited bodies covered by the report; and 20
- (c) summarises any directions given under **section 47** in the preceding financial year (but not the reasons); and
- (d) specifies where a copy of the report may be inspected or obtained.
- (4) The FMA must, after publishing a notice in the *Gazette* under **subsection (3)**, publish a copy of the report on an Internet site maintained by or on behalf of the FMA. 25
- (5) This section does not prevent the FMA from preparing and publishing at any time any other reports about the extent to which the audit regulatory systems of an accredited body are adequate and effective. 30
- 47 FMA may issue directions**
- (1) The FMA may give a direction under this section to an accredited body if the FMA is satisfied on reasonable grounds that— 35

- (a) its audit regulatory systems are not adequate and effective; or
 - (b) the adequacy or effectiveness of the audit regulatory systems can be improved in order to better meet the purposes of **Parts 1 to 3**; or 5
 - (c) its audit regulatory systems are inconsistent in a material respect with the FMA’s plan under **section 43**.
- (2) The directions may require the accredited body, within the time and in the manner specified by the FMA in the directions, to amend its audit regulatory systems to effectively address the matters that caused the FMA to give the directions. 10

48 Miscellaneous matters relating to directions

A direction given under **section 47** must—

- (a) be in writing; and
- (b) state the grounds on which it is given. 15

49 Offence to contravene directions

An accredited body that fails to comply with a direction under **section 47** commits an offence and is liable on summary conviction to a fine not exceeding \$50,000.

50 FMA may suspend or cancel accreditation or censure accredited body in certain circumstances 20

- (1) This section applies if the FMA is satisfied on reasonable grounds that—
- (a) an accredited body has failed to—
 - (i) comply with a condition of its accreditation; or 25
 - (ii) supply an annual report in accordance with **section 42**; or
 - (iii) comply with a direction under **section 47**; or
 - (iv) comply with **section 17, 33, 34, or 67**; or
 - (b) the audit regulatory systems of an accredited body are not adequate and effective. 30
- (2) The FMA may do 1 or more of the following:
- (a) order that the accreditation of the accredited body be cancelled:

-
- (b) order that a body whose accreditation has been cancelled may not apply to be re-accredited before the expiry of a specified period:
- (c) order that the accreditation of the accredited body be suspended— 5
- (i) for any period that the FMA thinks fit; or
- (ii) until the body does the things specified by the FMA in order to demonstrate that accreditation should be reinstated:
- (d) censure the accredited body: 10
- (e) order the accredited body to 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 consideration of whether an order should be made under this section: 15
- (f) make an order under **section 52(2)**.
- (3) However, the FMA may only cancel or suspend the accreditation of an accredited body if the FMA is satisfied on reasonable grounds that—
- (a) the failure or failures referred to in **subsection (1)(a)** 20
(as the case may be) are serious or persistent; or
- (b) in the case of **subsection (1)(b)**, the audit regulatory systems of the accredited body are seriously inadequate or ineffective.
- (4) The FMA may order that an order under **subsection (2)(a), (b), or (c)** is to take effect immediately or at some later time. 25
- 51 Miscellaneous matters relating to orders**
- An order made under **section 50** must—
- (a) be in writing; and
- (b) state the grounds on which it is made. 30
- 52 Effect of cancellation or suspension on licences issued by accredited body or former accredited body**
- (1) If the accreditation of a person (A) is—
- (a) cancelled under **section 50**, each licence issued by A is treated as cancelled: 35

- (b) suspended under **section 50**, each licence issued by A is treated as suspended during the period in which A's accreditation is suspended.
- (2) The FMA may order that **subsection (1)** does not apply in respect of 1 or more classes of licences. 5
- (3) The FMA may authorise a person whose licence is suspended or cancelled under **subsection (1)** to act, or continue to act, in respect of an issuer audit under **section 22**.
- (4) **Subsection (1)** is subject to **subsections (2) and (3)**.

- 53 FMA must give opportunity to make submissions** 10
 The FMA must not exercise a power referred to in **section 40(3), 47, or 50** unless—
 - (a) the FMA gives the accredited body at least 10 working days' written notice of the following matters before it exercises the power: 15
 - (i) that the FMA may exercise a power under **section 40(3), 47, or 50** (as the case may be); and
 - (ii) the reasons why it is considering exercising that power; and
 - (b) the FMA gives the accredited body or its representative an opportunity to make written submissions and to be heard on the matter within that notice period. 20

- 54 Appeals**
- (1) A person may appeal to the High Court against any decision of the FMA— 25
 - (a) to decline to grant accreditation to the person under this subpart; or
 - (b) to include conditions under **section 40** on the person's accreditation or proposed accreditation; or
 - (c) to give a direction under **section 47** in respect of the person's accreditation; or 30
 - (d) to make an order under **section 50** in respect of the person's accreditation; or
 - (e) to decline to make an order under **section 52(2)** in respect of the person's licence. 35
- (2) An appeal must be brought—

- (a) in accordance with 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 High Court Judge allows on an application made before or after the period expires. 5

55 Certain provisions of Institute of Chartered Accountants of New Zealand Act 1996 apply to other accredited bodies

If an accredited body is not the Institute, sections 9 to 13 and 16 of the Institute of Chartered Accountants of New Zealand Act 1996 apply to the accredited body with any necessary modifications in relation to persons to whom it has issued a licence as if references to— 10

- (a) the Professional Conduct Committee were references to the committee or other authority of the accredited body that has the function of investigating complaints against members and former members of the accredited body; and 15
- (b) a disciplinary body were references to a disciplinary body of the accredited body; and
- (c) the Institute were references to the accredited body. 20

Subpart 5—Quality review

56 FMA must ensure that regular quality reviews are carried out

- (1) The FMA must, for the purpose referred to in **subsection (2)**, ensure that a review is carried out of the systems, policies, and procedures of— 25
 - (a) each audit firm that has at least 1 partner, director, or employee who holds a licence issued under **section 10**; and
 - (b) each licensed auditor who holds a licence issued under **section 10** that is not a partner, director, or employee of an audit firm. 30
- (2) The quality review is for the purpose of ensuring that issuer audits in respect of which a partner, a director, or an employee of the audit firm, or the licensed auditor, is acting or may act are carried out in accordance with— 35

- (a) the requirements imposed by or under **Parts 1 to 3** and other enactments that relate to the conduct of issuer audits; and
- (b) auditing and assurance standards; and
- (c) the professional and ethical standards. 5
- (3) A quality review must be carried out at least once in every 4-year period during which,—
 - (a) in the case of **subsection (1)(a)**, at least 1 partner, director, or employee of the audit firm holds a licence issued under **section 10**: 10
 - (b) in the case of **subsection (1)(b)**, the person holds a licence issued under **section 10**.
- (4) The audit firm or licensed auditor (as the case may be) must pay to the FMA the prescribed fees and charges in respect of a quality review at the prescribed time or times. 15

- 57 FMA may make arrangements for quality review to be carried out on its behalf**
- (1) The FMA may arrange for an accredited body or any other suitable qualified person to carry out a quality review (in whole or in part) on its behalf. 20
- (2) For the purposes of **subsection (1)**, sections 73 to 76 of the Crown Entities Act 2004 (which relate to delegations) apply as if the persons to whom the FMA may make a delegation under section 73(1) of that Act include a person referred to in **subsection (1)**. 25
- (3) The FMA must take reasonable steps to ensure that the judgement of the individuals that carry out a quality review is not impaired by reason of any relationship with or interest in the relevant audit firm or licensed auditor.

- 58 Restrictions on application of section 56** 30
- (1) **Section 56** does not apply to—
 - (a) an overseas auditor who is issued with a licence by the FMA (and holds no other licence issued by an accredited body); or
 - (b) the Auditor-General or any of his or her employees. 35

- (2) If a licensed auditor is acting under the Public Audit Act 2001, the quality review under **section 56** may not extend to a review of any matter relating to the carrying out of an audit under section 15 of that Act, or to the provision of a specific service under section 17 of that Act, unless the Auditor-General gives his or her written approval. 5
- (3) **Subsection (2)** does not limit **subsection (1)**.

