

Financial Reporting Amendment Bill

(Divided from the Accounting Infrastructure Reform
Bill)

Government Bill

As reported from the committee of the whole
House

This bill was formerly part of the Accounting Infrastructure Reform Bill as reported from the Commerce Committee. The committee of the whole House has further amended the bill and divided it into the following bills:

- Auditor Regulation Amendment Bill comprising clauses 1 and 2, and subpart 1 of Part 1
- Charities Amendment Bill (No 3) comprising subpart 2 of Part 1 and Schedule 1AA
- this bill comprising subpart 3 of Part 1, Part 2, and Schedules 1 and 2
- New Zealand Institute of Chartered Accountants Amendment Bill comprising subpart 4 of Part 1 and Schedule 1A.

Financial Reporting Amendment Bill

Key to symbols used in reprinted bill

**As reported from the committee of the whole
House**

text inserted

text deleted

Hon Paul Goldsmith

Financial Reporting Amendment Bill

Government Bill

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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Financial Reporting Amendment Act **2014**.

2 Commencement

(1) This Act comes into force on a date appointed by the Governor-General by Order in Council; and 1 or more orders may be made bringing different provisions into force on different dates. 5

(2) To the extent that it has not previously been brought into force under **subsection (1)**, the rest of this Act comes into force on 1 April 2017. 10

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Part 1
Amendments to Financial Reporting Act
2013

- 26 Principal Act**
 This **subpart** amends the Financial Reporting Act 2013 (the **principal Act**). 5
- 27 Section 5 amended (Interpretation)**
 In section 5(1), insert in their appropriate alphabetical order:
 “**accredited body** means a person that is granted accreditation, or is treated as having been granted accreditation, under sub- 10
 part 5 of Part 2 of the Auditor Regulation Act 2011
 “**approved association** means an association of accountants that is approved for the time being by the Registrar under section 36(1)(c)
 “**Institute** means the New Zealand Institute of Chartered Ac- 15
 countants constituted under the New Zealand Institute of Chartered Accountants Act 1996
 “**qualified statutory accountant** means a person who is—
 “(a) a chartered accountant (within the meaning of section 19 of the New Zealand Institute of Chartered Account- 20
 ants Act 1996); or
 “(b) a member of an accredited body (other than the Institute) who holds the full professional designation of that body (for example, a certified practising accountant); or
 “(c) recognised under **section 36N** 25
 “**Registrar** means the Registrar of Companies appointed in accordance with section 357(1) of the Companies Act 1993”.
- 28 New section 9A inserted (Transitional, savings, and related provisions)**
 After section 9, insert: 30
 “**9A Transitional, savings, and related provisions**
 The transitional, savings, and related provisions set out in the **Schedule** have effect according to their terms.”

29 Section 34 amended (Purpose and application)

- (1) After section 34(1)(b), insert:
- “(c) offences for an unqualified person to act as an auditor or to hold himself, herself, or itself out as being a qualified auditor.” 5
- (2) In section 34(2), after “of the entity”, insert “or of its financial statements”.

30 Section 36 amended (Qualifications of auditor)

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

- (2C) In section 36(1)(d)(ii), replace “Registrar of Companies by notice in the *Gazette*.” with “Registrar by notice in the *Gazette* in accordance with **section 36AA(2)**; or”.
- (3) In section 36(1)(d)(ii), after “*Gazette*”, insert “; or”.
- (4) After section 36(1)(d), insert: 5
- “(e) the person is a company, or an overseas company, that is a registered audit firm; or
- “(f) the person is a company that is recognised, in accordance with **section 36A**, as being eligible to act as an auditor in respect of entities of the same kind as the specified entity; or 10
- “(g) the person is an overseas company that—
- “(i) is recognised, in accordance with **section 36A**, as being eligible to act as an auditor in respect of entities of the same kind as the specified entity; 15
- and
- “(ii) is incorporated or constituted in a country, State, or territory that is approved for the time being under **section 36B**; and
- “(iii) has a legal structure that is approved for the time 20
- being under **section 36B**.”
- (5) In section 36(2)(a), replace “unless he or she is a licensed auditor” with “unless he, she, or it is a licensed auditor or a body corporate that is a registered audit firm”.
- (5A) In section 36(4), after “auditor of a specified entity”, insert “(or of its financial statements)”. 25
- (6) Replace section 36(4)(d) with:
- “(d) a body corporate (unless the body corporate is a registered audit firm or recognised as referred to in **subsection (1)(f) or (g)**):” 30
- (7) After section 36(5), insert:
- “(6) A notice in the *Gazette* referred to in this section or **section 36B** is neither a legislative instrument nor a disallowable instrument for the purposes of the Legislation Act 2012 and does not have to be presented to the House of Representatives under section 41 of that Act.” 35

