

Auditor Regulation and Oversight Plan

For the three years ending 30 June 2015

June 2012



FINANCIAL MARKETS AUTHORITY

TE MANA TATAI HOKOHOKO – NEW ZEALAND

Overview

Auditor regulation

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

To promote quality in this work, from 1 July 2012 the Auditor Regulation Act 2011 ('the Act') puts in place a new framework for the regulation and oversight of auditors and audit firms undertaking audit and assurance work relating to issuers.

More information about the auditor regulation and oversight regime, and the issuer audits and assurance covered by the regime, is available from FMA's website at www.fma.govt.nz, see Help me Comply/ Auditors.

FMA's regulation and oversight plan

As part of the regulatory framework, the Financial Markets Authority ('FMA') is required to publish a plan regarding its intentions for the regulation and oversight of auditors under the Act. It must publish the plan each year by 30 June and the plan must cover the following three years. Whilst there is no requirement for FMA to publish a plan in this first year, FMA considers it desirable for the audit industry to understand FMA's approach to auditor regulation.

Accordingly this document sets out FMA's plan for the three years to 30 June 2015. It covers:

- the impacts and outcomes that FMA seeks to achieve or contribute to (section A)
- for each impact, why it is important and what FMA will focus on to deliver that impact (sections B to D)
- how FMA will measure the impacts (section E).

As this is the first plan, it explains some of the relevant framework. The plan will evolve in future years to reflect experience of the new regulatory regime and the changing audit environment.

This plan will help licensed auditors, registered audit firms and accredited bodies to understand how FMA will approach auditor regulation. It may also be of interest to issuers, investors and their advisers.

Section A: Impacts, outcomes and objectives

1. The Auditor Regulation Act 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 jurisdictions¹.

Overseas recognition of New Zealand auditors makes it easier for New Zealand companies to list on overseas exchanges and for New Zealand auditors to provide services abroad, and supports investment by overseas investors into New Zealand.

2. The Act's purpose is consistent with FMA's own main objective, which is to promote and facilitate the development of fair, efficient and transparent markets. FMA's Statement of Intent sets out the overall outcomes which FMA will contribute to with other government agencies, co-regulators and market participants. It sets out FMA's own overall desired impacts and how these align to the funding provided by Government for FMA's work.
3. Taking into account the Act's purpose and FMA's overall objective and desired outcomes, through auditor regulation and oversight FMA seeks to contribute to the following outcomes:
 - 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.
4. How FMA can contribute to these outcomes is influenced by the structure of the auditor regulation and oversight regime under the Act. 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"> • May have an initial transitional licence until May 2014 • Licensed by accredited body • Monitored by accredited body, but with quality reviews carried out by, or on behalf of, FMA 	<ul style="list-style-type: none"> • May have an initial transitional licence until May 2014 • Licensed by FMA • Monitored by FMA • Reliance in some areas on overseas regulator

¹ From the purpose of the Act in section 3.

² 'issuer audit' is defined in section 6 and used in this paper with that meaning. It includes the financial statement audit and any audit or review required under the Securities Act 1978.