59 Quality review must include certain matters

- (1) A quality review must include—
- (a) an assessment of the design of the internal quality control system of the audit firm or licensed auditor in connection with the provision of audit services; and 10
 - (b) reasonable compliance testing of procedures, and a review of audit files in respect of a reasonable number of issuer audits, in order to verify the effectiveness of the internal quality control system; and 15
 - (c) a review of the systems, policies, and procedures of the audit firm or licensed auditor in respect of—
 - (i) compliance with **Parts 1 to 3** and other enactments that relate to the conduct of issuer audits, auditing and assurance standards, and the professional and ethical standards: 20
 - (ii) the quantity and quality of resources used:
 - (iii) compliance with competence programmes.
- (2) A quality review must otherwise be carried out in the prescribed manner. 25
- (3) If an audit file has been reviewed under **subsection (1)(b)**, the quality review may include any further inquiries in respect of the issuer audit for the purpose of determining whether the issuer audit has been carried out in accordance with the matters referred to in **section 56(2)(a) to (c)**. 30

60 Offence to hinder, obstruct, or delay FMA

- (1) This section applies, in respect of a quality review of the systems, policies, and procedures of an audit firm, to—
- (a) every partner, director, and employee of the audit firm; 35
 - and

- (b) every person who provides services to the audit firm under a contract for services; and
 - (c) every issuer in relation to which the audit firm (or any of its partners, directors, or employees) has carried out, or is carrying out, an issuer audit. 5
 - (2) This section applies, in respect of a quality review of the systems, policies, and procedures of a licensed auditor, to—
 - (a) the licensed auditor; and
 - (b) every employee of the licensed auditor; and
 - (c) every person who provides services to the licensed auditor under a contract for services; and 10
 - (d) every issuer in relation to which the licensed auditor (or any of his or her employees) has carried out, or is carrying out, an issuer audit.
 - (3) Every person to whom this section applies commits an offence if the person hinders, obstructs, or delays the FMA (or a person referred to in **section 57(1)**) in connection with the carrying out of a quality review and is liable on summary conviction,—
 - (a) in the case of an individual, to a fine not exceeding \$40,000; 20
 - (b) in the case of a body corporate, to a fine not exceeding \$100,000.
- 61 FMA may issue directions**
- (1) **Subsection (2)** applies if, after a quality review is completed, the FMA is satisfied on reasonable grounds that the systems, policies, and procedures of the audit firm or licensed auditor are not sufficient to ensure that issuer audits in respect of which a partner, a director, or an employee of the audit firm, or the licensed auditor, is acting or may act are carried out in accordance with the matters referred to in **section 56(2)(a) to (c)**. 25
 - (2) The FMA may give directions to the audit firm or the licensed auditor that require the audit firm or the licensed auditor, within the time and in the manner specified by the FMA in the directions, to amend the systems, policies, and procedures of the audit firm or the licensed auditor to effectively address the matters that caused the FMA to give the directions. 35
 - (3) **Subsection (4)** applies if, after inquiries are made under **section 59(3)** in respect of an issuer audit, the FMA is satisfied

on reasonable grounds that the issuer audit has not been carried out in accordance with the matters referred to in **section 56(2)(a) to (c)**.

- (4) The FMA may give directions to the audit firm or the licensed auditor that require the audit firm or the licensed auditor, within the time and in the manner specified by the FMA in the directions, to take reasonable steps to mitigate or remedy the failure to carry out the issuer audit in accordance with the matters referred to in **section 56(2)(a) to (c)** (for example, by making a public announcement relating to the auditor's report).
- (5) However, the FMA may not require a person, under **subsection (4)**, to pay compensation to any other person in respect of the failure.
- (6) **Subsection (4)** does not limit the action that the FMA may take in respect of the matter under **subpart 6** (and, for that purpose, the FMA's inquiries under **section 59(3)** may form part of or constitute the FMA's investigation under that subpart).

62 Consequences of failing to comply with directions 20

- (1) If an audit firm fails to comply with a direction given to it under **section 61**,—
- (a) every partner or director of the firm commits an offence and is liable on summary conviction to a fine not exceeding \$25,000; and
- (b) the FMA may make an order that the licence of 1 or more of those partners or directors be—
- (i) suspended for the period that the FMA thinks fit; or
- (ii) cancelled.
- (2) If a licensed auditor fails to comply with a direction given to him or her under **section 61**,—
- (a) he or she commits an offence and is liable on summary conviction to a fine not exceeding \$25,000; and
- (b) the FMA may make an order that his or her licence be—
- (i) suspended for the period that the FMA thinks fit; or
- (ii) cancelled.

- (3) If the FMA orders the cancellation of a licence, it may also make an order that the person whose licence is cancelled may not apply to be relicensed, whether with the same or a different accredited body, before the expiry of a specified period.
- 63 Miscellaneous matters relating to directions and orders** 5
- (1) A direction given under **section 61** and an order made under **section 62** must—
- (a) be in writing; and
 - (b) state the grounds on which it is given or made.
- (2) The FMA must give a copy of the order made under **section 62** to— 10
- (a) the licensed auditor; and
 - (b) the accredited body that issued the licence to the licensed auditor; and
 - (c) the Registrar. 15
- (3) The FMA must not give a direction to an audit firm under **section 61** unless—
- (a) the FMA gives to the audit firm (or to at least 1 of the partners or directors of the audit firm) at least 10 working days' written notice of the following matters before it gives the direction: 20
 - (i) that the FMA may give a direction under **section 61**; and
 - (ii) the reasons why it is considering exercising that power; and 25
 - (b) the FMA gives the audit firm or a representative of the audit firm an opportunity to make written submissions and to be heard on the matter within that notice period.
- (4) The FMA must not give a direction to a licensed auditor under **section 61** or make an order under **section 62** in respect of a licensed auditor unless— 30
- (a) the FMA gives the licensed auditor at least 10 working days' written notice of the following matters before it exercises the power:
 - (i) that the FMA may give a direction under **section 61** or make an order under **section 62** (as the case may be); and 35

- (ii) the reasons why it is considering exercising that power; and
- (b) the FMA gives the licensed auditor or his or her representative an opportunity to make written submissions and to be heard on the matter within that notice period. 5
- (5) The FMA may order that an order under **section 62** is to take effect immediately or at some later time.

64 FMA must prepare report

- (1) The FMA must—
 - (a) prepare a report on each quality review; and 10
 - (b) provide a copy of it to the audit firm or licensed auditor concerned; and
 - (c) publish a copy of it on an Internet site maintained by or on behalf of the FMA.
- (2) The FMA may exclude any information from the copy of the report that is published on its Internet site if it is satisfied that it is proper to do so for any reason (for example, on the ground of commercial confidentiality or to preserve personal privacy). 15

Subpart 6—Investigations by FMA

65 FMA may start or take over investigation or investigate in conjunction with accredited body 20

- (1) The FMA may, if it is satisfied on reasonable grounds that it is in the public interest to do so,—
 - (a) start an investigation; or
 - (b) take over an investigation started by an accredited body; 25
 - or
 - (c) conduct an investigation in conjunction with an accredited body.
- (2) However, the FMA may not investigate, under this subpart, the conduct of a member of an accredited body in respect of an issuer audit unless— 30
 - (a) the FMA is satisfied on reasonable grounds that—
 - (i) the accredited body has decided not to investigate the matter; or

- (ii) the matter is not being investigated promptly or otherwise in a reasonable manner by, or on behalf of, the accredited body; or
- (b) the accredited body has asked the FMA to act under this subpart in respect of the matter. 5
- (3) In this subpart, an **investigation** is an investigation into the conduct of a licensed auditor in respect of 1 or more issuer audits (whether he or she holds a licence issued under **section 10 or 11**).