31 New sections 36AA to 36O and cross-heading inserted

After section 36, insert:

“36AA Power of Registrar of Companies to approve associations and auditors

- “(1) The Registrar may, after receiving an application from an association of accountants, approve the association under section 36(1)(c)(i) if, after taking into account the prescribed matters (if any), the Registrar is satisfied that the association satisfies the requirements that are prescribed for the purposes of this subsection. 5
10
- “(2) The Registrar may, after receiving an application from a natural person, approve the person under section 36(1)(d)(ii) if, after taking into account the prescribed matters (if any), the Registrar is satisfied that the person—
- “(a) satisfies the requirements that are prescribed for the purposes of this paragraph; and 15
- “(b) satisfies the minimum standards that are prescribed for the purposes of this paragraph.
- “(3) An application under **subsection (1) or (2)** must be accompanied by the prescribed fee. 20
- “(4) The Registrar may, by written notice given to an association or other person,—
- “(a) impose conditions on the approval of that association or person under section 36(1)(c)(i) or (d)(ii); and
- “(b) vary, revoke, add to, or substitute any such conditions 25
at any time.
- “(5) The Registrar may impose any conditions that the Registrar thinks fit (for example, conditions that impose limits or restrictions on the ability of an approved association to recognise its members or conditions that impose limits or restrictions on the types of audits that a person approved under section 36(1)(d) may carry out). 30

“36AB Approved associations and persons must report to Registrar

- “(1) Every approved association and every person who is approved under section 36(1)(d) must, at the prescribed times or on the occurrence of the prescribed events and otherwise in the pre-

- scribed manner, send to the Registrar reports that contain the prescribed information (together with a prescribed fee).
- “(2) If an approved association (A) becomes aware that it does not comply, or no longer complies, with the requirements for approval under **section 36AA(1)**, A— 5
- “(a) must, as soon as practicable, give written notice of that non-compliance to the Registrar; and
- “(b) must cease to give recognition under **section 36(1)(c)(ia)** to any person who applies for or requests recognition after A becomes so aware. 10
- “(3) If a person who is approved under section 36(1)(d) (B) becomes aware that he or she does not comply, or no longer complies, with the requirements or minimum standards for approval under **section 36AA(2)**, B—
- “(a) must, as soon as practicable, give written notice of that non-compliance to the Registrar; and 15
- “(b) must not act as the auditor of a specified entity or of its financial statements.
- “(4) If an approved association or a person who is approved under section 36(1)(d) fails to comply with this section, the approval of that association or person is treated as suspended until— 20
- “(a) a date specified in a notice given by the Registrar to the association or person; or
- “(b) the approval is cancelled under **section 36G**.
- “**36A Institute, accredited bodies, and approved associations** 25
may recognise body corporate as eligible to act as auditor
- “(1) The Institute, any other accredited body, or an approved association may recognise a company or an overseas company for the purposes of **section 36(1)(f) or (g)** if, after taking into account the prescribed matters, the Institute, accredited body, or approved association is satisfied that the company or overseas company— 30
- “(a) satisfies the requirements that are prescribed for the purposes of this paragraph; and
- “(b) satisfies the minimum standards that are prescribed for the purposes of this paragraph; and 35
- “(c) has at least 1 director who is—

-
- “(i) a member of the Institute, accredited body, or approved association; and
- “(ii) a qualified auditor under any of **paragraphs (a) to (d) of section 36(1)** (in respect of all specified entities or 1 or more kinds of specified entities). 5
- “(2) Recognition may relate to all specified entities or to 1 or more kinds of specified entities.
- “36B Registrar of Companies may approve overseas countries and legal structures 10**
- “(1) The Registrar may, by notice in the *Gazette*, approve, for the purposes of **section 36(1)(g)**,—
- “(a) a country, State, or territory; and
- “(b) a specified legal structure of that country, State, or territory (for example, a company incorporated under the law of a particular overseas country). 15
- “(2) The Registrar must, before approving a country, State, or territory and a legal structure, be satisfied that—
- “(a) the law or the regulatory requirements of that country, State, or territory impose requirements relating to auditor independence that are equivalent to, or as satisfactory as, the requirements that apply to New Zealand auditors; and 20
- “(b) entities that have that legal structure are eligible to act as an auditor in that country, State, or territory. 25
- “(3) The Registrar may not approve as a legal structure any kind of overseas limited partnership (within the meaning of section 4 of the Limited Partnerships Act 2008).
- “36C Institute, accredited bodies, and approved associations must keep recognition under review 30**
- “(1) The Institute, any other accredited body, or an approved association that recognises any person for the purposes of **section 36(1)** must maintain adequate and effective systems for keeping under review the recognition of those persons.

