



November 2025

Trends in audit quality

Audit Quality Monitoring Report 1 July 2024 – 30 June 2025

Our annual audit quality monitoring report provides findings from our reviews of the systems, policies and procedures of registered audit firms and licensed auditors, along with information about good practice to help company directors and auditors of financial statements improve audit quality.

Purpose of this report

The Auditor Regulation Act 2011 (the Act) requires the Financial Markets Authority – Te Mana Tātai Hokohoko (FMA) to prepare periodic reports on the outcomes of the audit quality reviews we performed on the systems, policies and procedures of registered audit firms and licensed auditors in the preceding financial year.

As well as providing a snapshot of the findings identified as part of our audit monitoring of registered audit firms during the period 1 July 2024 to 30 June 2025, this report provides information

for directors and auditors to assist with driving and maintaining improvements in audit quality.

This report continues to emphasise that high-quality audits are vital to ensuring investors can make well-informed decisions based on clear, concise, and reliable information. An overview of the audit oversight regime and market data can be found in the appendices.

Elements of audit quality and desired outcomes

Reports unambiguously the auditor's conclusion on the financial statements	Audit is performed in accordance with the regulations and standards	Driven by a robust risk assessment and thorough understanding of the entity and its environment
Supported by an independent process and audit evidence, and involves the exercise of appropriate professional judgement and scepticism	Challenges management effectively and obtains sufficient audit evidence for the conclusions reached	Provides investors and stakeholders with assurance about whether the financial statements give a true and fair view

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Summary of audit file quality reviews

2025 market snapshot



130 domestic
licensed
auditors
(Prior year: 133)

202 NZX-listed
issuers

(Prior year: 201)



12 domestic
registered
audit firms
(Prior year: 12)

1,022 FMC
audits

conducted in the
preceding 12 months

(Prior year: 1,230)



Our reviews – firms and audit files

2024/25

1 small
firm
1 medium
firm
4 large
firms

14 audit
files
including
8 listed issuers
6 other FMC reporting
entities



2023/24

2 small
firms
3 medium
firms
4 large
firms

19 audit
files
including
10 listed issuers
9 other FMC reporting
entities



2022/23

1 small
firm
1 medium
firm
2 large
firms

19 audit
files
including
9 listed issuers
10 other FMC reporting
entities



2021/22

2 small
firms
2 medium
firms
3 large
firms

25 audit
files
including
9 listed issuers
16 other FMC reporting
entities



Small firms are firms with fewer than four licensed auditors.

Medium firms are firms with more than four and fewer than 10 licensed auditors.

Large firms are firms with more than 10 licensed auditors (including Audit New Zealand if reviewed).

Foreword

Last year, we changed our approach to monitoring registered audit firms. Instead of reviewing audit firms every two or three years, we now conduct annual reviews for most registered audit firms. This year the change enabled us to perform a thematic review of bank audits, allowing for more consistent comparisons across audits and firms.

We were encouraged by the low number of findings arising from our bank audit reviews, noting only a few areas requiring improvements. One area involved assessing how variable remuneration for key management personnel may influence management override of controls and risk of fraud. This is especially relevant given the relatively low proportion of fixed remuneration compared to performance-based incentives.

In addition to our focus on bank audits, we evaluated the effectiveness of firms' systems of quality management. Firms were required to implement this following the introduction of the new assurance standard Professional and Ethical Standard 3¹. Although all firms we reviewed transitioned successfully and implemented suitable quality management frameworks, further enhancements are necessary to ensure their operational effectiveness. Documentation of the operation of controls should be improved to demonstrate effectiveness. Further, where firms rely on network resources, the New Zealand entity must maintain sufficient oversight and evidence that risks are appropriately addressed by the controls operating outside of New Zealand.

Other than the bank audits, our remaining audit file reviews highlighted the continued need for improvement in fundamental audit areas, which are not inherently complex. As a result of deficiencies in these areas there was an increase

in the percentage of non-compliant audit files.

Engagement leaders and senior staff must maintain a strong focus on executing all audit procedures diligently and monitor the work of their staff on a timely basis.

This year, we took regulatory action against two Australian-based auditors regarding their conduct on a New Zealand audit. This resulted in the cancellation of the engagement leader's licence and a warning for the engagement quality reviewer. This case draws attention to the importance of maintaining professional scepticism, especially when evaluating investment valuations for entities with weak governance. This case also serves as a reminder that significant non-compliance matters must be reported to the FMA.

In the year ahead, we will maintain our focus on reviewing the implementation of firms' systems of quality management. Robust systems should lead to a reduction in audit file deficiencies over time. Our audit file reviews will continue to incorporate both risk-based selection and coverage of different type of industries and practitioners.

Finally, our report provides insights into some early observations from our review of mandatory climate assurance reports over greenhouse gas emissions. We recommend auditors and directors take these observations into account for the second year of reporting.



Jacco Moison

**FMA Head of Audit,
Financial Reporting
and Climate Related
Disclosures**

1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

2024/25 audit quality overview

What we have seen

This year's audit quality reviews identified five non-compliant files. While this is the same number as last year, it is based on a smaller review sample (14 files, compared to 19 in 2023/24), meaning the overall percentage of non-compliant files has increased from 26% to 36%. The smaller review sample was due in part to our focus on large bank audits, which require more resources because of their size and complexity. In addition, the FMA's audit team resourcing was depleted for a period due to personnel changes.

One of the objectives of our recent increase in the frequency of monitoring audit firms (from every two or three years to annual reviews for most firms) was to enable thematic reviews. This year, we focused on a sample of bank audits across our larger audit firms. We were encouraged with how firms approached and executed these audits for the significant risk areas we selected for our review and identified only a few areas for improvement.

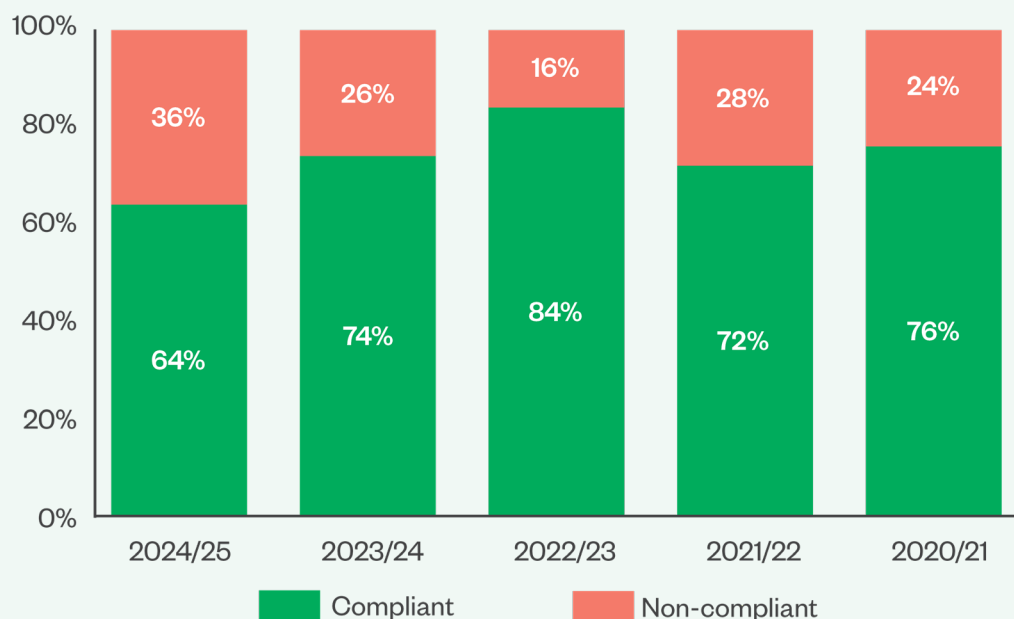
The percentage of non-compliant files remains an area of concern and focus. In four of the five non-compliant audit files this year, most of the audit procedures were satisfactory except for one area in each file where the auditor did not obtain sufficient evidence. One file contained multiple deficiencies across multiple areas of the audit. Although the number of issues decreased in the non-compliant files, auditors should remain vigilant in obtaining sufficient evidence for all material areas of the audit.

Focus areas

Our reviews this year had two specific focus areas:

- effectiveness of the implementation of Professional and Ethical Standard 3, which relates to firms' systems of quality management; and
- large bank audit files.

Percentage of compliant and non-compliant audit files reviewed



This year's report also highlights areas where we identified common or more significant findings we would like auditors to focus on, and provides insights into the oversight of overseas auditors that are licensed by the FMA.