- 66 Relationship between FMA’s investigation and other investigations or proceedings** 10
- (1) If the FMA starts, or takes over, an investigation under this subpart in respect of a member of an accredited body, the accredited body may do the following only with the FMA’s written approval: 15
 - (a) start or continue another investigation into the same matter:
 - (b) take any disciplinary or other action against the licensed auditor in respect of the same matter.
- (2) However, the FMA may not act under this subpart in respect of the conduct of a licensed auditor if the conduct is, or has been, the subject of proceedings before a disciplinary body. 20

- 67 Accredited body must give reasonable assistance**
- (1) An accredited body must, in respect of an investigation by the FMA involving a member of the accredited body, give all reasonable assistance to the FMA to enable the investigation to be carried out. 25
- (2) An accredited body commits an offence if the accredited body—
 - (a) fails to comply with **subsection (1)**; or 30
 - (b) otherwise hinders, obstructs, or delays the FMA in carrying out an investigation.
- (3) An accredited body that commits an offence under **subsection (2)** is liable, on summary conviction, to a fine not exceeding \$100,000. 35

68 Disciplinary powers of FMA

- (1) The FMA may, after acting under **section 65**, make 1 or more of the orders specified in **subsection (2)** if it is satisfied on reasonable grounds that 1 or more issuer audits carried out by the licensed auditor are not being, or have not been, carried out in accordance with— 5
- (a) **Parts 1 to 3** or any other enactment that relates to the conduct of an issuer audit; or
 - (b) any auditing and assurance standards; or
 - (c) any professional and ethical standards (in the case of a licence issued under **section 10**); or 10
 - (d) the standards referred to in **section 11(1)(c)(ii)** (in the case of a licence issued under **section 11**).
- (2) The orders are—
- (a) an order that the licensed auditor's licence be cancelled: 15
 - (b) an order that the person whose licence is cancelled may not apply to be relicensed, whether with the same or a different accredited body, before the expiry of a specified period:
 - (c) an order that the licensed auditor's licence be suspended for the period that the FMA thinks fit: 20
 - (d) an order prohibiting the licensed auditor from acting in respect of a specified issuer audit, or a specified class or classes of issuer audit,—
 - (i) permanently; or 25
 - (ii) for any period that the FMA thinks fit:
 - (e) an order that the licensed auditor 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. 30
- (3) The FMA must not exercise a power referred to in this section unless—
- (a) the FMA gives the licensed auditor at least 10 working days' written notice of the following matters before it exercises the power: 35
 - (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 the licensed auditor or his or her representative an opportunity to make written submissions and to be heard on the matter within that notice period.
- (4) The FMA may order that an order under this section is to take effect immediately or at some later time. 5
- 69 Miscellaneous matters relating to orders**
- (1) An order made under **section 68** must—
- (a) be in writing; and
- (b) state the grounds on which it is made.
- (2) The FMA must give a copy of the order made under **section 68** to— 10
- (a) the licensed auditor; and
- (b) the accredited body that issued the licence to the licensed auditor; and
- (c) the Registrar. 15
- Subpart 7—FMA may take over and perform
regulatory functions**
- 70 FMA may take over and perform regulatory functions**
- The FMA may take over and perform a regulatory function of an accredited body (in whole or in part), or perform a regulatory function of an accredited body (in whole or in part) in conjunction with the accredited body, if— 20
- (a) the accredited body asks the FMA to act in that manner in relation to a class of its members; and
- (b) the FMA is satisfied on reasonable grounds that it is necessary or desirable for the FMA to act in that manner in order to promote the recognition of the professional status of New Zealand auditors in overseas jurisdictions. 25
- 71 Powers of FMA when acting under this subpart**
- (1) For the purposes of this subpart, the FMA has the following powers: 30
- (a) all powers that the accredited body, or any committee or disciplinary body of the accredited body, has in respect of the regulatory function or part of the regulatory function as the case may be (whether conferred by or under 35

- Parts 1 to 3** or any other enactment or the rules of the accredited body); and
- (b) any other prescribed powers.
- (2) This section does not limit any other powers of the FMA.

Part 3

5

Amendments to other Acts, regulations, transitional provisions, and other miscellaneous matters

Subpart 1—Amendments to other Acts

- 72 Amendments to other Acts** 10
- The enactments specified in **Schedule 1** are amended in the manner indicated in that schedule.

Subpart 2—Regulations and levies

- 73 Regulations**
- (1) The Governor-General may, by Order in Council, make regulations for all or any of the following purposes: 15
- (a) prescribing countries, states, or territories for the purposes of the definition of overseas auditor:
- (b) prescribing relevant changes for the purposes of **sections 12 and 33**: 20
- (c) prescribing information or documents for the purposes of **sections 13, 34, 42, 75, or 76**:
- (d) prescribing conditions or matters that conditions may relate to for the purposes of **section 40(2)(c)**:
- (e) prescribing the manner in which a quality review must be carried out (including prescribing matters that must be considered, reviewed, or tested): 25
- (f) prescribing powers for the purposes of **subpart 7 of Part 2**:
- (g) prescribing forms for the purposes of this Act, and prescribing— 30
- (i) the inclusion in, or attachment to, forms of specified information or documents:
- (ii) forms to be signed by specified persons:

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- (h) prescribing requirements with which information or documents sent or delivered for registration must comply:
 - (i) prescribing fees and charges that the Registrar or the FMA may require to be paid to him, her, or it (or the rate at which or the method by which fees and charges are to be calculated)—
 - (i) in connection with the exercise or performance by the Registrar or the FMA of any function, power, or duty conferred by or under this Act (for example, when conducting a quality review):
 - (ii) on an application to the Registrar or the FMA to exercise or perform any function, power, or duty conferred by or under this Act:
 - (j) authorising the Registrar or the FMA to require payment of any costs incurred by the Registrar or the FMA:
 - (k) prescribing procedures, requirements, and other matters, not inconsistent with this Act, for the register, including matters that relate to—
 - (i) the operation of the register:
 - (ii) the form of the register:
 - (iii) the information to be contained in the register:
 - (iv) access to the register:
 - (v) the location of, and hours of access to, the register:
 - (vi) search criteria for the register:
 - (l) providing for any other matters contemplated by this Act, necessary for its administration, or necessary for giving it full effect.
 - (2) The Registrar or the FMA may refuse to perform a function or exercise a power until a prescribed fee, charge, or cost is paid.
 - (3) Regulations made under **subsection (1)(i) or (j)** may—
 - (a) prescribe the method of payment of a fee, charge, or cost; and
 - (b) authorise the Registrar or the FMA to refund or waive, in whole or in part and on any prescribed conditions, payment of a fee, charge, or cost in relation to any person or class of persons.

- (4) Any fee, charge, or cost payable to the Registrar or the FMA by or under **Parts 1 to 3** is recoverable by the Registrar or the FMA in any court of competent jurisdiction as a debt due to the Registrar or the FMA.

74 Levies

5

- (1) Each of the following persons must pay to the FMA a levy determined in accordance with regulations made under **subsection (2)** if those regulations require the person to pay a levy:
- (a) every licensed auditor: 10
 - (b) the Auditor-General:
 - (c) every issuer.
- (2) The Governor-General may, by Order in Council made on the recommendation of the Minister, make regulations—
- (a) specifying the persons or classes of persons referred to in **subsection (1)** who must pay a levy: 15
 - (b) specifying the amount of levies, or method of calculating or ascertaining the amount of levies, on the basis that the costs of exercising or performing the FMA's functions, powers, and duties under **Parts 1 to 3**, and of collecting the levy money, should be met fully out of levies (except to the extent that those costs are recovered by fees, charges, or costs paid by or under **Parts 1 to 3**): 20
 - (c) including in levies, or providing for the inclusion in levies of, any shortfall in recovering those actual costs: 25
 - (d) refunding, or providing for refunds of, any over-recovery of those actual costs:
 - (e) providing for the payment and collection of those levies: 30
 - (f) providing different levies for different classes of persons referred to in **subsection (1)**:
 - (g) specifying the financial year or part financial year to which those levies apply, and applying to that financial year or part financial year and each subsequent financial year until revoked or replaced: 35
 - (h) for the first financial year to which a levy applies, including in the levy amount or method costs incurred