- “(2) The purpose of the review is to provide reasonable assurance that the requirements and minimum standards for recognition continue to be satisfied.
- “(3) The systems must include an annual review of each person who is recognised (for example, by requiring the person to verify that the requirements and any minimum standards for recognition continue to be satisfied). 5
- “**36D Body corporate must ensure that engagement director is qualified auditor**
- “(1) If a body corporate (A) referred to in **section 36(1)(e), (f), or (g)** is appointed or is acting as the auditor of a specified entity or of its financial statements, A must ensure that each engagement director is a qualified auditor under any of **paragraphs (a) to (d) of section 36(1)**. 10
- “(2) In this section, **engagement director**, in respect of an audit where A is appointed or is acting, means the director or other person in A who is responsible for the audit and the performance of the audit and for the audit report that is issued on behalf of A. 15
- “**36E Recognised body corporate must not act if requirements no longer met** 20
- If a body corporate (A) that is recognised for the purposes of **section 36(1)(f) or (g)** becomes aware that A does not comply, or no longer complies, with the requirements or minimum standards for recognition under **section 36A**, A— 25
- “(a) must not act as the auditor of a specified entity or of its financial statements; and
- “(b) must, as soon as practicable, give written notice of that non-compliance to the Institute, the accredited body, or the approved association that recognised A. 30
- “**36F Offence relating to section 36D or 36E**
- “(1) If a body corporate (A) fails to comply with **section 36D or 36E**,—
- “(a) A commits an offence and is liable on conviction to a fine not exceeding \$150,000; and 35

- “(b) every director of A also commits an offence and is liable on conviction to a fine not exceeding \$50,000.
- “(2) It is a defence to a director charged with an offence in relation to the duty imposed under **section 36D or 36E** if the director proves that— 5
- “(a) A took all reasonable and proper steps to ensure that the duty would be complied with; or
- “(b) he or she took all reasonable steps to ensure that A complied with the duty; or
- “(c) in the circumstances, he or she could not reasonably have been expected to take steps to ensure that A complied with the duty. 10
- “36G Cancellation or suspension of recognition or approval**
- “(1) The Institute, any other accredited body, or an approved association may, in accordance with its rules, cancel or suspend its recognition of a person for the purposes of **section 36(1)(a) or (ab) or (c)(ia)** if the Institute, body, or association considers that the grounds for cancellation or suspension specified in its rules are satisfied. 15
- “(1A) The Institute or any other accredited body may cancel or suspend the recognition of a person for the purposes of **section 36(1)(a) or (ab)** if— 20
- “(a) the person is or was subject to an arrangement referred to in **section 360**; and
- “(b) the Institute or body is satisfied that— 25
- “(i) the person has failed to comply with that arrangement in any material respect; or
- “(ii) the term of the arrangement has ended.
- “(1B) The Registrar may—
- “(a) cancel or suspend his or her approval of an association for the purposes of section 36(1)(c) if the Registrar considers that the association does not satisfy, or no longer satisfies, the requirements prescribed for the purposes of **section 36AA(1)**: 30
- “(b) cancel or suspend his or her approval of a person for the purposes of section 36(1)(d) if the Registrar considers that the person does not satisfy, or no longer satisfies, 35