Throughout the report we note key considerations for audit firms and directors to further enhance the quality of audits in New Zealand. While areas with recurring high levels of findings (such as accounting estimates, including FV measurement) should remain focus areas this year we highlight the following:

For auditors

- **Improve the assessment of quality management controls tested by the network:** When a New Zealand audit firm relies on control procedures performed by other parts of its network of firms, it should document the type, nature, and extent of the testing performed by the network. The New Zealand firm should assess whether these controls are adequate to address the risks it has identified, and whether the testing performed by the network is sufficient to enable the New Zealand firm to assess the effectiveness of its own system of quality management.
- **Testing of underlying data:** When auditors perform substantive analytical procedures or rely on reports from experts such as valuers or actuaries, they must obtain evidence for key data inputs used in these. Evidence should be clearly documented, and if prior-year audit evidence is used, it should be carried forward in the current year audit file with justification for its continued relevance.
- **Related party transactions:** Auditors should inquire about the procedures entities have in place for identifying and reviewing related party transactions and balances. Based on the understanding gained, auditors should design

appropriate procedures to detect and test these transactions and ensure they are properly disclosed in the financial statements.

For directors

- **Risk of management override of controls and risk of fraud:** Directors should provide their auditor with a thorough understanding of management remuneration including variable components, for which detailed information should be provided in relation to targets or KPIs required to be met, how these are set and measured by the board, and details of controls in place around the risks of management override of controls and fraud within the entity. While we have highlighted this as a particular focus for bank audits, it is relevant to all FMC reporting entities.
- **Related party transactions:** Topics directors should discuss with their auditor to support the robustness of the audit process regarding related party transactions include the company's processes in relation to how related party transactions are identified, approved and disclosed, the relevant policies that are in place, and how directors assess if related party transactions are in the best interest of the entity and its investors.
- **Sustainability assurance:** Directors of climate reporting entities should engage early with the assurance practitioner and agree the scope of the engagement, including which disclosures of the climate statements are required to be subject to mandatory assurance, and any voluntary assurance over other disclosures. They should also ensure cross-referenced material is appropriately disclosed, dated and filed on the Climate-related Disclosures (CRD) register.

International comparison and developments

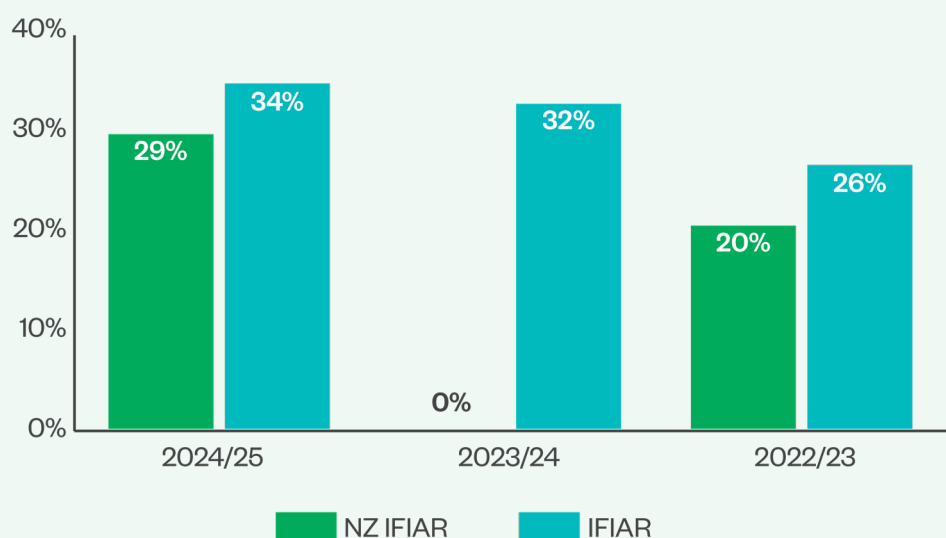
We continue to track our year-on-year results against those reported by the International Forum of Independent Audit Regulators (IFIAR). IFIAR surveys its member audit regulators, including the FMA, about reviews of listed issuer audits performed by the six largest audit firms (Big 6)². Last year's survey, published in March 2025, included 50 jurisdictions and covered our 2023/2024 review cycle.

The survey covers key trends, review findings, and the overall percentage of non-compliant audit files³. Although New Zealand percentages can fluctuate significantly between years, as we review a limited number of listed issuer audit files from the Big 6 and may select FMC audits that are not listed issuers, the benchmark forms a useful comparison about the areas of improvement and how we track against

the average percentage of non-compliant audit files.

International regulatory relationships are important for the purposes of the Act, to promote recognition of the professional status of New Zealand auditors in overseas jurisdictions. We therefore continue our involvement with IFIAR with the aim of influencing the Big 6, which is particularly relevant given the increased use of network resources in local firms' systems of quality management. We also continue our engagement with IFIAR and individual audit regulatory bodies to learn from international developments and best practices, and share our experiences and knowledge. We also use these relationships for short-term secondments from overseas regulators for continuous learning and to leverage specific expertise to supplement our experience.

Percentage of non-compliant audit files of listed entities performed by the Big 6



² The 'Big 6' – BDO, Deloitte, EY, Grant Thornton, KPMG, and PwC

³ We apply the same file rating standards as IFIAR in our audit quality reviews. The percentage we report includes the findings of our listed audit reviews for the Big 6 audit firms only.

Trends and analysis from our review of audit files

When reviewing audit files, we assess whether the auditor complied with the Auditing and Assurance Standards, and otherwise exercised reasonable care, diligence and skill in carrying out the audit.

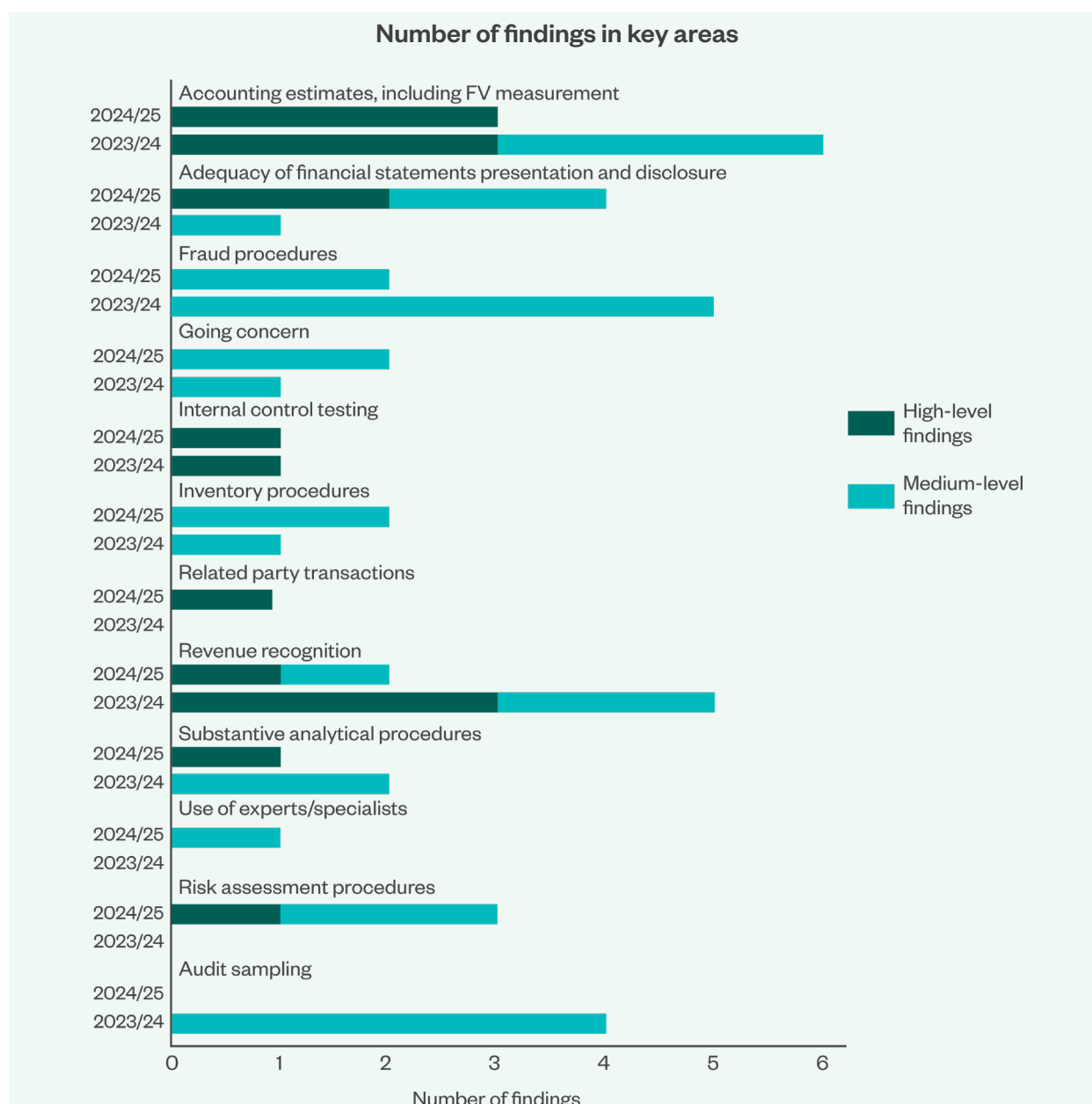
Our reviews focus on key areas rather than the entire audit file. The areas we look at are either:

- fundamental to overall audit integrity, for example auditor independence, and sufficient

oversight by the engagement leader and engagement quality review (EQR) partner; or

- selected based on the potential risks they pose – for example they may be significant to the entity's financial statements, include complex issues for the auditor, and/or involve significant judgements.

