

Auditor regulation and oversight plan for the three years ending 30 June 2017



Financial Markets Authority

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Overview

Auditor regulation

Investor confidence is fundamental to successful financial markets and depends on investor access to credible and reliable financial information on which to base their investment decisions. Audits of issuers' financial statements are designed to enhance investor confidence that these statements comply with the regulatory financial reporting standards and give a true and fair view of the financial position of that issuer. Other assurance engagements, such as reviews under the Securities Act 1978, have similar aims.

To promote quality in this work, a framework for regulation and oversight of auditors and audit firms, in respect of undertaking audits of issuers, was implemented through the Auditor Regulation Act 2011 (the Act). This has been in place since July 2011.

The Act regulates auditors of issuers and establishes an independent oversight system in order to:

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

More detailed information on the auditor regulation and oversight regime, and the issuer audits and assurance covered by the regime, is available on our website¹.

FMA's regulation and oversight plan

The Financial Markets Authority (FMA) has an obligation to publish an Auditor Regulation and Oversight plan by 30 June each year, for a three year period, setting out our intentions for the regulation and oversight of auditors under the Act. Our plan for the next three years to 30 June 2017 covers:

- the objectives and outcomes that FMA seeks to achieve or contribute to (section 1)
- why each objective is important and what FMA will focus on to deliver these objectives (sections 2 & 3)
- how FMA will measure these objectives (section 4).

We expect the plan to evolve in future years and, in particular, to reflect the outcomes of our monitoring of audit firms and accredited bodies, along with any other changes in the audit environment.

¹ www.fma.govt.nz, see [Compliance/Auditors](#)

Section 1: What we aim to achieve

FMA's main statutory objective is to promote and facilitate the development of fair, efficient, and transparent financial markets. To provide a better overview of our purpose, FMA's Statement of Intent sets out our strategic direction and the overall outcomes we will contribute to, in collaboration with other government agencies, co-regulators and market participants. Overseas recognition of New Zealand auditors makes it easier for New Zealand companies to list on overseas exchanges and provide services abroad. It also supports investment by overseas investors into New Zealand.

FMA will contribute to the following outcomes through auditor regulation and oversight:


- issuers have access to competent and compliant professional auditors with the necessary integrity and expertise
- investors have confidence in issuers' audited financial statements and other information subject to issuer audits², as a result of the quality of that work
- New Zealand auditors are recognised by overseas jurisdictions.

Auditors in New Zealand and 'overseas auditors' (who are also regulated in one of the countries prescribed by regulations³) are regulated through different mechanisms:

	New Zealand	Overseas
Auditor	<ul style="list-style-type: none"> • Licensed by accredited bodies • Monitored by accredited bodies, but with quality reviews carried out by, or on behalf of, FMA. 	<ul style="list-style-type: none"> • Licensed by FMA • Monitored by FMA • Reliance in some areas on overseas regulator.
Audit firm	<ul style="list-style-type: none"> • Registration authorised by accredited bodies • Monitored by accredited bodies, but FMA is responsible for quality reviews of its auditors and audit systems of the firm. 	<ul style="list-style-type: none"> • Registration authorised by FMA • Monitored by FMA • Reliance in some areas on overseas regulator.
Accredited bodies	<ul style="list-style-type: none"> • Accredited and monitored by FMA. 	

² 'issuer audit' issuer audit means the audit of: financial statements of an issuer prepared under the Financial Reporting Act 1993); or (ii) the financial statements of a scheme, a fund, or a retirement village referred to in section 9A of the Financial Reporting Act 1993 and includes any audit or review required to be carried out under the Securities Act 1978, or regulations made or exemptions granted under that Act, by a qualified auditor (within the meaning of that Act), but 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).

³ The Auditor Regulations 2012 prescribe Australia, countries in the European Union, Hong Kong, Singapore and the United States of America.



FMA will contribute to the desired outcomes in the period to 30 June 2017, by focusing on the following objectives:

- increasing audit quality of issuer audits, through auditor compliance with auditing standards, other assurance standards and professional and ethical standards
- accredited bodies having clear responsibilities and effectively discharging their statutory functions.

FMA will achieve these desired objectives through:

- guidance to licensed auditors, registered audit firms, accredited bodies and issuers in relation to the regulatory regime
- effective licensing regimes and risk-based monitoring and surveillance of licensed auditors, registered audit firms and accredited bodies
- risk-based, proportionate and timely action against misconduct.