- by the FMA in connection with preparing itself to exercise or perform, and exercising and performing, its functions, powers, and duties under **Parts 1 to 3**, irrespective of the fact that the regulations are made and come into effect after that year: 5
- (i) requiring payment of a levy for a financial year or part financial year, irrespective of the fact that the regulations may be made after that financial year has commenced: 10
 - (j) exempting or providing for exemptions from, and providing for waivers of, the whole or any part of the levy for any case or class of cases. 10
- (3) The levy may be prescribed on the basis that any actual cost that could have been, but has not been, recovered as a levy shortfall for a year may be recovered (along with any financing charge) over any period of up to 5 years. 15
- (4) The levy for a financial year that starts after the FMA begins to carry out any additional function under this Act may cover the costs of performing that additional function, irrespective of the fact that the regulations may be made and come into effect after the start of the financial year. 20
- (5) The amount of any unpaid levy is recoverable in any court of competent jurisdiction as a debt due to the FMA.
- (6) The Minister must consult with the Institute, each accredited body, and the Auditor-General before making a recommendation for the purposes of **subsection (2)**. 25

Subpart 3—Transitional provisions

75 Certain auditors treated as holding licence

- (1) This section applies to a person who,—
- (a) immediately before the commencement of this section, is a chartered accountant who has, at any time within the 2-year period before that commencement, acted as the auditor in respect of an issuer audit; and 30
 - (b) satisfies the transitional requirements prescribed under **section 24(1)(f)** for the purposes of this section. 35

- (2) The person must, on and after the commencement of this section, be treated as holding a licence issued by the Institute under **section 10** that—
- (a) is recorded in the register; and
 - (b) is subject to a condition that authorises the person to carry out any issuer audit; and 5
 - (c) expires on the earlier of—
 - (i) the date that the person is issued with another licence under **section 10**; or
 - (ii) the date that the licence is cancelled; or 10
 - (iii) the date that is 2 years after the commencement of this section.
- (3) For the purpose of including information in the register in respect of a person that is treated as holding a licence under this section, the person must provide to the Registrar the prescribed information within 40 working days after the commencement of this section. 15
- (4) If a person fails to comply with **subsection (3)**, the licence may be cancelled under **section 19** or suspended under **section 20**. 20

76 Certain overseas auditors treated as holding licence

- (1) This section applies to a person who,—
- (a) immediately before the commencement of this section, is a person referred to in section 199(1)(c) or (d) of the Companies Act 1993 and who has, at any time within the 2-year period before that commencement, acted as the auditor in respect of an issuer audit; and 25
 - (b) satisfies the transitional requirements prescribed under **section 24(1)(f)** for the purposes of this section.
- (2) The person must, on and after the commencement of this section, be treated as holding a licence issued by the FMA under **section 11** that— 30
- (a) is recorded in the register; and
 - (b) is subject to a condition that authorises the person to carry out any issuer audit; and 35
 - (c) expires on the earlier of—
 - (i) the date that the person is issued with another licence under **section 11**; or

- (ii) the date that the licence is cancelled; or
 - (iii) the date that is 2 years after the commencement of this section.
- (3) For the purpose of including information in the register in respect of a person that is treated as holding a licence under this section, the person must provide to the Registrar the prescribed information within 40 working days after the commencement of this section. 5
- (4) If a person fails to comply with **subsection (3)**, the licence may be cancelled under **section 19** or suspended under **section 20**. 10
- 77 Transitional provisions do not prevent exercise of powers**
- Nothing in **section 75 or 76** prevents—
- (a) the Institute or the FMA (as the case may be) from—
 - (i) varying, removing, adding, or substituting conditions of the licence (including varying the condition referred to in **section 75(2)(b) or 76(2)(b)**;
or 15
 - (ii) cancelling or suspending the licence of a person;
or 20
 - (iii) exercising any other power in relation to that licence under **Parts 1 to 3**; or
 - (b) the FMA from exercising any power in relation to that licence under **Parts 1 to 3**.
- Subpart 4—Miscellaneous provisions 25
- 78 Application of Act in respect of Auditor-General**
- Nothing in **section 8 or 9** applies to the Auditor-General (and, accordingly, the Auditor-General is not required to hold a licence).
- 79 Power to amend or revoke** 30
- (1) The FMA’s power under this Act to make, issue, give, or publish any order, direction, notice, or other instrument includes the power to—
- (a) amend or revoke it;
 - (b) revoke it and replace it with another. 35

- (2) This section does not limit section 15 of the Interpretation Act 1999.

80 Sharing of information and documents with FMA

- (1) An accredited body may provide to the FMA any information, or a copy of any document, that the accredited body— 5
- (a) holds in relation to the performance or exercise of the accredited body's functions, powers, or duties under the rules of the accredited body or under any enactment; and
 - (b) considers may assist the FMA in the performance or exercise of the FMA's functions, powers, or duties under this Act or any other enactment. 10
- (2) An accredited body may use any information, or a copy of any document, provided to it by the FMA under any enactment in the accredited body's performance or exercise of its functions, powers, or duties under the rules of the accredited body or under any enactment. 15
- (3) This section applies despite anything to the contrary in any enactment, contract, deed, or document.

81 Notice and service of documents 20

- (1) Unless **Parts 1 to 3** provide otherwise, if a provision of **Parts 1 to 3** requires or authorises any notice or other document, or any notification, to be given or provided to a person, the notice, document, or notification must be given in writing to the person— 25
- (a) by delivering it personally or by an agent (such as a courier) to the person; or
 - (b) by sending it by prepaid post addressed to the person at the person's usual or last known place of residence or business; or 30
 - (c) by sending it by fax or electronic communication to the person's fax number or electronic address provided by the person for the purpose; or
 - (d) in any other manner a District Court Judge directs.
- (2) In the absence of proof to the contrary, a notice, document, or notification sent to a person in accordance with— 35

- (a) **subsection (1)(b)** must be treated as having been given or provided to the person when it would have been delivered in the ordinary course of the post; and, in proving the delivery, it is sufficient to prove that the letter was properly addressed and posted: 5
 - (b) **subsection (1)(c)** must be treated as having been given or provided to the person on the second working day after the day on which it is sent.
- (3) If a person is absent from New Zealand, a notice, document, or notification given to the person’s agent in New Zealand in accordance with **subsection (1)** must be treated as having been given or provided to the person. 10
- (4) If a person has died, the notice, document, or notification may be given, in accordance with **subsection (1)**, to his or her personal representative. 15
- (5) If a notice, document, or notification is required to be given to an audit firm that is a partnership, it may be given to any of the partners; and for the purposes of **Parts 1 to 3**, giving it to any of the partners must, unless otherwise directed by the FMA, be treated as service on all of those partners. 20

82 False declarations and representations

- (1) Every person commits an offence who, for the purpose of obtaining any licence or accreditation under **Parts 1 to 3** or for any other purpose relating to **Parts 1 to 3**, either on the person’s own behalf or on behalf of any other person,— 25
 - (a) either orally or in writing, makes any declaration or representation to a specified body that, to the person’s knowledge, is false or misleading in any material particular; or
 - (b) provides to a specified body any document knowing that the document— 30
 - (i) contains any declaration or representation that is false or misleading in any material particular; or
 - (ii) is not genuine; or
 - (c) makes use of any document knowing that the document— 35
 - (i) contains any declaration or representation that is false or misleading in any material particular; or

- (ii) is not genuine.
- (2) In **subsection (1)**, **specified body** means an accredited body, the Registrar, or the FMA.
- (3) A person who is convicted of an offence under **subsection (1)** is liable, on summary conviction, to a fine not exceeding \$50,000. 5