More information about our areas of focus can be found in our [Auditor Regulation and Oversight Plan](#).



The preceding graph shows the total number of high- and medium-level findings⁴ we identified in the key areas, across the 14 audit files we reviewed (2023/24: 19).

We noted an increase in the number of high-level findings compared to the previous year. This increase was mainly driven by one audit file where we identified a total of 5 findings. The remaining findings are in line with the previous year, but there was a shift in the areas we had findings, with more in adequacy of financial statement presentation and risk assessment procedures and fewer in accounting and estimates.

Follow-up on non-compliant audit files

When we rate an audit file as 'non-compliant' we can take several actions. Depending on the nature of the findings and the timing of our review, we assess the best approach to remediation. We require the audit firm to perform a root cause analysis and prepare a remediation plan to address findings we have rated as 'high' or 'medium'.

Where our findings indicate that the auditor did not perform appropriate procedures to obtain sufficient evidence, we instruct the auditor to improve procedures to ensure our findings are addressed in the next audit. If the entity changes auditor, we will inform the incoming auditor about the deficiencies identified to ensure these are addressed in the upcoming audit.

Results from non-compliant audit files ⁵	Number of files 2024/25	Number of files 2023/24
Financial statements materially misstated	1	0
Insufficient evidence available to make a reliable assessment of material misstatement	3	4
Insufficient evidence, additional audit work required, impact to be assessed	1	1
Investigate or refer to disciplinary body	0	0

4 High-level findings: The audit team did not comply with the auditing standards and therefore did not obtain sufficient audit evidence in relation to a significant risk or material balance/class of transaction/disclosure to support its opinion. This includes not identifying a material error in the financial statements or any matters that impacted the appropriateness of the auditor's report.

Medium-level findings: The audit team did not comply with the auditing standards, which had or may have had an impact on the audit evidence; however this non-compliance on its own did not lead to insufficient evidence. The finding is not likely to result in an error greater than materiality.

5 Where we rate an audit as 'non-compliant', it does not necessarily mean the financial statements do not show a true and fair view or require restatement. Equally, where we rate an audit as 'good' or 'compliant' this is not an endorsement that the financial statements are free from material misstatement.

Bank audits

Audited financial statements of banks provide an important insight into the financial stability of these financial institutions. They also provide comfort in relation to the broader financial system, as banks provide credit facilities to support businesses and individuals. We review bank audits on a periodic basis to provide confidence that the audit reports are supported with the necessary audit evidence.

This year we undertook reviews of several bank audits performed by the Big 4⁶ audit firms, looking at both the methodology and performance of these audits. The purpose of these reviews was to assess the quality of the audit work performed and to obtain more insight into how detailed audit procedures are performed.

Approach and areas of focus

Three of the Big 4 audit firms audit most of the registered New Zealand banks. We selected one of the larger banks from each of the three audit firms to test key aspects of each firm's methodology, and focused on the following two key audit areas:

- credit impairment provision (expected credit loss (ECL))
- revenue recognition.

As part of these focus areas we assessed if the audit evidence supported the overall conclusions reached by the auditor. Within each area we assessed a range of audit procedures such as:

- Risk assessment procedures including management override of controls and risk of fraud
- Reliance on controls including information technology general controls
- Detailed work performed including substantive analytical procedures

- Assessment of the disclosure of these balances in the financial statements

We also covered standard areas we assess in every audit file we review as these are core in the overall audit process, such as audit firm independence, disclosure of related parties, reporting to the directors and testing journal entries.

Findings

All bank audit files reviewed were rated good or compliant. Reasons that may have impacted the overall ratings include:

- the number of hours involved by senior audit staff at the audit firm in each of the audited areas covered by the review
- the involvement of specialists to assess the valuation of financial instruments and actuaries to assess complex impairment models
- the risks audit firms associate with financial services audits and the overall allocation of resources to these audits.

Our reviews revealed some areas that require more attention from auditors to support their audit evidence and the overall conclusions of the audit, including:

- management override of controls and risk of fraud
- use of other auditors
- testing credit impairment models.

6 The 'Big 4' - KPMG, EY, PwC and Deloitte

Management override of controls and risk of fraud

The auditing standards require the auditor to evaluate fraud risk factors and consider the risk of management override of controls, and perform audit procedures that address these risks. The standard provides examples of factors such as an incentive and a perceived opportunity to commit fraud, and an ability to rationalise fraudulent action. It also notes that risk factors may relate to incentives, pressures or opportunities that arise from conditions that create susceptibility to misstatement, before consideration of controls.

For the banks we reviewed, we noted that the CEO's fixed remuneration makes up only a small portion of their total remuneration. Some elements of the variable components of remuneration are contingent upon achieving financial targets. The audit files reviewed lacked evidence to demonstrate if the firm assessed the elements of variable remuneration and how these impacted the risk of fraud or risk of management override of controls. The absence of such analysis limits the ability of auditors to determine whether the design of variable remuneration impacts their assessment of fraud risk factors.

We noted that auditors undertook inquiries of management and those charged with governance on how the financial statements are susceptible to material misstatement due to identified fraud and any suspected fraud incidents. They documented this in the overall team discussion, concluding that based on the nature of errors identified in prior years, an overall strong control environment, the governance structure, and positive and open consultations with management, the risk of material misstatement in the financial statement was low. However, it was not evident if the auditor specifically performed an assessment of the fraud

risk factors relating to management incentives that are dependent on financial results.

If these risks are not appropriately documented on the audit file, it limits the audit team's ability to identify potential issues when performing other audit procedures that may be linked to management override of controls and risk of fraud.

Auditors of entities in other industries should also understand whether variable remuneration incentives are widely used and, where they are, consider the impact of the incentives on their fraud risk assessment.

Use of other auditors

In New Zealand bank audits it is common to place reliance on the work of other auditors within the audit firm's network. This reliance is necessary because in most instances we observed the credit models are developed, maintained, and validated by the parent entity overseas.

In instances of reliance, the scope of testing is determined by the relevant New Zealand firm and communicated through audit instructions to overseas teams. The results of these procedures are reported back to the New Zealand firm through clearance memorandums that are required to be assessed by the New Zealand team. Such clearance memorandums often contain disclaimers that require further work by the New Zealand audit team.

In two of the audit files we reviewed, improvements are needed to demonstrate how all of the disclaimers were addressed by the New Zealand team. For example, a memorandum assumes that the adequacy, accuracy and completeness of data input into the entity collective provisions for credit impairment (such as customer rating scores, days past due, collateral valuations) were validated by the local team. In such instances, it was not clear which audit procedures addressed these assumptions.

Credit impairment models

Testing the credit impairment provision is one of the more complex procedures in the audit of banks. The models that banks provide to the auditor can be categorised as:

- basic risk models covering type of loans and or industries
- overlays that focus on specific characteristics or risks on top of the basic risk modelling.

We note that these processes are often very manual or driven by large Excel spreadsheet models that require significant audit time and effort to ensure the model accurately calculates the provisions. The overlays are dependent on the portfolio of loans and can therefore be different for each bank and require a good understanding of each bank's policies and processes to identify all applicable risks.