- the requirements or minimum standards prescribed for the purposes of **section 36AA(2)(a) or (b)**:
- “(c) cancel or suspend his or her approval of an association or a person for the purposes of section 36(1)(c) or (d) if the Registrar considers that the association or person has failed to comply with any conditions under **section 36AA(4)**: 5
- “(d) cancel his or her approval of an association or a person for the purposes of section 36(1)(c) or (d) on the written request of the association or person. 10
- “(2) The Institute, any other accredited body, or an approved association may—
- “(a) cancel or suspend its recognition of a person for the purposes of **section 36(1)(f) or (g)** if the Institute, body, or association considers that the person does not satisfy, or no longer satisfies, the requirements or minimum standards prescribed for the purposes of **section 36A(1)(a) or (b)**: 15
- “(b) cancel its recognition of a person for the purposes of **section 36(1)** on the written request of the person. 20
- “(3) A suspension under—
- “(a) **subsection (1), (1A), or (2)** is for the period that the Institute, accredited body, or approved association thinks fit or until the person satisfies any requirements specified by the Institute, body, or association: 25
- “(b) **subsection (1B)** is for the period that the Registrar thinks fit or until the association or person satisfies any requirements specified by the Registrar.
- “(4) If a person that has been recognised for the purposes of **section 36(1)(f) or (g)** no longer has at least 1 director of the kind referred to in **section 36A(1)(c)**, the recognition is treated as suspended until the person again has at least 1 director of that kind (or the recognition is sooner cancelled). 30
- “(5) If the Institute, an accredited body, an approved association, or the Registrar cancels the recognition or approval of a person (A), the Institute, body, association, or Registrar (as the case may be) may give a written notice to A stating that A may not apply to be re-recognised or re-approved before the expiry of a specified period (and that notice is binding on A). 35

“36H Effect of cancellation or suspension of accreditation or approval on recognition under section 36

- “(1) If the accreditation of the Institute or of an accredited body (A) is—
- “(a) cancelled under section 59 of the Auditor Regulation Act 2011, any recognition given by A and referred to in **section 36(1)** is treated as cancelled: 5
 - “(b) suspended under section 59 of that Act, any recognition given by A and referred to in **section 36(1)** is treated as suspended during the period in which A’s accreditation is suspended. 10
- “(2) If the approval of an association (A) as an approved association is—
- “(a) cancelled by the Registrar, any recognition given by A and referred to in **section 36(1)(c), (f), or (g)** is treated as cancelled: 15
 - “(b) suspended by the Registrar, any recognition given by A and referred to in **section 36(1)(c), (f), or (g)** is treated as suspended during the period in which A’s approval is suspended. 20
- “(3) **Subsection (1) or (2)** does not apply if the person who is recognised by A is also recognised by another accredited body or approved association for the purposes of **section 36(1)**.

“36I Registrar of Companies may authorise person to continue to act in respect of audit despite cancellation or suspension under section 36H 25

- “(1) This section applies if—
- “(a) a person’s recognition is cancelled or suspended under **section 36H**; and
 - “(b) the person is acting, or has been appointed to act, as the auditor in respect of an audit at the time that the recognition is cancelled or suspended. 30
- “(2) The Registrar may authorise the person to act, or to continue to act, as the auditor in respect of the audit on the terms and conditions that the Registrar thinks fit. 35
- “(3) The person may act, or continue to act, as the auditor in respect of the audit in accordance with the terms and conditions of the

authorisation (and, for the purposes of that audit, the person's recognition must be treated as continuing).

“36IA Notification of recognised and approved persons

- “(1) The Institute, any other accredited body, or an approved association must,— 5
- “(a) as soon as practicable after recognising a person (**A**) for the purposes of section 36(1), give A written notice of the recognition:
- “(b) as soon as practicable after cancelling or suspending such recognition, give A written notice of the cancellation or suspension. 10
- “(2) The Registrar must,—
- “(a) as soon as practicable after approving a person (**B**) for the purposes of section 36(1)(c) or (d), give B written notice of the approval: 15
- “(b) as soon as practicable after cancelling or suspending such approval, give B written notice of the cancellation or suspension.
- “(3) Every notice of suspension given under **subsection (1)(b) or (2)(b)** must specify the period of suspension or the requirements that must be satisfied before the suspension ends. 20

“36J Records of recognised persons

- “(2) The Institute, any other accredited body, or an approved association must—
- “(a) keep a record of all persons that the Institute, accredited body, or approved association (as the case may be) has recognised for the purposes of **section 36(1)** and of all cancellations or suspensions of such recognition; and 25
- “(b) keep available a record of the persons recognised by it, at all reasonable times, on an Internet site maintained by or on behalf of the Institute, body, or association. 30
- “(3) The purpose of **subsection (2)(b)** is to enable any person to determine whether a person is recognised for the purposes of section 36 and, if so, to obtain relevant information relating to the recognition. 35
- “(4) For the purposes of **subsection (2)(b)**,—

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

“36JA Register of approved persons

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

“(d) any other prescribed information.