Section 2: Increased audit quality of issuer audits

The first objective that FMA aims to achieve is increasing audit quality of issuer audits through auditor compliance with auditing standards and other assurance standards, as well as professional and ethical standards.

Why this objective is important

Auditing standards, other assurance standards and applicable professional and ethical standards establish requirements and provide guidance on the responsibilities of auditors. They also set out the basic principles of ethical and professional behaviour such as integrity, independence, competence and working with skill, care and diligence. Compliance with these standards and requirements is a foundation to ensuring audit quality.

Auditors must also comply with other conduct requirements under legislation, such as those set out in the Act. Achieving compliance is not only about having and following appropriate processes, it is also about the behaviour, attitude and use of professional judgment and scepticism by auditors and their teams.

What we will focus on to achieve this objective

FMA will deliver this impact through:

- licensing and monitoring overseas auditors and audit firms
- monitoring of emerging risks
- monitoring the perimeter
- quality reviews of New Zealand audit firms and auditors
- oversight and monitoring of accredited bodies to facilitate effective discharge by accredited bodies of their statutory functions. Our areas of focus in respect of accredited bodies are set out in section 3 of this report
- communication about the regime, our work and our expectations.

Overseas auditors and audit firms - licensing, monitoring and actions against misconduct

FMA is directly responsible for:

- licensing overseas auditors and authorising registration of overseas audit firms
- monitoring their compliance with the standards and requirements
- taking action against them, when necessary.

The Act's approach to overseas auditors recognises that they are already regulated in their home country and expects that FMA will place some reliance on the existing regulator.

We currently have applications from auditors and firms based in Australia. FMA has carried out an assessment of the audit regimes in Australia, United Kingdom and the United States of America, and may need to assess and change the prescribed minimum standards for additional countries if and when required.

Licensing auditors and registering audit firms

FMA can grant licences to overseas auditors pursuant to Section 12 of the Act or pursuant to the Trans-Tasman Mutual Recognition Act 1997⁴. We are also able to authorise registration of overseas audit firms pursuant to section 26 of the Act.

Monitoring

FMA is developing a profile of overseas auditors and firms as they become known to us through licensing and registration. We will continue to develop this as more firms and auditors apply for registration and licensing. This information will be used to enhance our monitoring approach and build and maintain our relationships with overseas regulators.

FMA's direct monitoring of overseas auditors and firms will include:

- reviewing the annual reporting requirements of the licensed auditors, including the review of the audit firms' quality control reviews by professional bodies or other regulators
- making appropriate inquiries into any complaints, tips or referrals, including those from overseas regulators
- our issuer disclosure surveillance work, which monitors the compliance of audited financial statements with the Financial Reporting Act 1993.

Actions against misconduct

FMA will use the full range of its regulatory tools in respect of monitoring and actions taken against overseas auditors and audit firms.

In particular, we have the power to cancel the licence of an overseas auditor if it appears that they have made false or misleading declarations, no longer satisfy the prescribed minimum standards, or have failed to comply with a condition of their licence.

⁴ Guidance on the licensing under the Trans-Tasman Mutual Recognition are available from FMA's website (<https://www.fma.govt.nz/assets/Compliance-section/application-for-an-overseas-auditor-licence-under-the-trans-tasman-mutual-recognition-act-1997.pdf>)

Monitoring of emerging risks

FMA will monitor risks that potentially impact on auditor compliance with auditing and assurance standards and other conduct requirements. The following will be key to monitoring risks:

- discussion with accredited bodies of risks that they have identified
- consideration of the results of monitoring and surveillance by accredited bodies
- considering the outcomes of other compliance and monitoring activities
- the results of the quality reviews carried out on behalf of FMA
- quality review reports received from overseas regulators
- FMA's own work with overseas auditors.

We will monitor risks by:

- liaising with key stakeholders, including the External Reporting Board and other bodies representing issuers and insolvency specialists
- monitoring the financial statements of issuers and audit industry trends
- monitoring the experience of audit regulators internationally (including liaison with the Australian Securities and Investments Commission and the International Forum of Independent Audit Regulators)
- considering relevant complaints, tips or referrals
- considering whether there are lessons from any significant company or reporting failures.

We will also monitor the development of financial reporting and auditing and assurance standards, and professional standards for auditors in New Zealand and internationally, and identify any increased level of compliance risk that can arise when standards are new. Regular meetings with the External Reporting Board take place to share information from our review and monitoring activities.