The quantity of audit work on each of these provisions is dependent on the potential magnitude of the total risk exposures and the materiality level set by the auditors. In instances where provisions were material, the auditor performed sufficient detailed audit procedures. Where provisions were below auditor materiality the audit file lacked documentation to support the auditor's assessment that there was no risk that these provisions could be understated by a material amount.

Focus for directors

Management and directors of FMC reporting entities have an important role in providing evidence to the auditor to assess the ECL and management incentives impacting the risk of management override of controls and the risk of fraud.

We expect directors to support the auditors by:

- Providing all information on how management incentives such as bonus targets or variable

remuneration are set, how these are measured, and if directors have ensured there are effective controls in place around the risks of management override of controls and fraud.

- Challenging management on the risk models they prepare to ensure that where possible these are directly derived from the systems used by the bank, rather than manual procedures that increase the risk of error. We expect to see detailed discussions on the risks identified by the entity that form the basis of any overlays on top of the base risk modelling.

Focus for auditors

We encourage firms to continue their efforts and investment in these audits. Areas we would like to see more focus on, in bank audits and other audits that have similar risks, include:

- Where entities have significant performance-based variable remuneration this should be clearly documented and linked to the risk assessment and audit procedures performed. The documentation should include the thresholds and key indicators that influence management remuneration.
- If auditors do rely on the work of other network auditors, additional attention should be given to disclaimers or work that is required to be performed by the local audit team. In their assessment of the work performed by network auditors, the auditor should link this back to where the specific procedures that address these disclaimers are performed.
- In instances where provisions are not material, audit documentation could be improved to provide evidence that the likelihood of understatement is not material.

Due to the importance of bank audits, we will continue to select these audits on a periodic basis as part of our risk-based selection.

Firms' system of quality management

In last year's [monitoring report](#) we shared our observations from the introduction of the new Professional and Ethical Standard 3 (PES 3 (revised)), which came into effect on 15 December 2022. For that review cycle we tested the implementation of the revised standard across all registered audit firms but did not test the effectiveness of the systems. This year we reviewed the effectiveness of the systems of the six firms covered in this cycle. The remaining firms will be covered in the 2025/26 monitoring year.

Approach and areas of focus

PES 3 divides the system of quality management (SQM) into eight key components. Our review focused on the following four components, based on our insights from the implementation testing in the prior year:

- Governance and leadership
- Relevant ethical requirements
- Engagement performance
- Monitoring and remediation process

For each component we inspected a sample of the risks, controls and monitoring procedures performed by the firm to assess the operating effectiveness of systems. This sample focused on elements that required judgement and included management review controls and processes. We did not independently perform, or re-perform, any of the controls performed by the firms.

Findings

Our review of the design of the firms' SQMs did not identify significant weaknesses. However, more work is needed to support the controls operating effectively within the firms to address the identified risks to audit quality. Although the firms invested significantly in the setup of their SQMs with resources allocated to assess and monitor

responses to quality risks, execution should be improved in the following areas:

- Evidencing the operation of the controls that address identified risks
- Monitoring and remediation processes to determine if controls operate effectively
- Documenting the reliance on network requirements or services

Evidencing the operation of the controls that address identified risks

In accordance with the standard, each firm designed and implemented a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks. In response to these risks the firms have established controls and assigned control owners or operators to perform these controls. Control operation may be dependent on information generated from various sources including IT systems, tools and reports.

When reviewing the documentation of the operation of controls we identified the following areas where we were unable to fully understand the extent of the work performed:

- The control owner relied on reports or other information that was not retained to evidence the effective operation of the control.
- The control owner/operator did not document the work to a sufficient standard to enable the monitoring team to establish if the control operated effectively. For example, the control owner did not document conclusions for some of the exceptions identified.
- Where the control owner relied on manually prepared reports, we did not see documentation by either the control owner or monitoring team on how they assessed the report was accurate and complete.

Monitoring and remediation process

PES 3 requires audit firms to design and perform monitoring activities to provide a basis for the identification of deficiencies. To ensure the monitoring is appropriately performed it should be designed in such a way that it is able to detect deficiencies. We therefore expect the monitoring team to consider both if a control is performed by an appropriate control owner, and if conclusions are supported with sufficient evidence. In our inspections we identified instances that undermine the effectiveness of monitoring:

- The monitoring team did not have access to all necessary information to assess if the control had operated effectively. For example, the monitoring team did not have access to individual partner risk ratings that comprise an important input into the control over the allocation of partners to appropriate engagements.
- We noted that some underlying reports supporting certain controls contained variances that required responses, but we did not see any responses addressing the variances.
- In one instance we noted that a control was not operating as designed and that the firm relied on mitigating controls, but we did not see evidence that the monitoring team assessed if these mitigating controls were appropriate and effective.

Documenting reliance on network requirements or services

When the audit firm sets up the SQM it may rely on resources of the wider network of firms it is a member of, to respond to and/or monitor the risks identified. This is permitted under the standard; however, the local firm remains responsible for its SQM, including professional judgements made in its design, implementation and operation. Several of our registered firms are using network resources in their SQM.

In two instances we noted that improvements are needed to demonstrate that the controls operated and monitoring performed by the network are effective. Both firms had extensive communications with the network relating to monitoring activities performed by the network and retained an exception report. We did not see sufficient evidence provided by the global or regional network to enable the local monitoring team to review the nature and extent of testing performed by the networks, to ensure these controls addressed the risks identified by the local firm and that testing was sufficient to support the firm's SQM.

Focus for audit firms

We acknowledge that the standard is new and required a step change in the approach to quality management by audit firms. We expect it will take time to fully implement the requirements, to ensure all risks are appropriately addressed.

As risks and responses may change over time, it is important for firms to establish a robust framework and be able to adapt where needed. We ask firms to focus on the following:

- Control owners should document their work to a sufficient level for the monitoring team to assess that the work performed is supported by underlying evidence and followed the policies and procedures set by the firm.
- If controls are ineffective and the firm relies on remediation actions, these should be tested for effectiveness before the firm concludes that the risk is appropriately addressed.
- Where the audit firm relies on testing performed by other firms in the network, the documentation in the New Zealand firm's SQM should include an overview of the monitoring performed by the network including:
 - The monitoring approach plan that includes information about the risk rating and timing of testing; this is important as the risk rating at a global or regional level may be different to that at a local level.

- The nature, extent and timing of the testing performed by the network and the conclusions reached for each of the controls tested.
- Evidence that the New Zealand controls were tested as part of the global or network controls or, if they haven't been tested, how the New Zealand firm is comfortable that these controls operate effectively.
- Overview of any exceptions identified as part of the monitoring by the network firm and how these are mitigated by work performed by either the local or regional firm.
- The local monitoring team should document their assessment that the work performed by the network firm sufficiently addresses the risks identified at a local level.
- The monitoring teams should consider if a control is performed by an appropriate control owner and also assess if their conclusions are supported by sufficient appropriate evidence. The monitoring teams should therefore have access to all necessary information to perform their work to a sufficient standard.

Recurring findings

Although the number of areas in individual audit files where improvements are required is low, there are some recurring findings that auditors should consider in all audits. In this section we provide more details on the common themes we identified in our reviews that were not isolated to certain files, firms or partners, but observed across a range of reviews. Areas that require additional auditor focus include:

- Reliability of underlying data
- Related party transactions

Reliability of underlying data

When auditors perform detailed audit procedures, they rely on information provided by the entity they audit or from a third party. To ensure reliance can be placed on this information, the auditing standards require the auditor to assess the reliability of this data. In our reviews we noted two common instances where the reliability of data was not tested and therefore the procedures performed did not comply with the auditing standards.

Substantive analytical procedures

Substantive analytical procedures are audit techniques that evaluate financial information by analysing plausible relationships between financial and non-financial data to detect material misstatements in financial statements. When performing a substantive analytical procedure, the auditor should evaluate the reliability of data from which the auditor's expectation of recorded amounts or ratios is developed, taking account of

source, comparability, and nature and relevance of information available, and controls over preparation.

The following are two examples in which the auditor did not comply with the standards:

Example 1:

The auditor relied on a system-generated report for the allocation of overhead costs to inventory balances. The auditor performed detailed testing on this allocation in a prior period. However, when performing the analysis for the current year, the auditor did not refer to the detailed testing performed in the prior period. Also, the auditor did not document how they assessed and concluded that no changes were made to the overhead allocation from the previous testing and that the allocation remained reliable.