Part 4

Amendments to Financial Reporting Act 1993

- 83 Principal Act amended** 10
This Part amends the Financial Reporting Act 1993.
- 84 Long Title amended**
- (1) Paragraph (c) of the Long Title is amended by omitting “**Establish an Accounting Standards Review**” and substituting “**continue an External Reporting**”. 15
- (2) Paragraph (d) of the Long Title is amended by omitting “**approved**” and substituting “**and auditing and assurance standards issued**”.
- 85 Interpretation**
- (1) The definitions of **applicable financial reporting standard**, **approved financial reporting standard**, and **Board** in section 2(1) are repealed. 20
- (2) Section 2(1) is amended by inserting the following definitions in their appropriate alphabetical order:
- “**applicable financial reporting standard**, in relation to a reporting entity or a group and to an accounting period or an interim accounting period of a reporting entity, means a financial reporting standard that applies to the reporting entity or the group and to the accounting period or the interim accounting period in accordance with the financial reporting standard, a determination of the Board for the time being in force, or any election made under **section 28(4)** 25
- “**auditing and assurance standard** means an auditing and assurance standard issued by the Board under **section 24**; and 30

includes an amendment to an auditing and assurance standard that is issued by the Board under that section

“**Board** means the External Reporting Board continued under **section 22**

“**financial reporting standard** means a financial reporting standard issued by the Board under **section 24**; and includes an amendment to a financial reporting standard that is issued by the Board under that section 5

“**licensed auditor** has the same meaning as in **section 6** of the **Auditor Regulation and External Reporting Act 2010** 10

“**specified standard** means—

“(a) a financial reporting standard; or

“(b) an auditing and assurance standard; or

“(c) a professional and ethical standard issued under **section 24(1)(e)**” 15

86 Financial statements of issuers and group financial statements of issuers to be audited

Section 15(2) is repealed and the following subsection substituted:

“(2) The financial statements and any group financial statements must be audited— 20

“(a) by a licensed auditor; or

“(b) if the issuer is a public entity under the Public Audit Act 2001, by the Auditor-General or any other person who may act as the auditor under that Act.” 25

87 New section 15A inserted

The following section is inserted after section 15:

“**15A Auditor must comply with auditing and assurance standards**

“(1) If, under section 15 of this Act or under any other Act, the financial statements of a reporting entity or group financial statements of a group are required to be audited, the auditor must comply with the auditing and assurance standards that apply to the audit. 30

“(2) However, **subsection (1)** does not apply to an audit under— 35
“(a) the Public Audit Act 2001; or

- “(b) any other Act that is prescribed for the purposes of this section.
- “(3) Every auditor commits an offence and is liable on summary conviction to a fine not exceeding \$30,000 if the auditor fails, without reasonable excuse, to comply with **subsection (1)**.” 5

88 Part 3 substituted

Part 3 is repealed and the following Part substituted:

“Part 3

“External Reporting Board

“22 Continuation of External Reporting Board 10

“(1) There continues to be an organisation to be called the External Reporting Board.

“(2) The External Reporting Board is a Crown entity for the purposes of section 7 of the Crown Entities Act 2004.

“(3) The Crown Entities Act 2004 applies to the External Reporting Board except to the extent that this Act expressly provides otherwise. 15

“(4) The External Reporting Board is the same body as the Accounting Standards Review Board established under section 22 as in force immediately before its substitution by this section. 20

“(5) Unless the context otherwise requires, every reference to the Accounting Standards Review Board in any enactment, agreement, deed, instrument, application, notice, or other document in force immediately before the commencement of this section must, on and after that commencement, be read with all necessary modifications as a reference to the External Reporting Board. 25

“23 Membership of Board

“(1) The Board consists of no fewer than 4 and not more than 9 members. 30

“(2) The Minister must not recommend a person for appointment as a member of the Board unless, in the opinion of the Minister, that person is qualified for appointment by reason of his

or her knowledge of, or experience in, business, accounting, auditing, finance, economics, or law.

“(3) **Subsection (2)** does not limit section 29 of the Crown Entities Act 2004.

“(4) Members of the External Reporting Board are the board for the purposes of the Crown Entities Act 2004. 5

“**24 Functions of Board**

“(1) The Board has the following functions:

“(a) to prepare and, if it thinks fit, issue financial reporting standards for the purposes of— 10

“(i) this Act; or

“(ii) the Crown Entities Act 2004; or

“(iii) the Public Finance Act 1989; or

“(iv) the Local Government Act 2002; or

“(v) any Act that requires a person to comply with this Act as if that person were a reporting entity: 15

“(b) to prepare and, if it thinks fit, issue auditing and assurance standards for the purposes of—

“(i) this Act; or

“(ii) **Parts 1 to 3** of the **Auditor Regulation and External Reporting Act 2010**; or 20

“(iii) any Act that requires a person to comply with those standards; or

“(iv) any rules or codes of ethics of an association of accountants that requires its members to comply with those standards: 25

“(c) to develop and implement strategies for the issue of financial reporting standards and auditing and assurance standards in order to provide a framework for the Board’s overall direction in the setting of standards (including developing and implementing a strategy for tiers of financial reporting in accordance with **sections 34 to 34D**): 30

“(d) to give directions as to the accounting policies that have authoritative support within the accounting profession in New Zealand: 35

“(e) to prepare and issue professional and ethical standards that govern the professional conduct of persons that

- hold a licence issued under **section 10** of the **Auditor Regulation and External Reporting Act 2010**:
- “(f) to prepare and, if it thinks fit, issue amendments to any specified standards:
- “(g) to liaise with international or national organisations that exercise functions that correspond with, or are similar to, those conferred on the Board. 5
- “(2) For the avoidance of doubt, the function of the Board referred to in **subsection (1)(a)** includes the function of preparing and, if the Board thinks fit, issuing financial reporting standards that relate to prospective, summary, or interim financial information. 10
- “**25 Board must act independently**
- Except as expressly provided otherwise in this or another Act, the Board must act independently in performing its statutory functions and duties, and exercising its statutory powers, under— 15
- “(a) this Act; and
- “(b) any other Act that expressly provides for the functions, powers, or duties of the Board (other than the Crown Entities Act 2004). 20
- “**26 Consultation**
- “(1) The Board must not issue a specified standard, or an amendment to a specified standard, unless the Board has taken reasonable steps to consult with persons or organisations or representatives of persons or organisations who, in the opinion of the Board, would be affected by the issue of the standard or the amendment. 25
- “(2) The Board must not issue a specified standard, or an amendment to a specified standard, that is likely to require the disclosure of personal information unless the Board has consulted the Privacy Commissioner. 30
- “(3) Any failure to comply with **subsection (1) or (2)** does not affect the validity of the specified standard or the amendment.
- “(4) In **subsection (2)**,— 35

“**personal information** has the same meaning as in section 2 of the Privacy Act 1993

“**Privacy Commissioner** has the same meaning as Commissioner in section 2 of the Privacy Act 1993.

“(5) This section does not limit section 16 or 17 of the Crown Entities Act 2004. 5

“**27 Financial reporting standards**

“(1) Financial reporting standards may be expressed to apply in relation to—

“(a) all reporting entities or groups; or 10

“(b) specified reporting entities or groups; or

“(c) the Crown; or

“(d) all departments or offices of Parliament or Crown entities; or

“(e) specified departments or offices of Parliament or Crown entities; or 15

“(f) all local authorities; or

“(g) specified local authorities; or

“(h) accounting periods or interim accounting periods.

“(2) Financial reporting standards may— 20

“(a) have general or specific application:

“(b) differ according to differences in time or circumstance.

“(3) A financial reporting standard may classify a company as a subsidiary of another company where, although the company is not a subsidiary of that other company for the purposes of section 5 of the Companies Act 1993, the company is, in effect, controlled by that other company (irrespective of whether it is taken to be controlled by that other company for the purposes of section 5 of the Companies Act 1993) so as to render it, in substance, a subsidiary of that other company. 25 30

“(4) In **subsection (3), company** includes an association of persons whether incorporated or not.

