

December 2015

Accredited Body Report

CPA Australia

1 July 2014 - 30 June 2015

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Purpose of this report

One of the FMA's seven strategic priorities is to ensure that frontline regulators are effective in their role. Accredited bodies, as frontline regulators, 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 the FMA to monitor the audit regulatory systems of accredited bodies to ensure that these systems and processes are adequate and effective. This report contains the outcome of our monitoring assessment of CPA Australia for the period 1 July 2014 to 30 June 2015.

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. CPA Australia was granted accreditation by the FMA under section 48 of the Act on 18 October 2012. As an accredited body, CPA Australia's obligations under the Act require it 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 requires CPA Australia to provide an annual report to the FMA assessing its own performance against its obligations. This year's report was provided on 31 August 2015. 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 are adequate and effective.

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*.

Our findings and observations

CPA Australia did not license any auditor nor register any audit firm during the year, and had no licensed auditors or registered audit firms prior to that. This means there was no basis on which we could monitor the performance of its audit regulatory systems.

Our assessment of its compliance with its obligations for the year is therefore based on our initial assessment from the accreditation process of the implementation and design of its audit regulatory systems. There were no significant changes to these systems during the year. We also considered additional documents supplied by CPA Australia to comply with the conditions of its accreditation.

Future focus

We will continue to be proactive when assessing all accredited bodies' systems and processes. This will include monitoring visits after first licences have been issued, or material changes have been made to systems, policies or procedures. 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.