Example 2:

This example relates to the reliability of data included in an actuary report. To perform a reasonableness assessment the auditor compared prior-year gross outstanding claims data to the reinsurance receivable balance and applied the same percentage to current-year gross outstanding claims. We did not see how the auditor assessed the appropriateness of the assumption, either as part of look-back procedures or roll-forward documentation outlining how the percentage applied was tested in prior years. Additionally, there was no evidence to support that the auditor considered and concluded whether the procedure was sufficiently precise to identify a misstatement, especially as a minor change in the assumption percentage could result in material variance.

Related party transactions

New Zealand's financial reporting framework requires entities to disclose related party transactions, describing the nature of the relationships, amount of the transactions, and amount of outstanding balances. This enables users of the financial statements to understand the nature and impact of these transactions and relationships on the financial statements, and whether the transactions were beneficial to the entity.

Although related party transactions may occur in the normal course of business, because entities are not entirely independent of each other, the transactions may carry a higher risk of material misstatement.

The auditing standards require auditors to obtain sufficient audit evidence regarding the accuracy and completeness of disclosure of related parties and related party transactions in the financial statements.

The following are two examples in which the auditor did not comply with the standards:

Example 1:

The audited entity had a range of related party transactions with its overseas parent entity; this included both the sale of goods to the parent and contained management fees charged by the parent to promote and advertise these goods overseas. In its related party disclosures in the financial statements the entity netted off these transactions and recorded this as one transaction, being sales. The accounting standards require both transactions to be reported separately. Although the auditor did identify the various related party transactions as part of their audit work, the auditor did not identify that the disclosures in the financial statements did not provide insight into the two separate transactions.

Example 2:

The audited entity disclosed in its financial statements that all related party balances are unsecured, interest free, repayable on demand and conducted on an arm's-length basis. We did not see how the auditor obtained evidence that the contractual terms in relation to these balances and transactions were on an arm's-length basis.

Focus for directors

Directors play a role in enabling the auditor to assess if the information disclosed in the financial statements complies with the accounting standards. Further, there are some special rules that apply to related party transactions for registered schemes and discretionary investment management services (DIMS) providers.

Topics directors could discuss with their auditors to support the robustness of the audit process regarding related party transactions include:

- The process to identify and disclose transactions by directors and management of the entity.
- Policy detailing which types of transactions are permissible with related parties and what process should be followed to approve the transactions.
- If you are a DIMS provider, whether your policy covers the requirements of the relevant laws and regulations.
- How directors assess if related party transactions are in the best interest of the entity and investors.
- The processes in place to review the accuracy and completeness of related party lists and related party transactions.
- Sanctions that are in place for failure to disclose related parties or related party transactions.

Focus for auditors

In relation to the above areas, auditors are encouraged to pay attention to the following:

- When relying on data from prior-year periods, ensure that audit evidence is carried forward on the audit file together with procedures performed to conclude this audit evidence is still applicable for the current year.
- When comparing data to prior-year trial balance accounts there should be evidence that these balances have been subject to testing in prior-year audit procedures, or other procedures have been performed to test this data.
- Ensure the testing of related party transactions includes the completeness and accuracy of the disclosures in the financial statements.

Sustainability assurance

Following the introduction of mandatory climate reporting last year, we are now reviewing the first year of mandatory assurance over greenhouse gas (GHG) emissions disclosures in climate statements. These assurance engagements can be performed by registered audit firms and licensed auditors, as well as other assurance practitioners. This is based on the condition that the assurance practitioner has sufficient competence in assurance skills and techniques, and the measurement and reporting of GHG emissions to accept responsibility for the assurance conclusion. At the introduction of the regime this resulted in assurance requirements for approximately 180 climate reporting entities (CREs). Following the Government's announcement, changes have been made to the reporting threshold for listed issuers and the removal of managed investment schemes has significantly reduced the number of climate reporting entities. The FMA has made a statement on the impact of the changes [on our website](#).

Review approach

Mandatory assurance over climate statements is not subject to the same oversight as providing assurance over financial statements, as there is no licensing regime nor proactive monitoring regime as set out under the Auditor Regulation Act. However, assurance providers need to comply with Assurance Engagements over Greenhouse Gas Emissions Disclosures (NZ SAE 1) set by the External Reporting Board (XRB).

As part of our disclosure reviews of Climate Statements we assessed the independent assurance report for compliance with NZ SAE 1 to consider whether:

- it references to the correct assurance standard (NZ SAE 1);
- it complies with the independence requirements;

- the engagement covers the required GHG emissions disclosures;
- the information that has been assured in the climate statements is clear to primary users, including when cross references have been applied; and
- it has been lodged on the CRD Register within four months of the balance date, along with the climate statements.

In instances where we identified non-compliance, we made enquiries of the assurance practitioner and/or the CRE. In several instances to date, the assurance report has needed to be reissued to meet the requirements.

Our findings

Although most of the assurance reports met the requirements of NZ SAE 1, we found several examples of non-compliance that needed to be addressed, including:

- referencing to the incorrect assurance standard;
- lack of referencing in the climate statements to the assured information in the GHG Inventory Report, which caused multiple compliance issues for assurance practitioners (further detail below);
- using terminology in assurance reports that did not align with the requirements (e.g. referring to only "category" rather than the "scope" of GHG emissions);
- other content issues such as incorrectly using an "emphasis of matter" paragraph; and
- independence disclosures in respect of climate-related advisory services.

Cross referencing

CREs have the option to include all required disclosures in one document but can also cross reference to other documents to present all required climate-related disclosures. A document that is commonly cross referenced in climate statements is the GHG Inventory Report. However, the GHG Inventory Report often contains more information than is required to be disclosed under the Aotearoa New Zealand Climate Standards. These reports contain detailed information about scope one, two and three GHG emissions as well as other required disclosures such as the methods and assumptions used to calculate these emissions. This can be useful information for primary users to consider. The assurance reports attached to these GHG Inventory Reports can be used to satisfy the requirements under Part 7 of the Financial Markets Conduct Act 2013 (FMC Act). However, when reviewing the GHG Inventory Reports and the attached assurance report we noted the following challenges:

- The climate statements did not make specific reference to sections of the GHG Inventory Report that form the CRE's climate-related disclosures, resulting in the entire document forming part of the climate statements. This also meant the CRE considered all disclosures in the GHG Inventory Report to be material information that needed to be disclosed, which was not the intention.
- Lack of referencing in the climate statements to the assured information (e.g. in the GHG

Inventory Report) also meant it was difficult for primary users to understand what information had been assured.

- The GHG Inventory Report and associated independent assurance report were dated before the climate statements were signed and therefore the opinion did not cover the correct period.
- The assurance report only provided assurance over the information in the GHG Inventory Report and did not cover all disclosures that require mandatory assurance in the climate statements themselves (often GHG disclosures in summarised form).

Additional assurance provided

In our disclosure reviews we noted that several CREs sought additional assurance beyond the requirements set out in the FMC Act, providing users of the climate statements with assurance over further information. When this approach is taken, it is important to focus on the following areas to assist users of the assurance report by:

- Clearly identifying which disclosures in the climate statements are subject to mandatory assurance, and which are subject to voluntary assurance.
- Including the level of assurance obtained by the procedures (limited or reasonable assurance), as well as which disclosures each level of assurance relates to.

Focus for directors

The assurance process for climate statements is similar to that of the audit of the financial statements. It is important for directors to understand the connection between the assurance report and the climate statements, to ensure they are comfortable that the opinion correctly covers all mandatory requirements. Directors may help to ensure compliance with the FMC Act by:

- Engaging early with the assurance practitioner and having a clear overview of the scope of the engagement, including understanding which disclosures of the climate statements are subject to mandatory assurance and any voluntary assurance that is requested in addition to the mandatory requirements.
- Where climate statements cross reference to other documents, ensuring that:
 - they appropriately reference the pages or paragraphs intended to form part of the mandatory disclosures of the climate statements;
 - both the climate statements and all referenced documents are filed on the CRD Register; and
 - the dates of the climate statements, any cross referenced documents and the assurance reports align.
- Reviewing the draft assurance report and ensuring all disclosures that require mandatory assurance are referenced appropriately.

Focus for assurance practitioners

Assurance practitioners should focus on the following areas when carrying out mandatory assurance engagements:

- Provide clear descriptions of what disclosures have been assured for users and what level of assurance has been provided.⁷
- Ensure that the assurance report covers all the mandatory disclosures, especially if the entity cross referenced to other documents.
- Ensure the mandatory disclosures included in climate statements and cross referenced documents by the entity are covered by their assurance report.

More information about our monitoring of climate statements can be found in our monitoring plan and reports on our [website](#).