“36JB Search of register

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

“(2) The register may be searched only by reference to the contents of the register required by **section 36JA** or any other prescribed criteria. 5

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

“(a) a person, for a purpose referred to in **section 36JA(2)**: 10

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

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

“36K Appeals in respect of recognition or approval matters

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

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

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

“(b) to cancel or suspend that recognition or approval. 25

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

“(a) to decline to recognise the person for the purposes of section 36(1); or 30

“(b) to decline to approve the person for the purposes of section 36(1)(d); or

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

“(1A) An association may appeal to a District Court against any decision of the Registrar— 35

- “(a) to decline to approve the association for the purposes of section 36(1)(c)(i); or
“(b) to cancel or suspend that approval.
- “(2) **Subsection (1)** does not apply to a decision if the rules of the Institute, the accredited body, or the approved association provide for an appeal against the decision to a body established to hear appeals against the decision (for example, the Appeals Council referred to in section 6(1)(h) of the New Zealand Institute of Chartered Accountants Act 1996). 5
- “(2A) **Subsection (1)** does not apply to a decision under **sections 36M to 36O**. 10
- “(3) An appeal to a District Court under this section must be brought—
- “(a) in accordance with the rules of court; and
“(b) within 20 working days after notice of the decision is communicated to the appellant, or within any further time a District Court Judge allows on application made before or after the period expires. 15
- “**36L False declarations and representations**
- “(1) Every person commits an offence who, for the purpose of obtaining or maintaining recognition or approval for the purposes of **section 36(1)** either on the person’s own behalf or on behalf of any other person,— 20
- “(a) either orally or in writing, makes any declaration or representation to the Institute, another accredited body, an approved association, or the Registrar that, to the person’s knowledge, is false or misleading in any material particular; or 25
- “(b) provides to the Institute, another accredited body, an approved association, or the Registrar 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) A person who commits an offence under **subsection (1)** is liable on conviction to,—
- “(a) in the case of an individual, a fine not exceeding \$50,000: 5
- “(b) in the case of a body corporate, a fine not exceeding \$150,000.
- “**36M Exemption from membership requirement for certain members of religious societies or orders**
- “(1) **Section 36(1)(a)(i) or (ab)(i)** (requirement to be a chartered accountant or member of an accredited body) does not apply to a person (A) if— 10
- “(a) the relevant body is satisfied that A is a practising member of a religious society or order whose doctrines or beliefs preclude membership of any organisation or body other than the religious society or order of which A is a member; and 15
- “(b) the relevant body has entered into a written arrangement with A that complies with **section 360**.
- “(2) The exemption under **subsection (1)** ceases if— 20
- “(a) the relevant body ceases to be satisfied as referred to in **subsection (1)(a)** and gives written notice of that fact to A; or
- “(b) the arrangement is terminated or otherwise comes to an end (unless a subsequent arrangement that complies with **section 360** is entered into). 25
- “(3) See also **section 36G(1A)**, which provides for the cancellation or suspension of recognition if there has been a material failure to comply with an arrangement.
- “(4) In this section, **relevant body** means,— 30
- “(a) in relation to **section 36(1)(a)(i)**, the Institute; or
- “(b) in relation to **section 36(1)(ab)(i)**, another accredited body.

“36N Institute or other accredited body may recognise as qualified statutory accountants certain members of religious societies or orders

“(1) **Subsection (2)** applies if—

“(a) the Institute or another accredited body is satisfied that a person (A) is a practising member of a religious society or order whose doctrines or beliefs preclude membership of any organisation or body other than the religious society or order of which A is a member; and 5

“(b) the Institute or other accredited body has entered into a written arrangement with A that complies with **section 360**; and 10

“(c) the Institute or other accredited body is satisfied that A—

“(i) has satisfactory competence, qualifications, and experience to act as a qualified statutory accountant; and 15

“(ii) is otherwise a fit and proper person to be a qualified statutory accountant.

“(2) The Institute or other accredited body may recognise A as a qualified statutory accountant by including a statement of that recognition in or with the arrangement under **section 360**. 20

“(3) The recognition under **subsection (2)** ceases if—

“(a) the Institute or other accredited body ceases to be satisfied as referred to in **subsection (1)(a)** and gives written notice of that fact to A; or 25

“(b) the arrangement is terminated or otherwise comes to an end (unless a subsequent arrangement that complies with **section 360** is entered into).