“(5) The Board may determine that—

“(a) a financial reporting standard that has not been issued so as to apply to a particular person (including a department or office of Parliament) or category of persons will apply to that person or category of persons in relation 35

- to the accounting periods or interim accounting periods that the Board may determine; or
- “(b) a financial reporting standard that applies to a particular person (including a department or office of Parliament) or category of persons will cease to apply to that person or category of persons in relation to the accounting periods or interim accounting periods that the Board may determine. 5
- “28 **Miscellaneous matters relating to application of financial reporting standards** 10
- “(1) A financial reporting standard, an amendment to a financial reporting standard, or a determination under **section 27(5)** (as the case may be) takes effect on the 28th day after the date of the notification of the issue, amendment, or determination in the *Gazette*. 15
- “(2) However, a financial reporting standard, an amendment to a financial reporting standard, or a determination under **section 27(5)** (as the case may be) must, in respect of a particular reporting entity, be treated as taking effect on the date of the notification of the issue, amendment, or determination in the *Gazette* if— 20
- “(a) the Board is satisfied that it is desirable to allow this subsection to apply because bringing the financial reporting standard, amendment, or determination into effect earlier than is provided in **subsection (1)** is necessary or desirable in order for 1 or more reporting entities or the directors of those entities to comply with the financial reporting or accounting standards issued or adopted by an international organisation (for example, the International Accounting Standards Board); and 25 30
- “(b) the notice under **section 31** states that this subsection applies; and
- “(c) the directors of the reporting entity elect in writing that this subsection should apply in respect of the financial reporting standard, amendment, or determination. 35
- “(3) A financial reporting standard, an amendment to a financial reporting standard, or a determination made under **section 27(5)** commences to apply in relation to the accounting

periods or interim accounting periods that the Board specifies in the standard, amendment, or determination, which periods—

“(a) may be accounting periods or interim accounting periods that have commenced or that commence before the date on which the financial reporting standard, amendment, or determination takes effect; but 5

“(b) must not be accounting periods or interim accounting periods that have ended or that end before the financial reporting standard, amendment, or determination takes effect. 10

“(4) However, if a financial reporting standard specifies that an election may be made under this subsection, any of the following may elect in writing that the standard will apply to a particular accounting period or interim accounting period that it would not otherwise apply to: 15

“(a) the directors of a reporting entity:

“(b) the Minister of Finance and the Secretary to the Treasury, in relation to financial statements for the Crown required to be prepared under the Public Finance Act 1989: 20

“(c) the chief executive of a department:

“(d) the chief executive of an office of Parliament:

“(e) the chairperson and the chief executive of a Crown entity or, if no chairperson exists, the chief executive: 25

“(f) the chief executive of a local authority.

“(5) If an election is made under **subsection (4)**, the financial reporting standard will apply accordingly to the accounting period or interim accounting period in respect of the relevant reporting entity, the Crown, the department, the office of Parliament, the Crown entity, or the local authority (as the case may be). 30

“**29 Auditing and assurance standards**

“(1) Auditing and assurance standards may—

“(a) have general or specific application: 35

“(b) differ according to differences in time or circumstance.

“(2) An auditing and assurance standard or an amendment to an auditing and assurance standard commences to apply in rela-

- tion to audit engagements or appointments that start on or after a date that the Board specifies in the standard or amendment.
- “(3) The date specified under **subsection (2)** must not be less than 28 days after the date of the notification of the standard or amendment in the *Gazette*. 5
- “**30 Revocation of standard**
- “(1) The Board may revoke a specified standard.
- “(2) Any revocation takes effect on the 28th day after the date of the notification of the revocation in the *Gazette*.
- “(3) The revocation of a financial reporting standard applies in relation to the accounting periods or interim accounting periods that the Board specifies, which periods— 10
- “(a) may be accounting periods or interim accounting periods that have commenced or that commence before the date on which the revocation takes effect; but 15
- “(b) must not be accounting periods or interim accounting periods that have ended or that end before the revocation takes effect.
- “(4) However, if the revocation of a financial reporting standard specifies that an election may be made under this subsection, any of the following may elect in writing that the revocation will apply to a particular accounting period or interim accounting period that it would not otherwise apply to: 20
- “(a) the directors of a reporting entity:
- “(b) the Minister of Finance and the Secretary to the Treasury, in relation to financial statements for the Crown required to be prepared under the Public Finance Act 1989: 25
- “(c) the chief executive of a department:
- “(d) the chief executive of an office of Parliament: 30
- “(e) the chairperson and the chief executive of a Crown entity or, if no chairperson exists, the chief executive:
- “(f) the chief executive of a local authority.
- “(5) If an election is made under **subsection (4)**, the revocation of the financial reporting standard will apply accordingly to the accounting period or interim accounting period in respect of the relevant reporting entity, the Crown, the department, the 35

office of Parliament, the Crown entity, or the local authority (as the case may be).

- “31 Public notice**
- “(1) The Board must give notice of—
- “(a) the issue of a specified standard; and 5
 - “(b) the amendment of a specified standard; and
 - “(c) any determination made under **section 27(5)**; and
 - “(d) the revocation of a specified standard or of any amendment to any specified standard.
- “(2) A notice under this section— 10
- “(a) must be given in the *Gazette*; and
 - “(b) may be given in any other publications that the Board considers appropriate for that purpose.
- “(3) A notice under this section must—
- “(a) identify the specified standard or the amendment to the specified standard (as the case may be) but need not incorporate it in the notice: 15
 - “(b) identify the financial reporting standard to which the determination relates, but need not incorporate it in the notice: 20
 - “(c) identify the specified standard revoked or the amendment to the standard revoked (as the case may be) but need not incorporate it in the notice.
- “32 Disallowance of determinations by House of Representatives** 25
- “(1) The Regulations (Disallowance) Act 1989 applies to the following determinations of the Board as if the determination were a regulation within the meaning of that Act:
- “(a) any issue of a specified standard:
 - “(b) any amendment to a specified standard: 30
 - “(c) any revocation of a specified standard:
 - “(d) any determination made under **section 27(5)**.
- “(2) The determinations referred to in **subsection (1)** are not regulations for the purposes of the Acts and Regulations Publication Act 1989. 35

“33 Certificates of Board

- “**(1)** A certificate signed by the chairperson or deputy chairperson of the Board as to any of the following is, in the absence of evidence to the contrary, sufficient evidence of the matters stated in the certificate: 5
- “(a) the making of a determination issuing a specified standard or any amendment to a specified standard; or
 - “(b) the making of a determination under **section 27(5)** and the accounting period or interim accounting period in relation to which it applies; or 10
 - “(c) the making of a determination revoking a specified standard; or
 - “(d) the accounting period or interim accounting period in relation to which a financial reporting standard will commence to apply; or 15
 - “(e) the accounting period or interim accounting period in relation to which a financial reporting standard ceases to apply; or
 - “(f) the accounting period or interim accounting period in relation to which a financial reporting standard was in 20 force.
- “**(2)** All courts and all persons acting judicially must take judicial notice of the signature of the chairperson or deputy chairperson appearing on a certificate given under **subsection (1)**.

“34 Tiers of financial reporting for different classes of reporting entities and other entities 25

- “**(1)** The purpose of **sections 34A to 34D** is to establish a system for tiers of financial reporting that impose different financial reporting requirements in respect of different classes of relevant entities in order to ensure that the requirements that apply in respect of those entities are appropriate. 30
- “**(2)** In this section and in **sections 34A and 34B**, **relevant entities**—
- “(a) means reporting entities, groups, the Crown, departments, offices of Parliament, Crown entities, and local 35 authorities; and

“(b) includes any other entities that are required by any Act to prepare financial statements in accordance with generally accepted accounting practice.

“**34A Board must develop and implement strategy for tiers of financial reporting** 5

“(1) The Board must, within 6 months after the commencement of this section, prepare and submit to the Minister for approval, a draft strategy for establishing different tiers of financial reporting in respect of different classes of relevant entities.

“(2) The Board must, after the strategy is approved by the Minister, take reasonable steps to implement the strategy. 10

“**34B Process for preparing strategy for tiers of financial reporting**

“(1) In preparing the draft strategy under **section 34A**, the Board must have regard to— 15

“(a) the purpose referred to in **section 34(1)**; and

“(b) the advantages and disadvantages of placing different classes of relevant entities within different tiers of financial reporting.

“(2) The draft strategy under **section 34A** must— 20

“(a) specify the qualifying criteria for each tier of financial reporting; and

“(b) describe the financial reporting requirements that will apply for each tier of financial reporting; and

“(c) specify the Board’s reasons (including why the strategy is appropriate); and 25

“(d) include any other prescribed matters.