⁷ FMC Act section 461ZHC: If an assurance engagement does cover the whole, or other parts, of the statements, the assurance practitioner's report must separately identify the matters that are required to be the subject of the assurance engagement.

Monitoring overseas auditors

In addition to the 130 licensed domestic auditors across 12 audit firms, we also have overseas auditors with a New Zealand auditors' licence operating in our markets. The graph below shows that the number of overseas auditors and audit firms active in New Zealand have remained stable over time; all of these are domiciled in Australia.

There are various reasons why overseas auditors may be appointed to perform FMC audits, such as:

- the auditor already audits the overseas parent entity
- most of the operations are based overseas, including the finance function
- the overseas auditor may be able to perform the audit at a lower cost.

Requirements for overseas auditors

The Act provides the option for auditors to be licensed as a sole practitioner, or as an auditor operating as part a registered audit firm. All but six of our licensed auditors are registered as part of a registered audit firm. They are all domiciled in Australia and are licensed in accordance with the Trans-Tasman Mutual Recognition Act (TTMRA). The TTMRA recognises auditors that are registered by the Australian Securities & Investments Commission (ASIC) as equivalent to the New Zealand registration and therefore can be recognised by the FMA.



Overseas auditors are required to comply with several standard licence conditions. We are also able to impose additional conditions on individual and firm licence holders. The requirements for auditors of other recognised jurisdictions are set out in the FMA's [prescribed minimum standards](#).

An overview of each of the licensed overseas audit firms and individual auditors can be found on the [Auditors Register](#). The register also includes any additional conditions an auditor may have in relation to their licence.

FMA oversight of overseas auditors

Overseas auditors are not subject to the same oversight requirements as New Zealand licensed auditors. One of the main differences is that overseas auditors and registered audit firms are not subject to the audit quality reviews under section 65 of the Act. Instead, we rely on the oversight of these auditors and audit firms in their home jurisdiction. Our direct oversight of overseas licensed auditors includes procedures such as:

- Reviewing monitoring findings of the firm's internal quality reviews and external reviews of the firm (by regulators and professional bodies) that are required to be provided by overseas auditors to the FMA under their standard licence conditions.
- Reviewing financial statements audited by overseas auditors. In instances where we have significant concerns following this review, we may start an investigation into these audits.
- Seeking assistance from overseas audit regulators to obtain information on our behalf under Mutual Recognition Agreements.

- Reviewing any other information provided under standard or specific licence conditions.

Where we note non-compliance with the requirements of the Act we can take various regulatory actions that may include:

- private or public warnings, suspension or cancellation of licences
- prohibiting the auditor or firm from undertaking specified FMC audits, or a specified class or classes of FMC audits, permanently or for any period we see fit
- ordering that an auditor or audit firm pay to the FMA costs and expenses for our investigation and the resulting proceedings.

Regulatory action taken

During the reporting period we cancelled an overseas auditor licence for an engagement leader for failure to comply with multiple auditing standards and the conditions on his licence. We ordered that the auditor may not reapply for an audit licence for FMC audits in New Zealand for three years.

The engagement leader failed to obtain sufficient evidence to support:

- the existence and valuation of the entity's investments
- evaluation of management's assessment of the entity's ability to continue as a going concern.

The auditor also did not apply sufficient professional scepticism in the audit, particularly when assessing the valuation of the investments.

We also issued a public warning to a former licensed auditor for their engagement quality review

(EQR) role on the same audit. This investigation highlighted the importance of the EQR role. In this instance the EQR failed to appropriately evaluate whether conclusions of key judgement areas were supported by sufficient audit evidence.

Further, the EQR did not promptly notify the FMA after they become aware that an audit engagement they worked on or reviewed was not carried out in accordance with the auditing and assurance standards.

The decisions relating to this case can be found on the FMA's website⁸.

What directors could consider when appointing overseas auditors

In certain instances, FMC reporting entities may want to appoint a licensed overseas auditor. As overseas auditors are not subject to FMA audit quality reviews, directors may want to consider the following points:

- Whether the auditor is part of a registered audit firm under the Auditor Regulation Act 2011.
- What experience the auditor has with New Zealand laws and regulations, and what arrangements will be put in place to engage local expertise if needed.
- Whether the auditor will appoint an engagement quality reviewer for your audit that is also a New Zealand licensed auditor.
- How frequently the auditor is subject to audit quality reviews by their local regulator or professional body in their home jurisdiction, and the results of past quality reviews.
- Whether the auditor has adequate indemnity insurance that covers New Zealand audits.

⁸ [Decision in relation to engagement leader \(fma.govt.nz\)](https://fma.govt.nz/decisions/decision-in-relation-to-engagement-leader); [Decision in relation to engagement quality reviewer \(fma.govt.nz\)](https://fma.govt.nz/decisions/decision-in-relation-to-engagement-quality-reviewer)

Appendix 1 – Audit oversight regime

Oversight of FMC auditors

The Ministry of Business, Innovation and Employment (MBIE) sets the legal requirements for the oversight of auditors of FMC reporting entities. The regulations are set out in two key pieces of legislation:

- the **Financial Markets Conduct Act 2013** (FMC Act), which establishes which entities are required to have their financial statements audited by a licensed auditor/registered audit firm
- the **Auditor Regulation Act 2011** (the Act), which sets out the rules regarding the licensing and oversight of auditors of FMC reporting entities.

What are FMC reporting entities?

The FMC Act defines an FMC reporting entity as:

- an issuer of a regulated financial product (for example managed investment schemes and other registered schemes)
- listed entities
- registered banks and licensed insurers
- credit unions and building societies
- several other types of entities licensed under the FMC Act.

Financial Markets Authority

The FMA is the Crown entity responsible for enforcing securities, financial reporting and company laws as they apply to financial services and financial markets. This includes the regulation of auditors of FMC reporting entities, and the accreditation and monitoring⁹ of professional bodies. We also license and register overseas auditors and audit firms.

External Reporting Board

The External Reporting Board (XRB) is an independent Crown entity responsible for standards related to auditing in New Zealand. In relation to FMC reporting entities, the XRB has issued the following standards:

- Accounting Standards, which each FMC reporting entity must comply with
- Auditing and Assurance Standards, which all auditors must comply with for FMC audits.

The standards are based on international standards: the International Financial Reporting Standards (IFRS), International Standards on Auditing (ISA) and the various standards issued by the International Ethics Standards Board for Accountants (IESBA).

Professional bodies

Two professional bodies in New Zealand are accredited by the FMA: Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia. To be accredited, these bodies are required to have adequate and effective systems, policies and procedures in place to perform the following functions:

- licensing domestic auditors and registering domestic audit firms using the standards set by the FMA
- monitoring those auditors and registered audit firms
- promoting and monitoring the competence of these members
- taking action against misconduct.

All licensed auditors can be found on the Auditors Register.

9 CA ANZ (NZICA) accredited body reports (fma.govt.nz); CPA Australia accredited body reports (fma.govt.nz):

Monitoring audit quality

We issue regular Auditor and Regulation Oversight Plans. These plans help licensed auditors, registered audit firms and accredited bodies to understand how we will approach auditor regulation and which areas we will focus on during our reviews.

We report annually on our findings by issuing this Trends in Audit Quality report (formerly called the Audit Quality Monitoring Report. The publication Audit Quality: A director's guide is also available to directors.

Quality review methodology

We assess an audit firm's compliance with the standards and the requirements of the Act by:

- looking at the audit firm's overall quality management systems for performing compliant FMC audits
- reviewing a selection of individual FMC audit engagement files to see if a file complies with the above systems and the Auditing and Assurance Standards issued by the XRB.

We aim to review all firms every year, however some of the small firms may be reviewed every second year. As a result of our Memorandum of Understanding (MOU) with the Auditor-General, we may review audits of FMC reporting entities carried out by private audit firms on behalf of the Auditor-General. The results of these reviews are included in this report, and our findings are communicated directly to the Auditor-General.

All our reviews undergo a robust moderation process. This includes our final quality review reports being reviewed and considered by the Auditor Oversight Committee (AOC). The AOC

provides an independent forum to review the consistency and fairness of all reports. The AOC comprises a diverse group of professionals including former auditors, company directors, and others with relevant experience who are independent of the audit profession.

System of quality management

The requirements of a quality management system are set out in the Professional and Ethical Standards, and the Auditing Standards. Our assessment of an audit firm's quality management system focuses on whether:

- the system complies with the relevant standards
- the system's policies and procedures are followed
- the results of the firm's effectiveness testing support that its system of quality management is operating effectively
- the system contributes to high-quality FMC audits.