“36O Requirements for arrangement 30

“(1) For the purposes of **section 36M or 36N** (or both), the arrangement must—

“(a) state that the arrangement is entered into for the purposes of this section; and

“(b) include a binding agreement by A to be subject to the following: 35

- “(i) the rules relating to the investigation of complaints against a member or former member of the Institute or other accredited body:
- “(ii) the rules relating to the hearing of complaints and other matters by a disciplinary body: 5
- “(iii) the rules relating to appeals from decisions of a disciplinary body:
- “(iv) the rules relating to the kinds of conduct for which a member or former member of the Institute or other accredited body may be disciplined: 10
- “(v) the rules relating to the actions that may be taken in respect of, and the penalties that may be imposed on, a member or former member of the Institute or other accredited body for such conduct:
- “(vi) in the case of **section 36M**, the rules referred to in **section 36(1)(a)(ii) or (ab)(ii)**: 15
- “(vii) the code of ethics that governs the professional conduct of the members of the Institute or other accredited body.
- “(2) The arrangement may provide for any other matters that the Institute or other accredited body thinks fit, including matters— 20
- “(a) relating to practice reviews:
- “(b) relating to continuing professional development:
- “(c) relating to reports and access to information:
- “(d) to promote compliance with the requirements imposed by or under any enactment that relate to the conduct of audits or other accounting engagements: 25
- “(e) to promote compliance with auditing and assurance standards and financial reporting standards:
- “(f) to otherwise promote reasonable care, diligence, and skill in the carrying out of audits or other accounting engagements: 30
- “(g) relating to the payment of fees:
- “(h) relating to the term of the arrangement.
- “(3) Without limiting the means of enforcing the arrangement, the arrangement is binding on A as if A were a member of the Institute or other accredited body. 35
- “(4) In this section,—

“**disciplinary body** has the same meaning as in section 6(1) of the Auditor Regulation Act 2011
 “**rules** means the rules of the Institute or other accredited body (as the case may be).

“*Appointment of partnership*” 5

32 New sections 39A and 39B and cross-heading inserted

After section 39, insert:

“*Offences concerning unqualified persons*”

“**39A Offence for unqualified auditor to act**

“(1) A person who acts as the auditor of a specified entity or of its financial statements commits an offence if the person is not a qualified auditor in respect of the entity. 10

“(2) A person who commits an offence under **subsection (1)** is liable on conviction to,—

“(a) in the case of an individual, a fine not exceeding \$50,000; 15

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

“**39B Offence to hold out as qualified auditor or as approved person** 20

“(1) A person must not hold out that the person is—

“(a) recognised for the purposes of **section 36(1)(a), (ab), (c)(ia), (f), or (g)** if the person is not so recognised; or

“(ab) approved for the purposes of section 36(1)(c) or (d) if the person is not so approved; or 25

“(b) qualified to act as the auditor of a specified entity or of its financial statements if the person is not a qualified auditor in respect of the entity.

“(2) ~~A person who commits an offence under **subsection (1)**~~ A person who fails to comply with **subsection (1)** commits an offence and is liable on conviction to,— 30

“(a) in the case of an individual, a fine not exceeding \$50,000;

“(b) in the case of a body corporate, a fine not exceeding \$150,000.” 35

32A Section 45 amended (Meaning of large)

Replace section 45(3) with:

“(3) Despite subsections (1) and (2), an entity is not large in respect of an accounting period (**period A**) if—

“(a) the entity was an inactive entity in respect of period A; 5
and

“(b) the entity, within 5 months after the end of period A, delivers to the Registrar a declaration, in the prescribed form, stating that it was an inactive entity in respect of period A.” 10

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

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

34 Section 49 amended (Order may amend amounts)

After section 49(c), insert:

“(ca) amending the amounts specified in **section 42D** of the Charities Act 2005.” 15

35 Section 50 amended (Regulations)

(1) After section 50(1)(a), insert: 20

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

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

“(ac) prescribing requirements for the purposes of **section 36A(1)(a)**, including (without limitation) requirements relating to a company’s or an overseas company’s— 25

“(i) ownership, including requirements relating to who may be a shareholder or member and who may exercise voting rights (for example, requiring all or a majority of voting rights to be held by members of the Institute, an accredited body, or an approved association): 30

“(ii) governance, including requirements relating to who may be a director or senior manager (for ex- 35