Where changes in risks are identified, FMA will determine whether action is required by assessing the potential impact on auditors and their work. If action is needed, it will be proportionate to the potential impact of the risk. For example, it might be:

- work to further evaluate the risk
- a communication to auditors and accredited bodies
- an adjustment to our risk-based approach or the introduction of a new focus for quality reviews
- discussions with accredited bodies regarding our expectations which may result, for example, in adjustments to their monitoring.

Monitoring the perimeter

We will carry out surveillance and focus on any complaints, tips or referrals about auditors or audit firms who are carrying out issuer audits while unlicensed or unregistered. We will make enquiries and take enforcement action if necessary.

FMA will be monitoring financial statements, offer documents and accompanying audit reports filed with the Companies Office, to ascertain if unlicensed auditors are undertaking issuer audits, or if auditors are not recognising clients as issuers. We may also request information from licensed auditors and registered audit firms directly or indirectly from an accredited body.

Quality reviews of New Zealand audit firms and auditors

Audit firms must have systems, policies and procedures in place, to comply with auditing standards, professional and ethical standards, other assurance standards and other conduct requirements under the legislation⁵. FMA must ensure that a quality review of these systems, policies and procedures is carried out at least every four years for New Zealand registered audit firms (and any firms with licensed auditors and licensed auditors not part of a firm)⁶. To remain internationally aligned, we will endeavour to keep our review cycle consistent with the European Union (EU) – this is currently every three years.

Quality reviews are the direct responsibility of FMA, although we may delegate this function to an accredited body or any other suitably qualified person. FMA has made the decision to initially delegate this function to NZICA.

FMA is responsible for the quality reviews under the delegation and maintains an active role in this function. The quality reviews are carried out in accordance with FMA approved methodology, and firms and licensed auditors are selected for review according to a programme and schedule approved by FMA. The timing, frequency and selection of the audit files are determined using a risk-based framework approved by FMA. We are involved in any key decisions and must approve the issue of the final reports. FMA staff also attend quality review visits.

Our approach is based on the risk that the issuer poses to investors and takes into account the policies and procedures regarding audit quality in each firm. The quality review programme for 2014-2017 will continue to focus on:


- audit firms that audit entities likely to be of significant public interest based on the value of securities issued to the public
- entities and industries that are more vulnerable to risks arising from existing and emerging market conditions and other higher risk entities, for example, finance companies, KiwiSaver schemes and listed companies.

Areas of focus for quality reviews are:

- audit quality control systems and supervision
- auditor independence
- audit evidence and documentation
- professional scepticism
- understanding of the issuer and its environment
- the auditor's responsibilities relating to fraud in an audit of financial statements
- use of an auditor's expert
- audit fees and audit performance.

⁵ See the prescribed minimum standards for licensed auditors and registered audit firms available from FMA's website at Compliance / Licensing and registration / Auditors.

⁶ See section 65 of the Auditor Regulation Act 2011



We have selected these themes based on reports issued by overseas auditor regulators and our initial findings from the first quality reviews performed as part of the new regime⁷. Each of these focus areas is discussed below. Quality reviews are carried out in compliance with section 68 of the Act, which sets out the minimum requirements of a review.

Audit quality control system and supervision

We will focus on the involvement of the engagement partner and engagement quality control reviewer (EQCR) at all stages of the audit, including audit planning, reviewing key judgments and the conclusions reached. The engagement partner is responsible for audits being performed in accordance with the firm's audit policies.

Auditor independence

We will review compliance with auditor independence requirements, including:

- complying with the auditor rotation requirements, including the requirement to rotate the EQCR
- complying with independence requirements regarding the provision of non-audit services. We will focus on how providing these services is approved within the firm, documentation on the assessments of threats and mitigation of these threats by the firm, reporting to those charged with governance of the issuer and documentation requirements in the financial statements and audit opinions
- investigating possible 'opinion shopping', particularly where an audit firm's views are sought on specific accounting treatments before a decision is made about whether to appoint the auditor.

Audit evidence and documentation

FMA will review whether licensed auditors have obtained appropriate audit evidence to determine whether issuer financial statements are free of material misstatements. We will also review whether sufficient audit evidence has been obtained to support the audit opinion. Our focus on audit documentation will cover:

- the auditor's work performed on going concern, especially the work regarding the reasonableness of management's assessment of the entity's ability to continue as a going concern
- the completeness and accuracy of the related party transactions
- subsequent event procedures up until the date of the audit opinion
- revenue recognition, especially in relation to the fraud assumption and management override
- the use of sample sizes, especially where the audit approach is mainly based on substantive audit procedures
- the reliance on analytical procedures
- key risk areas specific to the individual issuer.