“(3) The description under **subsection (2)(b)** may refer to—

“(a) a set of standards (for example, International Financial Reporting Standards and International Public Sector Accounting Standards): 30

“(b) specific standards:

“(c) accounting policies, principles, concepts, or methods (for example, the principles of accrual accounting):

“(d) any combination of the matters in **paragraphs (a) to (c)**. 35

- “(4) The Board must, in preparing the draft strategy, consult the persons or organisations or representatives of persons or organisations who, in the opinion of the Board, would be affected by the strategy.
- “(5) Any failure to comply with **subsection (4)** does not affect the validity of the strategy. 5
- “**34C Minister may approve strategy**
- “(1) The Minister may, after receiving the draft strategy from the Board under **section 34A**, either approve or decline to approve the draft strategy. 10
- “(2) The Minister may decline to approve a draft strategy only if, in his or her opinion,—
- “(a) the Board has not had sufficient regard to the matters specified in **section 34B(1)**; or
- “(b) the Board has not adequately consulted on the strategy under **section 34B(4)**; or 15
- “(c) the draft strategy is inconsistent with the purposes of this Act.
- “(3) If the Minister declines to approve a draft strategy, he or she may give a direction to the Board to amend the strategy and resubmit it to the Minister for approval (and the Board must comply with that direction). 20
- “(4) The Minister’s direction under **subsection (3)** may specify the date by which the draft strategy must be resubmitted (which may be after the 6-month period referred to in **section 34A**). 25
- “**34D Board may vary or replace strategy for tiers of financial reporting**
- “(1) The Board may—
- “(a) vary a strategy that has been approved under **section 34C**: 30
- “(b) revoke a strategy that has been approved under **section 34C** and replace it with another.
- “(2) **Sections 34A(2), 34B, and 34C** apply with any necessary modifications for the purposes of **subsection (1)**. 35

- “(3) However, the Board is not required to comply with **section 34B(4)** in respect of a variation to the strategy if, in its opinion, the variation corrects a minor error or is otherwise of a minor nature.”
- 89 Privacy Act 1993** 5
Section 42A is amended by inserting “or issued” after “approved”.
- 90 Regulations**
- (1) Section 42B(1) is amended by inserting the following paragraph before paragraph (a): 10
“(aaa) prescribing Acts for the purposes of **section 15A**.”
- (2) Section 42B(1)(a)(ii) is repealed.
- (3) Section 42B(2) is repealed and the following subsection substituted:
- “(2) The amounts payable under regulations made under this section are recoverable by the Securities Commission or the Registrar of Companies (as the case may be) in any court of competent jurisdiction as a debt due to the Securities Commission or the Registrar of Companies.” 15
- 91 New sections 42C and 42D inserted** 20
The following sections are inserted after section 42B:
- “**42C Levies**
- “(1) Each of the following persons must pay a levy determined in accordance with regulations made under **subsection (2)** if those regulations require the person to pay a levy: 25
- “(a) every chartered accountant who holds a certificate of public practice:
- “(b) every licensed auditor:
- “(c) the Auditor-General:
- “(d) every issuer and every other entity whose financial statements are required to be registered under this Act: 30
- “(e) every other person who is a member, fellow, or associate of an association of accountants specified in the regulations and that is in the business of offering accounting or auditing services to the public in New Zealand. 35

- “(2) The Governor-General may, by Order in Council made on the recommendation of the Minister, make regulations providing for the levy.
- “(3) The levy must be prescribed on the basis that the following costs should be met fully out of the levy: 5
- “(a) a portion of the costs of the Board performing its functions and exercising its powers and duties under this Act, where the size of the portion to be met by levies under this Act is determined by the Minister; and
- “(b) the costs of collecting the levy money. 10
- “(4) The levy may be prescribed on the basis that any actual cost that could have been, but has not been, recovered as a levy shortfall for a year may be recovered (along with any financing charge) over any period of up to 5 years.
- “(5) The regulations may— 15
- “(a) specify the persons or classes of persons referred to in **subsection (1)** who must pay a levy:
- “(b) provide for different levies for different persons or classes of persons referred to in **subsection (1)** who must pay a levy: 20
- “(c) specify the amount of levies, or method of calculating or ascertaining the amount of levies:
- “(d) include in levies, or provide for the inclusion in levies of, any shortfall in recovering the actual costs of exercising or performing the Board’s functions, powers, and duties under this Act: 25
- “(e) refund, or provide for refunds of, those levies:
- “(f) provide for the payment and collection of those levies:
- “(g) specify the financial year or part financial year to which those levies apply, and applying to that financial year or part financial year and each subsequent financial year until revoked or replaced: 30
- “(h) for the first financial year to which a levy applies, include in the levy amount or method costs incurred by the Board in connection with preparing itself to exercise and perform, and exercising and performing, its functions, powers, and duties under this Act, irrespective of the fact that the regulations are made and come into effect after that year: 35

- “(i) require payment of a levy for a financial year or part financial year, irrespective of the fact that the regulations may be made after that financial year has commenced:
- “(j) exempt or provide for exemptions from, and providing for waivers of, the whole or any part of the levy for any case or class of cases. 5
- “(6) The levy for a financial year that starts after the Board begins to carry out any additional function under this Act may cover the costs of performing that additional function, irrespective of the fact that the regulations may be made and come into effect after the start of the financial year. 10
- “(7) The amount of any unpaid levy is recoverable in any court of competent jurisdiction as a debt due to the Crown.
- “**42D Board must consult about request for appropriation**
- “(1) The Board must, before submitting a request to the Minister seeking an appropriation of public money for the following year, or any change to an appropriation for the current year, that relates to costs that are intended to be recovered by way of levies under **section 42C**, consult about that request with— 15
- “(a) the persons or organisations that the Board considers are able to represent the views of those persons who are liable to pay a levy under that section; and 20
- “(b) any other representatives of persons whom the Board believes to be significantly affected by a levy.
- “(2) The Board must, at the time when the request is submitted, report to the Minister on the outcome of that consultation. 25
- “(3) This section applies to requests in respect of the first financial year that begins after the commencement of this section and later financial years.
- “(4) A failure to comply with **subsection (1)** does not affect the validity of any regulations made under **section 42C**.” 30

92 Schedule 1 repealed
Schedule 1 is repealed.

- 93 Amendments to other enactments**
The enactments specified in **Schedule 2** are amended in the manner indicated in that schedule.
- 94 Amendments to Public Audit Act 2001**
- (1) This section amends the Public Audit Act 2001. 5
- (2) Section 15 is amended by adding the following subsections:
- “(3) In the case of an audit of an issuer carried out under this Act, the Auditor-General must (at a minimum) comply with the auditing and assurance standards that apply to the audit.
- “(4) In **subsection (3)**,— 10
“**auditing and assurance standards** has the same meaning as in section 2(1) of the Financial Reporting Act 1993
“**issuer** has the same meaning as in section 4 of the Financial Reporting Act 1993.”
- (3) Section 23 is amended by adding the following subsection: 15
- “(5) A report under subsection (1) and an annual report prepared under section 37 are not required to include information about any auditing and assurance standards (within the meaning of section 2(1) of the Financial Reporting Act 1993).”
- 95 Financial reporting standards continue in effect** 20
- (1) Nothing in this Act affects the validity of a financial reporting standard that was approved, or of any other determination of the Accounting Standards Review Board made, before the commencement of this section.
- (2) Every approved financial reporting standard that is in effect immediately before the commencement of this section— 25
- (a) continues in effect as if issued under **section 24** of the principal Act (as substituted by this Act); and
- (b) may be amended or revoked as if issued under that section. 30
- 96 Consultation not required in respect of certain auditing and assurance standards or professional and ethical standards**
- The External Reporting Board is not required to carry out consultation in accordance with **section 26** of the principal Act 35

in relation to an auditing and assurance standard, or a professional and ethical standard, that it intends to issue if the External Reporting Board is satisfied that the standard is the same, or substantially the same, as a standard relating to auditing or assurance that has, before the commencement of this section, been issued or approved by the Institute of Chartered Accountants of New Zealand. 5

97 Chairperson of Board continues in office but other members cease to hold office

- (1) The person who is the chairperson of the Accounting Standards Review Board, immediately before the commencement of this section, must be treated as being a member and the chairperson of the External Reporting Board on that commencement (and the term of office of the person as a member and term of office of the person as chairperson remain the same). 10 15
- (2) Every person (other than the chairperson) who, immediately before the commencement of this section, is a member of the Accounting Standards Review Board, ceases to be a member on that commencement (and does not automatically become a member of the External Reporting Board). 20
- (3) **Subsection (2)** does not prevent a person to whom that subsection applies from being appointed a member of the External Reporting Board in accordance with this Act and the Crown Entities Act 2004.
-

Schedule 1

s 72

Amendments to other Acts relating to
auditor regulation**Companies Act 1993 (1993 No 105)**

Section 199(1): insert after paragraph (a): 5

“(ab) the person is a licensed auditor within the meaning of **section 6** of the **Auditor Regulation and External Reporting Act 2010**; or”.