- ample, requiring all or a majority of directors to be members of the Institute, an accredited body, or an approved association):
- “(iii) systems, policies, and procedures that relate to any of the following: 5
- “(A) promoting compliance with the requirements imposed by or under any enactment that relates to the conduct of audits:
- “(B) promoting compliance with auditing and assurance standards: 10
- “(C) promoting reasonable care, diligence, and skill in the carrying out of audits:
- “(iv) professional indemnity insurance:
- “(ad) prescribing minimum standards for the purposes of **section 36AA(2)(b) or 36A(1)(b)**: 15
- “(ae) prescribing fees payable in respect of applications under **section 36AA** or reports under **section 36AB(1)** (or the manner in which those fees may be calculated):
- “(af) prescribing matters relating to reports under **section 36AB**, including the times and events referred to in that section and the information that must be contained in the reports (including prescribing the manner in which the information is to be presented, calculated, or prepared): 20
- “(ag) prescribing procedures, requirements, and other matters, not inconsistent with this Act, for the register kept under **section 36JA**, including matters that relate to— 25
- “(i) the operation of the register:
- “(ii) the form of the register:
- “(iii) the information to be contained in the register: 30
- “(iv) access to the register:
- “(v) search criteria for the register:
- “(vi) circumstances in which amendments must be made to the register:
- “(ah) prescribing a form for the purposes of **section 45(3)**.”. 35
- (2) Replace section 50(2) with:
- “(2) Any regulations made under **subsection (1)(ac)** relating to professional indemnity insurance may, without limitation,—

- “(a) specify the terms and conditions upon which insurance is to be available and any circumstances in which the insurance cover may be excluded or modified:
- “(b) specify the minimum terms and conditions that an insurance policy must satisfy: 5
- “(c) specify circumstances in which a body corporate or any class of bodies corporate are exempt from the requirements:
- “(d) require a body corporate to have arrangements in place that ensure that an accredited body or approved association can ascertain whether the insurance is being maintained in accordance with the regulations. 10
- “(2A) For the purposes of **subsection (1)(ae)**,—
- “(a) regulations may authorise the Registrar to refund or waive, in whole or in part and on any conditions that may be prescribed, payment of the fee in relation to any person or class of persons: 15
- “(b) the Registrar may refuse to perform a function or exercise a power until the prescribed fee is paid:
- “(c) any fee payable under the regulations is recoverable by the Registrar in any court of competent jurisdiction as a debt due to the Registrar. 20
- “(3) Different requirements, dates, methods, or other matters may be prescribed under the regulations in respect of different classes of persons or different circumstances.” 25
- 36 Section 51 amended (Levies)**
Replace section 51(3)(a) with:
“(a) qualified statutory accountants; and”.
- 37 New subpart 1A of Part 3 inserted**
After section 53, insert: 30
“Subpart 1A—Unqualified person must not hold out as qualified statutory accountant
- “53A Offence to hold out as qualified statutory accountant**
“(1) If any enactment requires a qualified statutory accountant to act in respect of a matter, a person must not hold out that the 35

person is qualified to act in respect of the matter if the person is not a qualified statutory accountant.

- “(2) A person who commits an offence under **subsection (1)**—A person who fails to comply with **subsection (1)** commits an offence and is liable on conviction to,— 5
 - “(a) in the case of an individual, a fine not exceeding \$50,000;
 - “(b) in the case of a body corporate, a fine not exceeding \$150,000.”

- 39 **New Schedule inserted** 10
After section 61, insert the **Schedule** set out in **Schedule 1** of this Act.

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Part 2
Amendments to other Acts

- 52 **Amendments to other Acts** 15
Amend the enactments specified in **Schedule 2** as set out in that schedule.

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	Schedule 1	s 39
	New Schedule inserted	
	Schedule	s 9A
	Transitional, savings, and related provisions	
	Provisions relating to subpart 3 of Part 1 and Part 2 of Accounting Infrastructure Reform Act 2013	5
1	Interpretation	
	In clauses 2 and 3 ,—	
	2013 Amendment Act means subpart 3 of Part 1 and Part 2 of the Accounting Infrastructure Reform Act 2013	10
	principal Act means the Financial Reporting Act 2013.	
2	New requirements apply to accounting periods that commence on or after commencement of 2013 Amendment Act	15
(1)	Section 36(1)(a) of the principal Act (as in force after the commencement of section 30(2) of the 2013 Amendment Act) applies to audits of financial statements for accounting periods that commence on or after the commencement of section 30(2) of the 2013 Amendment Act .	20
(2)	Section 36(1)(a) of the principal Act (as in force before the commencement of section 30(2) of the 2013 Amendment Act) continues to apply to audits of financial statements for accounting periods that commence before the commencement of section 30(2) of the 2013 Amendment Act .	25
(3)	Section 36(1)(c) of the principal Act (as in force after the commencement of section 30(2B) of the 2013 Amendment Act) applies to audits of financial statements for accounting periods that commence on or after the commencement of section 30(2B) of the 2013 Amendment Act .	30
(4)	Section 36(1)(c) of the principal Act (as in force before the commencement of section 30(2B) of the 2013 Amendment Act) continues to apply to audits of financial statements for accounting periods that commence before the commencement of section 30(2B) of the 2013 Amendment Act .	35