An important audit quality control involves the audit firm performing an engagement quality review (EQR) on each audit file. The EQR process is designed to provide an objective evaluation of the significant judgements the audit team has made, and the conclusions reached in the auditor's report.

We have prescribed additional requirements¹⁰ for the EQR, given its importance to the audit process. We expect the EQR partner to be suitably qualified and have relevant experience to enable them to give an objective evaluation. We therefore require the EQR to be licensed.

¹⁰ Paragraph 8(1)(f) of the Auditor Regulation Act (Prescribed Minimum Standards and Conditions for Licensed Auditors and Registered Audit Firms) Notice 2012

Individual file reviews

We carry out individual audit file reviews to check the auditor has complied with Auditing and Assurance Standards, and exercised reasonable care, diligence and skill in carrying out the audit.

Key attributes of audit quality are:

- an independent audit is carried out by a licensed auditor
- the auditor demonstrates appropriate levels of professional scepticism
- adequate and appropriate audit evidence is obtained
- the Auditing and Assurance Standards are followed
- an appropriate audit opinion is issued.

Risk-based file selection

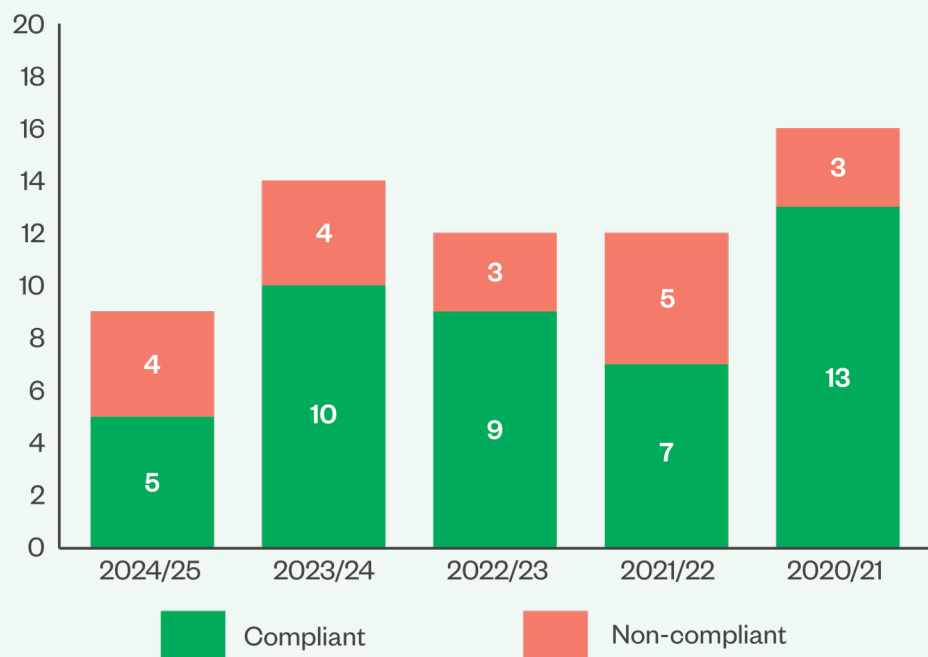
We choose audit files to review at random, as well as selecting audits from higher-risk sectors and industries.

Our selection of audit files tends to be primarily focused on risk. These include businesses that are more vulnerable to risks from existing and emerging market conditions, such as businesses that are newly listed or experiencing significant growth, or

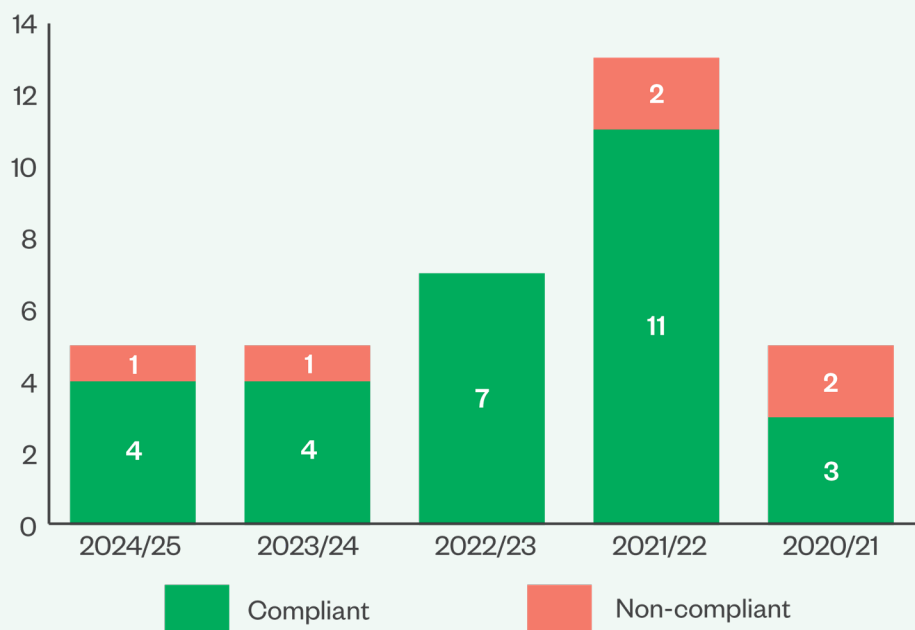
other higher-risk businesses that have compliance issues such as qualified audit reports. The audit firms and audit files we review change each year, so it is difficult to compare year-on-year results. Trends in audit quality should be analysed over several years to better understand what progress has been made. Due to the small sample sizes and the selection approach (focused on higher-risk audits), the result may not be indicative of the overall quality of audit firms reviewed.

Audit files selected on a risk basis are often more complex and therefore require more resources from audit firms, including the use of experts. Historically, our risk-based selections have had a higher level of non-compliant files. However, in the current year's review we noted that the majority of risk-based files failed in areas of basic audit procedures, rather than in areas that were complex or required auditor judgement. The tables below show the split between risk-based and non-risk-based sampling, and the number of files we have rated non-compliant.

Number of audit files from risk-based selection



Number of files from non-risk-based selection



File selection and ratings for individual audit files

The number of audit files we select for each audit firm is determined by the number of licensed auditors at the audit firm, the number of FMC audits completed and the results of the audit firm's previous review.

In selecting specific files for review, we consider:

- Businesses of significant public interest, given the value of financial products issued to the public (such as KiwiSaver schemes, banks, insurance companies and businesses listed on the NZX).
- Businesses and industries that are more vulnerable to risks from existing and emerging market conditions, such as newly listed businesses, or businesses that experienced significant growth.
- Other businesses considered higher risk, such as finance companies, or businesses that have non-compliance issues, such as qualified audit reports, or that have not complied with laws and regulations.
- A cross-section of different licensed auditors in each registered firm.

If a previous review found an audit file did not meet the required standards, it is likely we would review that auditor or audit file again.

File ratings

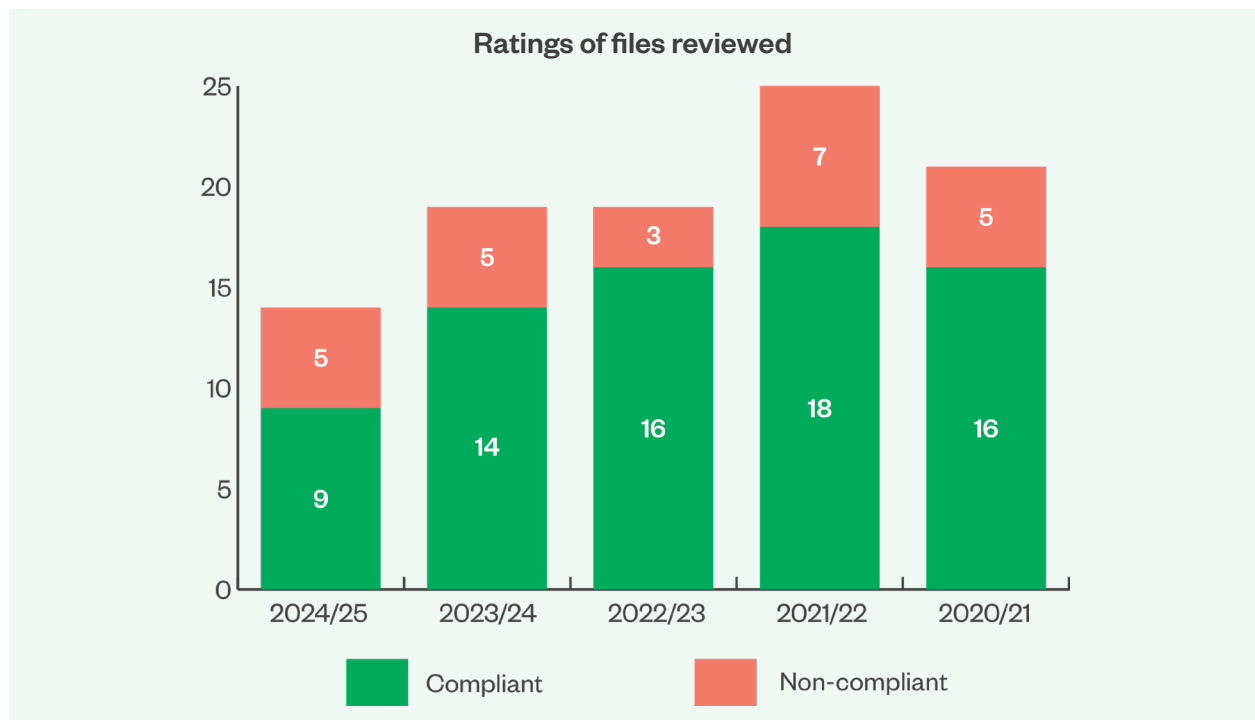
When we complete a file review, the reviewer gives each individual finding on that file a rating from low to high, and proposes a final overall file rating from the categories below:

- **Good** – we either had no findings, or the findings relate to improving some documentation or minor non-compliance with the auditing standards. The reviewer is satisfied that all audit procedures have been performed around key risk areas and sufficient audit evidence was obtained.
- **Compliant, but improvements needed** – we identified several areas in the file where the audit wasn't performed in accordance with the auditing standards. However, the reviewer found that overall, there was sufficient and appropriate audit evidence obtained in the key risk areas.
- **Non-compliant** – the file showed several areas where the audit wasn't performed in accordance with the standards. The reviewer found insufficient or inappropriate audit evidence obtained in at least one key risk area of the audit, or the review showed a material misstatement that required restatement of the financial statements and/or the audit opinion.

The ratings are moderated by the AOC.

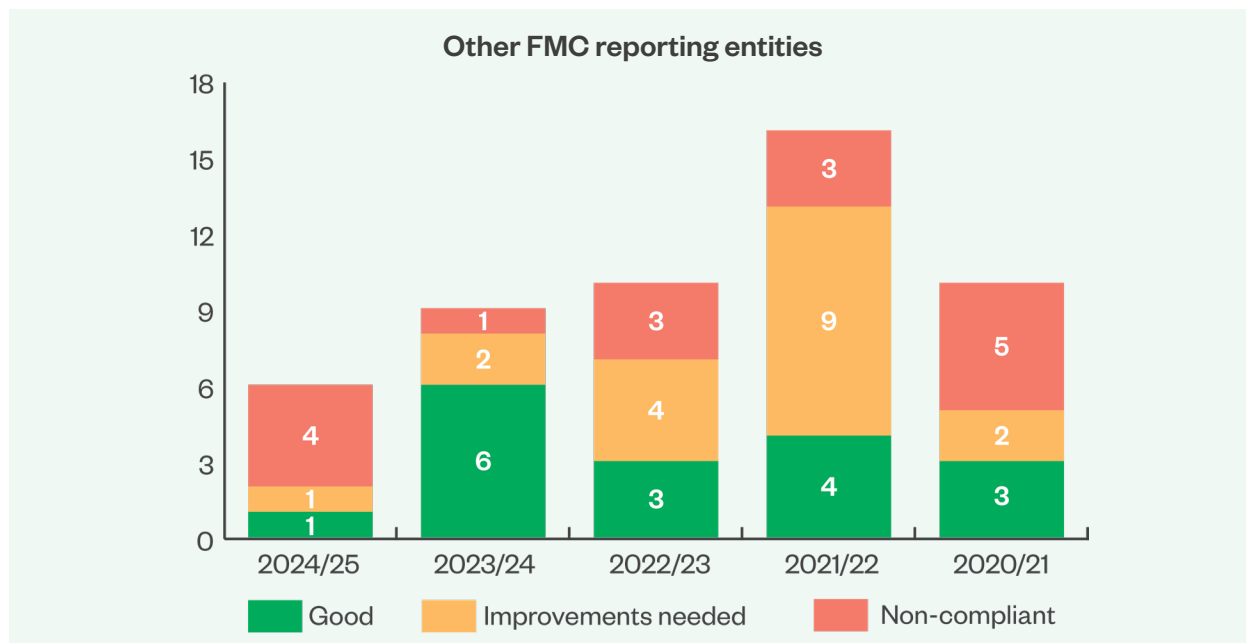
Summary of review ratings

The graph below provides an overview of how we rated the individual audit files over the last five years.



This is broken down further between listed and other FMC reporting entities as follows:





Background to our rating criteria

Our reviews focus on audit processes and procedures, and do not assess whether the underlying audited information is correct. Where we rate an audit as non-compliant, it does not necessarily mean the financial statements do not show a true and fair view or require restatement. Equally, where we rate an audit as good or compliant this is not an endorsement that the financial statements are free from misstatement.

Appendix 2 – Market data

	30 June 2025	30 June 2024	30 June 2023	30 June 2022	30 June 2021
Domestic licensed auditors	130	133	135	135	138
New licences issued to domestic auditors	9	8	7	4	9
Domestic auditor licences cancelled	12	10	7	7	6
Domestic registered audit firms ¹¹	12	12	12	14	14
NZX-listed companies	202	201	203	185	186
FMC audits ¹²	1,022	1,230	1,190	1,050	1,130
Firms reviewed	6	9	4	7	5
Audit files reviewed	14	19	19	25	21

11 This includes two brand names with five individual licences. We have included these as 2 registrations as we combine the reviews of these individual licences.

12 The number of FMC audits has decreased because of better quality of data provided to us – in previous years there has been duplication in counting of fund audits in the various systems that record audit data, which has been removed in this year's data clean up.

Glossary

Accounting standards/ NZ IFRS	The New Zealand equivalent to International Financial Reporting Standards issued by the External Reporting Board.
the Act	Auditor Regulation Act 2011
AOC	Audit Oversight Committee, established by the FMA to provide an independent forum to review the consistency and fairness of all quality review reports. The members of AOC are a diverse group of professionals including former audit partners, company directors, lawyers, academics and others with relevant audit experience or knowledge.
Audit firm	Registered audit firm as defined by the Act.
Auditing and Assurance Standards	The auditing and assurance standards issued by the External Reporting Board.
Auditing standards	International Standard on Auditing (New Zealand) issued by the External Reporting Board, to be applied in conducting audits of historical financial information
Auditor	Licensed auditor as defined by the Act.
Chartered Accountants Australia and New Zealand	NZICA and the Institute of Chartered Accountants of Australia (ICAA) formally amalgamated on 1 January 2015 to form the Chartered Accountants Australia and New Zealand (CA ANZ). After the amalgamation, NZICA continues to regulate the accountancy profession for Chartered Accountants ANZ members who remain resident in New Zealand (and by virtue of their residence continue to be NZICA members) according to the NZICA Act 1996, and the terms of the amalgamation agreement. For the audit oversight regime, NZICA continues to be the accredited body.
Climate Reporting Entity	Has the meaning set out in section 461O of the FMC Act 2013.
Climate Statements	Has the same meaning as in section 5(1) of the Financial Reporting Act 2013.
EQR	Engagement Quality Review. This is a process designed to provide an objective evaluation, on or before the date of the auditor's report, of the significant judgements the engagement team has made and the conclusions it has reached in formulating the auditor's report.

EQR partner	Licensed auditor who performs the EQR. This may be a licensed auditor who is not a partner in the audit firm.
Going concern	Under the going concern assumption, a business is viewed as continuing in business for the foreseeable future. General purpose financial statements are prepared on a going concern basis, unless those charged with governance plan to liquidate their business, cease operations, or have no alternative than to stop doing business.
IFIAR	International Forum of Independent Audit Regulators
ISA (NZ)	International Standard on Auditing (New Zealand) issued by the External Reporting Board.
FMC reporting entity	Has the same meaning as in section 6 of the FMA Act 2013.
FMC audit	Has the same meaning as in section 6 of the Act.
Materiality	Information is material if its omission or misstatement could influence the economic decisions of users taken based on the financial statements.
PES	Professional and Ethical Standards issued by the External Reporting Board.
Quality review	A review of an audit firm as defined by the Act.

