

Proposed amendments to the Auditor Regulation Act (Prescribed Minimum Standards and Conditions for Licensed Auditors and Registered Audit Firms) Notice 2012

Response to submissions on consultation paper

The table in this paper summarises the submissions made on our consultation paper on proposed amendments to the Auditor Regulation Act (Prescribed Minimum Standards and Conditions for Licensed Auditors and Registered Audit Firms) Notice 2012, released in September 2015.

In total, five written submissions were received. We have considered all submissions, and our response to the main issues are set out in the table.

Holding financial markets participants accountable for performing their duties and obligations is a key component to building investor trust. We have reviewed the feedback against meeting the requirements of the FMC Act, more specifically Part 4.

Document history

This document provides information updates following changes in the Auditor Regulation Amendment Act 2014

FMA document reference code 2770314

Proposed amendments	KPMG	Chartered Accountants Australia and NZ (CAANZ)	PWC	Tupiza Ltd	BDO	FMA's Response
<i>Clause 2: Interpretation</i>	Agree with proposed amendments	Reference to "the Institute of Chartered Accountants of Australia" should be replaced with "Chartered Accountants of Australia and New Zealand".	"Overseas issuer" definition should be revisited to reflect the repealed FRA 1993 and definitions with the FMCA.	Agree with proposed amendments	Agree with proposed amendments	CAANZ – agree PWC – disagree
<i>Clause 3: Prescribed minimum standards for licensed auditors</i>	Agree with proposed amendments	Clause 3(1)(b) should replace "full member" with "qualified statutory accountant".	Agree with proposed amendments	Agree with proposed amendments	Agree with proposed amendments	CAANZ - agree
<i>Clause 4: Prescribed minimum standards for overseas auditors</i>	Agree with proposed amendments	Agree with proposed amendments	Agree with proposed amendments	Agree with proposed amendments	Agree with proposed amendments	
<i>Clause 7: Prescribed requirements for ongoing competence</i>	Clause 7(1)(b) should replace reference to "50%" with the exact number – e.g. "60 hours".	Clause 7(1)(a) should make explicit reference to the effective applicable standard; IES 8 <i>Professional Competence for Engagement Partners Responsible for Audits of Financial Statements</i> to provide clarity of where the specific requirements can be found.	Clause 7(1)(a) should be equivalent to requirements of the clause 7(1)(b).	Clause 7(1)(b) should replace reference to "50%" with the exact number – e.g. "60 hours".	Clause 7(1)(b) should replace reference to "50%" with the exact number – e.g. "60 hours".	KPMG – agree CAANZ – disagree, as this would require to changes to the notice in the instances of changes to this specific standard. PWC – disagree as almost all licensed

						auditors will fall into category 1 (a) Tupiza – agree BDO - agree
<i>Clause 8: Prescribed minimum standards for registration as a registered audit firm</i>	Clause 8(1)(c) requires clarification for terms “partner” and “director” to state that they have the meaning of a partner or a partnership and a director of a company, rather than an audit partner and audit director.	For a partnership, the requirement is based on “approved professional accounting body”. For a company, it refers to the ARA which is based on a “relevant body” and appears to be similar to an approved professional accounting body. Hence, this requires alignment where possible, with partnership concept being preferred as it is defined directly in the Notice.	Clause 8(1)(a) requires “majority” to be defined for clarity.	Agree with proposed amendments	Agree with proposed amendments	KPMG - Agree CAANZ – Disagree as the definition relevant body also includes the FMA. PWC – Disagree the definition of majority is more than 50%
<i>Clause 9: Transitional provisions – auditors and overseas auditors</i>	Agree with proposed amendments	Agree with proposed amendments	Agree with proposed amendments	Agree with proposed amendments	Agree with proposed amendments	
<i>Clause 10: Transitional provisions –</i>	Agree with proposed amendments	Agree with proposed amendments	Agree with proposed amendments	Agree with proposed amendments	Agree with proposed amendments	

<i>audit firms</i>						
<i>Others</i>	Agree with proposed amendments	Agree with proposed amendments	Notice should continue to recognise issuers and issuer audits to demonstrate relevant post qualification experience under clause 3(g) and 3(h).	Agree with proposed amendments	Agree with proposed amendments	PwC – disagree, the definition of FMC audit and FMC reporting entity refers to the Auditor Regulation Act 2011 which includes the definition of issuer.

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