⁷ Quality review report 2012-2013 can be found on FMA's website: <http://www.fma.govt.nz/assets/Reports/131201-audit-quality-review-report-2013.pdf>

Professional scepticism

FMA expects a level of professional scepticism to be maintained during an audit. Engagement partners, engagement quality control reviewers and staff should maintain questioning minds, obtain sufficient evidence, and not be over-reliant on management's explanations and representations. Our focus on the use of professional scepticism will be in the following areas:

- significant judgments in relation to accounting estimates and fair value calculations
- management and directors' representations regarding going concern
- impairment calculations and recoverability of assets including deferred tax assets
- using emphasis-of-matter opinion as an alternative to issuing a qualified audit opinion
- accepting and continuing client relationships.

Understanding of the issuer and its environment

FMA expects an adequate understanding by the auditor of the business model of the issuer. This will be reflected in the auditor's risk assessment and the auditor's interaction with the audit committee to ensure that key areas of risk are included in the audit strategy, and have been properly addressed using sufficient audit procedures.

The auditor's responsibilities relating to fraud in an audit of financial statements

One of the objectives of the auditor is to identify and assess the risks of material misstatement of the financial statements due to fraud, and to obtain sufficient appropriate audit evidence to properly assess this risk. This specifically relates to fraud in revenue recognition and management override of controls.

Use of an auditor's expert


Where financial reports include complex areas or matters requiring specialist skills or knowledge (such as valuations of assets), audited entities may obtain advice from external or internal experts. FMA expects an auditor relying on the work of other auditors and experts to assess their competence and objectivity, and evaluate the appropriateness of the work performed by them. Where the auditor or firm doesn't have this expertise, we expect the auditor to engage with their own independent expert to assess the appropriateness of the work performed by this expert.

Audit fees and audit performance

FMA will focus on whether there have been fee reductions on past years' fees, or whether the audit fee is otherwise low and doesn't appear to reflect the complexity of the current business of the entity.

Quality review findings

It is likely that quality reviews will reveal some breaches of relevant audit standards, or areas for improvement of practice. Following a quality review, FMA has the power to issue a direction to a firm (or auditor) to amend its systems, policies and procedures. FMA's response will however, depend on the seriousness of the review findings.



Where the audit firm is willing to comply, it may be more efficient for findings to be remedied through constructive dialogue without the need for a formal direction. In cases where significant findings are noted, there will be a follow-up review of the firm's remedial action.

For individual firms, the risk-based approach may influence the frequency, depth and timing of their reviews within the three year framework, taking into account factors such as:

- the number and size of issuer audits undertaken by the firm
- intelligence received about the firm or its audits, including information from accredited bodies (e.g. from authorising registration of the firm) and any relevant results of our own disclosure reviews.

FMA will be transparent and make available information on areas of focus and any general messages emerging from our quality reviews in a timely way. We will work closely with accredited bodies to circulate this information. FMA will publish a report annually, prior to 31 December, on our quality reviews in the year to end of June⁸. We will also, where appropriate, draw information to the attention of overseas auditors.

Risks vary over time. FMA will regularly update our risk-based approach taking into account new developments and experience gained. We will also take into account the areas of focus and themes identified by overseas regulators.

Education and communication about the regime

FMA will proactively provide information to issuer auditors, audit firms, accredited bodies and issuers about the regulatory regime and matters arising from it, so that auditors can willingly comply with our expectations regarding compliance with the standards and requirements. This plan forms part of that approach, along with documents such as the annual report on quality reviews of auditors' compliance with auditing and assurance standards.

We will work with accredited bodies to circulate information. Information for overseas auditors and firms will be available on fma.govt.nz. Information will also be provided to overseas regulators and professional bodies as appropriate.

FMA will work with bodies representing issuers and relevant professional bodies to ensure that issuers are aware of the licensing requirements when appointing auditors, and are also aware of our role as the regulator of licensed auditors.

FMA does not provide education about auditing and assurance standards. We may however, comment on education about these standards as part of our monitoring of accredited bodies' competence programmes and promotion, and monitoring and review of the ongoing competence of their members.

⁸ See section 73 of the Auditor Regulation Act 2011

Section 3: Accredited bodies have clear responsibilities and effectively discharge their statutory functions

The second impact FMA seeks to achieve is to ensure that accredited bodies (currently NZICA and CPA Australia) have clear responsibilities and effectively discharge their statutory functions.

