

December 2016

Accredited body report

CPA Australia
1 July 2015 to 30 June 2016

Purpose of this report

One of our seven strategic priorities is to ensure that frontline regulators are effective in their role. As frontline regulators, accredited bodies play a crucial role in New Zealand's financial markets. They are responsible for overseeing domestic licensed auditors and registered audit firms.

Strong financial markets depend on effective frontline regulators who consider not only the policies, processes and procedures that businesses and professionals have in place, but also their culture, conduct and activities, and how these reflect the best interests of their customers.

The Auditor Regulation Act 2011 (the Act) requires us to monitor and ensure the audit regulatory systems and processes used by accredited bodies are adequate and effective.

This report contains the findings of our monitoring assessment of CPA Australia for the period 1 July 2015 to 30 June 2016.

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CPA Australia and its obligations

CPA Australia is a professional accounting body with a membership of over 150,000 finance, accounting and business professionals in 121 countries. CPA Australia has an office in Auckland but its head office is located in Melbourne, Australia.

We granted CPA Australia accreditation under section 48 of the Act on 18 October 2012. As an accredited body, CPA Australia is required to have adequate and effective systems, policies and procedures, in place to perform regulatory functions¹. These functions include:

- licensing domestic auditors and registering domestic audit firms
- monitoring the population registered by CPA Australia
- promoting and monitoring the competence of its members
- taking action against misconduct.

The Act also requires CPA Australia to provide us an annual report assessing its own performance against its obligations. This year's report was provided on 16 September 2016.

CPA Australia's self-assessment was that it had complied with all of its obligations during the year, and had performed all the tasks necessary to ensure its regulatory systems were adequate and effective.

Our findings and observations

CPA Australia licensed its first auditor during the year, therefore our assessment of its compliance with its obligations for the year is based on an initial assessment of this licensing process, and the on-going monitoring of the licensed auditor.

Our assessment of CPA Australia's other regulatory functions is based on our initial assessment, conducted as part of the accreditation and the design and implementation of its audit regulatory systems. There were no significant changes to these systems during the year.

Our findings and observations on the adequacy and effectiveness of each of the audit regulatory functions are summarised below. In each of the functions reviewed, we explained how we assessed the requirements and reached our conclusions.

¹ Regulatory functions are set out in section 6 of the Auditor Regulation Act 2011 and in section 3 of the Auditor Regulation Act (Prescribed Minimum Standards for Accredited Bodies) Notice 2012.

Licensing of domestic auditors

When assessing CPA Australia's systems, policies and procedures for processing applications to licensed auditors, we looked at whether they were designed to ensure CPA Australia met the prescribed minimum standards for accredited bodies. We also considered whether the applications were processed according to these systems, policies and procedures. During the year, CPA Australia licensed one auditor. We reviewed this licence to ensure it complied with the requirements set out in the prescribed minimum standard for licensed auditors and registered audit firms.

Conclusion

We concluded that CPA Australia had the appropriate systems, policies and procedures in place to assess auditor licences and they were followed appropriately. We provided CPA Australia with some minor recommendations to further enhance its licensing procedures.

Monitoring of registered population

We reviewed the systems, policies and procedures that CPA Australia has for monitoring licensed auditors. We assessed the adequacy and effectiveness of that work to ensure it addressed the specific impact, outcomes and outputs of our current plan for oversight and regulation of auditors.

Conclusion

We concluded that CPA Australia had the appropriate systems, policies and procedures in place to monitor its licensed auditors. To support CPA Australia with its on-going monitoring process, we will share the audit quality review reports of relevant registered audit firms.

Promoting and monitoring competence

We considered whether CPA had high quality and valuable courses, seminars, conferences, and other structured initiatives and training events to promote auditor competence. We also considered whether these were well-tailored to the needs of the industry, reasonably priced and held at appropriate locations around the country. We assessed CPA Australia's policies for taking action against licensed auditors who failed to meet the on-going competence requirement.

Conclusion

We found that CPA Australia met the requirements for promoting and monitoring competence. The current training provided to the licensed population is sufficient to maintain and extend their knowledge on auditing and accounting standards.

Taking action against misconduct

We reviewed whether CPA Australia has the appropriate systems, policies and procedures in place to meet the Act's requirements for taking action against misconduct.

We considered whether the prescribed minimum standards for accredited bodies were being met and whether CPA Australia continued to comply with the standards. As there were no complaints against CPA Australia's licensed auditors or registered audit firms, we were unable to test the effectiveness of these systems and procedures.

Conclusion

We found that CPA Australia has appropriate systems, policies and procedures to discipline its members, and the systems, policies and procedures met the requirements.

Future focus

We will continue to monitor CPA Australia's compliance with the requirements of the Act, the prescribed minimum standards and conditions of its accreditation.

We will also continue to perform monitoring visits to assess CPA Australia's audit regulatory systems and their operational effectiveness.

We will undertake our monitoring work over the course of a review period where possible, rather than at the end of a review period.

If we identify any weaknesses or areas for improvement, we will discuss these in a timely manner with CPA Australia. This should allow CPA Australia time to adjust and improve systems and processes during the period if necessary. Although we have the power to issue a direction requiring an accredited body to amend its systems and processes, our expectation is that any issues identified will be remedied on a voluntary compliance basis without the need for a formal process.

We will also continue to liaise with CPA Australia over any reports or notifications they make as an accredited body or, where appropriate, when they share information with us.