- (5) **Section 45(3)** of the principal Act (as in force after the commencement of **section 32A** of the **2013 Amendment Act**) applies to accounting periods that commence on or after 1 April 2014.
- 3 Approval under section 36 continues for 1 year only unless re-approved by Registrar under new requirements** 5
- (1) This clause applies to—
- (a) an association of accountants that, immediately before the commencement of this clause, has an approval that is in effect under section 36(1)(c); and 10
- (b) a person who, immediately before the commencement of this clause, has an approval that is in effect under section 36(1)(d).
- (2) The approval referred to in **subclause (1)** continues in effect after the commencement of this clause. 15
- (3) However, that approval ceases to be in effect on the date that is 12 months after the date on which this clause comes into force unless the Registrar has re-approved the association of accountants or person under section 36(1)(c) or (d), as the case may be (in accordance with **section 36AA**). 20
- (4) Nothing in this clause limits the ability of the Registrar to do either or both of the following in respect of an association or a person referred to in **subclause (1)**:
- (a) cancel or suspend the approval of the association or person under this Act (and such a cancellation or suspension may take effect before or after the date that is 12 months after the date on which this clause comes into force); or 25
- (b) impose, vary, revoke, add to, or substitute any conditions under **section 36AA** at any time. 30
- (5) However, for the 12-month period referred to in **subclause (3), section 36AB(2) to (4)** does not apply.
- (6) Section 61 is subject to this clause.

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

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

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

5

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

Replace section 286(1)(f) with:

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

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

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Education Act 1989 (1989 No 80)

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

20

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

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

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

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

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Electoral Act 1993 (1993 No 87)

Replace section 206K(e) with:

“(e) a body corporate that—

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

- “(i) is not a registered audit firm (within the meaning of the Auditor Regulation Act 2011); and
 “(ii) is not recognised as referred to in **section 36(1)(f) or (g)** of the Financial Reporting Act 2013; or”.

5

Financial Advisers Act 2008 (2008 No 91)

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

In section 5, insert in its appropriate alphabetical order:

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

10

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

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

Financial Markets Conduct Act 2013 (2013 No 69)

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

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

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

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

20

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

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

25

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

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

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

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

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

In section 4, insert in its appropriate alphabetical order:

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

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

Gambling Act 2003 (2003 No 51)

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

Lawyers and Conveyancers Act 2006 (2006 No 1)

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

Replace section 150(f) with:

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

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

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

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

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

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

In Schedule 2, replace clause 8 with:

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

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

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

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

Limited Partnerships Act 2008 (2008 No 1)

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

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

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

Prisoners’ and Victims’ Claims Act 2005 (2005 No 74) 25

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

Privacy Act 1993 (1993 No 28) 30

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

Financial Reporting Act 2013

section 36JA

Private Schools Conditional Integration Act 1975 (1975 No 129)

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

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

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

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

After section 46(8), insert:

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

Public Audit Act 2001 (2001 No 10)

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

“(a) is a natural person who—

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

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

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

Racing Act 2003 (2003 No 3)

Replace section 13(1)(b) with:

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

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

Real Estate Agents Act 2008 (2008 No 66)

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

Receiverships Act 1993 (1993 No 122)

5

Replace section 37(1)(i) with:

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

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Retirement Villages Act 2003 (2003 No 112)

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

15

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

Trustee Act 1956 (1956 No 61)

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

20

After section 83B(1), insert:

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

Unclaimed Money Act 1971 (1971 No 28)

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Replace section 5(1)(j) with:

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

Financial Reporting Amendment Bill

Legislative history

28 October 2014

Divided from Accounting Infrastructure Reform
Bill (Bill 180–2) as Bill 180–3C