Why this objective is important

While some areas of the auditor oversight regime are carried out by FMA directly, significant areas will be delivered through monitoring the effective discharge by accredited bodies of their functions as frontline regulators. We expect accredited bodies to make a significant contribution to the delivery of the desired outcomes of this regime.

The Act's requirements for an accredited body include maintaining adequate and effective systems and processes for performing the necessary regulatory functions. These functions include:

- maintaining a code of ethics
- licensing of domestic auditors and registering domestic audit firms
- monitoring the population registered or licensed by them
- promoting and monitoring competence
- taking action against misconduct.

These are significant regulatory functions. Accredited bodies effectively discharging their responsibilities are key to the success of the regime. Clearly stated responsibilities and an understanding of FMA's expectations help to achieve this.

What we will focus on to achieve this objective

This section includes descriptions of:


- the ways in which FMA expects accredited bodies to contribute to the objectives and outcomes
- how FMA proposes to monitor accredited bodies.

The contribution of accredited bodies

FMA expects accredited bodies to make a significant contribution to the delivery of the desired outcomes of this regime, and particularly to the impact 'increased levels of auditor compliance with auditing and assurance standards and other conduct requirements' (see Section 2), by:

- meeting their obligations, both under the Act and the prescribed minimum standards⁹ and conditions, on an ongoing basis
- proactively working with auditors to help them to willingly comply with their own obligations under the auditing and assurance standards and other conduct requirements.

⁹ The prescribed minimum standards for accredited bodies and kinds of conditions that can be imposed are available from FMA's website (www.fma.govt.nz/compliance/licensing-and-registration/licensing-forms-and-resources/auditors/)



FMA has set out its expectations of how an accredited body will organise itself in prescribed minimum standards and obligations for accredited bodies. The standards stipulate requirements for systems, policies and processes and the accredited body's monitoring of its functions.

Additionally, the conditions imposed by FMA on accredited bodies set expectations, including requirements for reporting and notifying us of matters relating to the accredited body and its monitoring of licensed auditors and registered audit firms.

Licensing

FMA has set out our expectations for licensing undertaken by licensed auditors, by prescribing minimum standards that accredited bodies must apply when licensing New Zealand auditors and audit firms, along with the kinds of conditions that we expect auditor licences to include¹⁰.

The objective of the licensing regime is to ensure that only auditors and firms who are both likely and able to comply with the requirements can undertake issuer audits.

FMA expects accredited bodies to engage with us in formulating their own policy in relation to licensing to ensure the objectives of the prescribed minimum standards are met. We will monitor how an accredited body applies the minimum licensing standards.

Auditors applying for a licence from 30 June 2014 must have successfully completed a professional course in auditing approved by FMA (in accordance with the prescribed minimum standards). A list of approved courses in auditing can be found on FMA's website¹¹.

Monitoring and action against misconduct

Accredited bodies are responsible for monitoring the compliance of both their registered audit firms and licensed auditors on an ongoing basis.


The minimum standards require accredited bodies to be able to identify current or emerging issues in their profession. From this identification of issues, we expect accredited bodies to take a risk-based approach to their own monitoring (similar to that described earlier for FMA's quality reviews). We will liaise with accredited bodies to share information regarding emerging risks for auditors generally, and to ensure appropriate consistency of risk views.

FMA expects accredited bodies' monitoring to consider:

- the areas of focus for FMA's quality reviews (set out in section 2)
- individual ongoing competence requirements
- any other themes or issues that FMA identifies.

¹⁰ See the prescribed minimum standards for licensed auditors and registered audit firms available from FMA's website at Compliance / Licensing and registration / Auditors. The kinds of conditions which auditor licences may be subject to are set out in the Auditor Regulations 2012.

¹¹ Approved courses in auditing can be found at <https://www.fma.govt.nz/assets/Compliance-section/140408-professional-courses-in-auditing-notice-of-approval.pdf>



FMA will liaise with accredited bodies annually to clarify our expectations for any focus areas for their future monitoring.

We expect accredited bodies to use the full range of their regulatory tools when monitoring and enforcing the requirements in respect of auditors and audit firms. FMA will work closely with the accredited bodies to co-ordinate monitoring and enforcement activity to ensure there are no gaps, that potential duplication is reduced and that appropriate action is taken when an issue is identified.