**Institute of Chartered Accountants of New Zealand Act 1996
(1996 No 39)**

10

Section 15: add:

“(5) Nothing in this section limits **sections 8 and 9** of the **Auditor Regulation and External Reporting Act 2010**.”

Privacy Act 1993 (1993 No 28)

Part 1 of Schedule 2: insert in its appropriate alphabetical order: 15

Auditor Regulation and External Reporting Act 2010 section 29**Securities Act 1978 (1978 No 103)**

Section 2C(1): repeal and substitute:

“(1) For the purposes of this Act, a person is a **qualified auditor** only if—

“(a) the person is a licensed auditor (within the meaning of **section 6** of the **Auditor Regulation and External Reporting Act 2010**); or 20

“(b) in the case of an issuer that is a public entity under the Public Audit Act 2001, the person is the Auditor-General or any other person who may act as the auditor under that Act.” 25

Schedule 1: insert before the item relating to the Building Societies Act 1965: “**Parts 1 to 3 of the Auditor Regulation and External Reporting Act 2010**”.

Schedule 2

s 93

**Amendments to other enactments relating
to amendments to Financial Reporting
Act 1993**

Part 1

5

Amendments to Acts

Broadcasting Act 1989 (1989 No 25)

Definition of **approved financial reporting standard** in section 2(1): repeal.

Definition of **total revenue** in section 2(1): omit “approved” and substitute “issued”. 10

Crown Entities Act 2004 (2004 No 115)

Definition of **generally accepted accounting practice** in section 136(1): omit “approved” in each place where it appears.

Item relating to the Accounting Standards Review Board in Part 3 of Schedule 1: repeal. 15

Part 3 of Schedule 1: insert in its appropriate alphabetical order:

Name	Exemption from acquisition of securities, borrowing, guarantee, and derivative rules	Exemption from section 165 (net surplus payable to Crown)
	s 161 s 162 s 163 s 164	

External Reporting Board

Financial Reporting Amendment Act 2006 (2006 No 64)

Sections 13 to 17: repeal.

Gambling Act 2003 (2003 No 51)

20

Definition of **approved financial reporting standard** in section 108(2): omit “approved”.

Definition of **generally accepted accounting practice** in section 108(2): omit “approved” in each place where it appears.

Part 1—*continued***Government Superannuation Fund Act 1956 (1956 No 47)**

Section 15K(3)(b): omit “approved”.

Income Tax Act 2007 (2007 No 97)

Definition of **new reporting standard** in section DB 35: omit “by the Accounting Standards Review Board” and substitute “or issued under the Financial Reporting Act 1993”. 5

Section EB 6(3): omit “by the Accounting Standards Review Board” and substitute “or issued under the Financial Reporting Act 1993”.

Section EX 21C(6): omit “by the Accounting Standards Review Board” and substitute “or issued”. 10

Definition of **IFRS** in section YA 1: omit “by the Accounting Standards Review Board” and substitute “or issued under the Financial Reporting Act 1993”.

Definition of **NZIAS 2** in section YA 1: omit “by the Accounting Standards Review Board” and substitute “or issued under the Financial Reporting Act 1993”. 15

Definition of **NZIAS 8** in section YA 1: omit “by the Accounting Standards Review Board” and substitute “or issued under the Financial Reporting Act 1993”.

Definition of **NZIAS 17** in section YA 1: omit “by the Accounting Standards Review Board” and substitute “or issued under the Financial Reporting Act 1993”. 20

Definition of **NZIAS 23** in section YA 1: omit “by the Accounting Standards Review Board” and substitute “or issued under the Financial Reporting Act 1993”. 25

Definition of **NZIAS 32** in section YA 1: omit “by the Accounting Standards Review Board” and substitute “or issued under the Financial Reporting Act 1993”.

Definition of **NZIAS 39** in section YA 1: omit “by the Accounting Standards Review Board” and substitute “or issued under the Financial Reporting Act 1993”. 30

Local Government Act 2002 (2002 No 84)

Definition of **generally accepted accounting practice** in section 5(1): omit “approved” in each place where it appears.

Part 1—*continued*

**New Zealand Superannuation and Retirement Income Act 2001
(2001 No 84)**

Definition of **subsidiary** in section 5(1): omit “approved”.

Section 59(3)(b): omit “approved”.

Official Information Act 1982 (1982 No 156) 5

Schedule 1: omit “Accounting Standards Review Board”.

Schedule 1: insert in its appropriate alphabetical order “External Reporting Board”.

Ombudsmen Act 1975 (1975 No 9) 10

Part 2 of Schedule 1: omit “Accounting Standards Review Board”.

Part 2 of Schedule 1: insert in its appropriate alphabetical order “External Reporting Board”.

Remuneration Authority Act 1977 (1977 No 110) 15

Item relating to Accounting Standards Review Board in Schedule 4: omit.

Schedule 4: insert after the item relating to the Employment Relations Authority: “The members of the External Reporting Board”.

Public Audit Act 2001 (2001 No 10) 20

Definition of **approved financial reporting standard** in section 4: repeal.

Section 4: insert in its appropriate alphabetical order:

“**financial reporting standard** has the same meaning as in section 2(1) of the Financial Reporting Act 1993”.

Definition of **subsidiary** in section 4: omit “approved”.

Section 5(2)(b): omit “approved”.

Public Finance Act 1989 (1989 No 44)

Definition of **generally accepted accounting practice** in section 2(1): omit “approved” in each place where it appears.

Part 1—*continued***Sale of Liquor Act 1989 (1989 No 63)**

Definition of **generally accepted accounting practice** in section 2:
omit “approved” in each place where it appears.

Securities Act 1978 (1978 No 103)

Section 70AA(1)(b): omit “approved”. 5

Definition of **approved financial reporting standard** in section
70AA(4): repeal.

Section 70AA(4): insert in its appropriate alphabetical order:

“**financial reporting standard** has the same meaning as in
section 2(1) of the Financial Reporting Act 1993”. 10

Definition of **material incorporated by reference** in section
70AA(4): omit “approved”.

Section 70AAC(2): omit “an approved” and substitute “a”.

Part 2

Amendments to regulations 15

**Airport Authorities (Airport Companies Information
Disclosure) Regulations 1999 (SR 1999/242)**

Definition of **applicable financial reporting standard** in regulation
2(1): revoke and substitute:

“**applicable financial reporting standard** in relation to an 20
airport company and to an accounting period of an airport
company, means a financial reporting standard (within the
meaning of the Financial Reporting Act 1993) that applies to
the airport company and the accounting period in accordance
with the financial reporting standard, a determination of the 25
External Reporting Board for the time being in force, or any
election made under **section 28(4)** of that Act”.

Regulation 17(4): omit “Accounting Standards Review” and substi-
tute “External Reporting”.

Part 2—*continued*

Securities Regulations 2009 (SR 2009/230)

Regulation 4(6): insert “issued or” after “financial reporting standard”.