Accredited bodies have to monitor and take prompt action if it becomes clear that an auditor or audit firm has registered a licence without meeting the necessary criteria, or is providing audit services without having the required licence or registration.

Education and communication about the regime

FMA expects an accredited body to make available information regarding the regime and their approach and expectations, in order to assist auditors and audit firms in applying for licensing and increase the opportunity for voluntary compliance by those licensed auditors and audit firms.

We expect this to include the publication of the results of monitoring and appropriate publication of disciplinary and enforcement action.

FMA's accreditation and monitoring of accredited bodies

Accreditation

FMA may be requested to consider other applications for accredited body status. Our approach to accreditation is set out on our website¹². This includes information about the conditions that may apply to an accreditation.

Monitoring

The Act requires an accredited body to provide an annual report to FMA on its performance of its regulatory functions and its relevant systems and processes¹³. FMA must report on the extent to which the relevant systems and processes are adequate and effective annually by 31 December, in respect of the year to 30 June¹⁴.


FMA has discussed with accredited bodies the need for accredited bodies to understand our expectations concerning the annual report.

We will take a proactive approach to the assessment of the accredited body's systems and processes. In addition to considering the report received from each accredited body, as part of our review of an accredited body's audit regulatory systems, FMA will undertake monitoring visits to assess the compliance with these systems. We will undertake our monitoring work during the review period where possible, rather than

¹² 'Policies and guidance for the assessment of applications to be an accredited body' are available from FMA's website (<http://www.fma.govt.nz/compliance/licensing-and-registration/licensing-forms-and-resources/auditors/>)

¹³ See section 52 of the Auditor Regulation Act 2011

¹⁴ Quality review report 2012-2013 can be found on FMA's website: <http://www.fma.govt.nz/news/reports-and-papers/>



waiting until the end of the review period. This should allow the accredited body to adjust and improve its systems and processes during the period if necessary.

Our monitoring visits of accredited bodies will focus specifically on the review of the following systems on a sample size basis:

- Maintaining a code of ethics
FMA will review:
 - compliance with maintaining a code of ethics by reviewing the outcomes of practice reviews performed by accredited bodies for their members
 - complaint process implemented by the accredited body.

In addition, the quality reviews contain specific procedures for confirming compliance with the code of ethics.

- Monitoring
FMA will review accredited bodies' compliance with their review programme and manual, detailing the monitoring activities undertaken
- Licensing of domestic auditors and registering domestic audit firms
FMA will review newly issued and renewed licences for compliance with the minimum standards
- Action against misconduct
FMA will review accredited bodies' processes for responding to complaints and other issues, as noted through the practice reviews and our quality reviews.

FMA will liaise with accredited bodies on an ongoing basis, in respect to any reports or notifications made by the accredited body or, where appropriate, to share intelligence provided to us.

If we identify any weaknesses or areas for improvement within the accredited body, we will discuss these in a timely manner with the accredited body. FMA has the power to issue a direction requiring an accredited body to amend its systems and processes. However, we expect in the majority of instances it will be more effective for any issues identified to be remedied through constructive dialogue with the accredited body, with any appropriate remedial action being taken without the need for a formal direction.

Section 4: How FMA will measure the objectives

Our Statement of Intent 2014-18 sets out how we will measure our performance against our objectives, and how we will use government funding to achieve our objectives.

The Statement of Intent includes the following measures, directly relevant to our auditor regulation and oversight role:

Measure	2014/15	2015/16	2016/17
Percentage of frontline regulators that take appropriate corrective action as requested by FMA following a compliance review.	100%	100%	100%
Percentage of auditors who are required to take corrective action as requested by FMA following compliance review.	Target to be established	Target to be established	Target to be established

We will consider the role of accredited bodies to be effective if there has been no evidence of substantive issues in the market relating to their performance.

In addition, FMA's auditor regulation and oversight work contributes towards the following more general measure in our Statement of Intent:

Measure	2014/15	2015/16	2016/17
Percentage of offer documents and financial statements reviewed that substantially meet expectations on FMA guidance.	Target to be established dependent on 2012/13 results.	Target to be established dependent on 2013/14 results.	Target to be established dependent on 2014/15 results.

The objectives in this plan are aligned with FMA's overall objectives. We do not receive separate funding for our work on auditor regulation and oversight and therefore do not specifically publish separate impact measures for this work.

This plan discusses the outputs that we will deliver to achieve each of the desired objectives for auditor regulation and oversight.