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

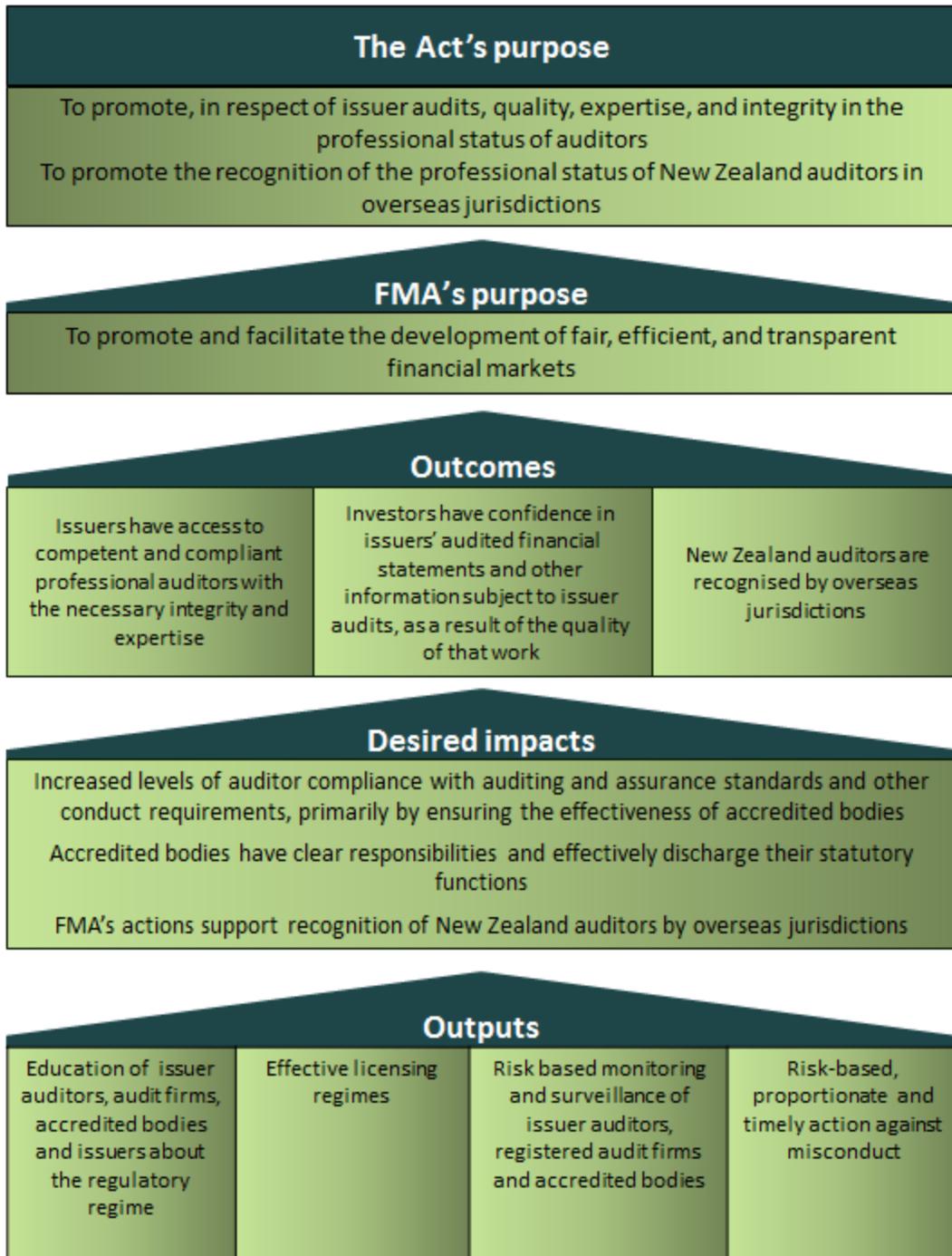
Audit firm	<ul style="list-style-type: none"> • May have an initial transitional registration until May 2014 • Registration authorised by accredited body • Monitored by accredited body, but FMA responsible for quality reviews of its auditors 	<ul style="list-style-type: none"> • No transitional arrangements • Registration authorised by FMA • Monitored by FMA • Reliance in some areas on overseas regulator
Accredited body	<ul style="list-style-type: none"> • Accredited and monitored by FMA⁴ 	

5. Whilst some areas of the regime are delivered directly by FMA, significant areas will be delivered through FMA’s role in monitoring the effective discharge by accredited bodies of their functions as frontline regulators.
6. FMA will therefore contribute to the outcomes through its own activities in the period to 30 June 2015 by focusing on the following desired impacts:
 - Increased levels of auditor compliance with auditing and assurance standards and other conduct requirements, primarily by ensuring the effectiveness of accredited bodies
 - Accredited bodies have clear responsibilities and effectively discharge their statutory functions
 - FMA’s actions support recognition of New Zealand auditors by overseas jurisdictions.
7. FMA will achieve these desired impacts by delivering the following outputs:
 - education of issuer auditors, audit firms, accredited bodies and issuers about the regulatory regime
 - effective licensing regimes
 - risk-based monitoring and surveillance of issuer auditors, registered audit firms and accredited bodies
 - risk-based, proportionate and timely action against misconduct.

These outputs are aligned to the FMA’s overall outputs set out in FMA’s Statement of Intent 2012-15.
8. In carrying out its work, FMA will have regard to the principles that its regulation should not unnecessarily restrict the supply of auditors, or impose undue costs on auditors or issuers (in line with the principles in section 35).
9. Figure One illustrates this framework for auditor regulation and oversight. Sections B to D explain why each impact is important and what FMA will focus on to deliver that impact.

Figure One: FMA’s outcome framework for auditor regulation and oversight 2012-2015

⁴ There is no distinction between NZ and overseas accredited bodies in the legislation, although an accredited body may have some functions based overseas (see FMA’s ‘Policies and Guidance for the Assessment of Applications from Accredited Bodies’ available from www.fma.govt.nz).



Section B: Increased levels of auditor compliance with auditing and assurance standards and other conduct requirements

Why this impact is important

10. Auditing and assurance standards establish requirements and provide guidance on the responsibilities of auditors. They also set out the basic tenets 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 of ensuring audit quality.
11. Auditors must also comply with other conduct requirements under legislation, such as those set out in the Act.
12. Achieving compliance is not only about having and following appropriate processes, it is also about the behaviour and attitude of auditors and their teams.

What we will focus on to achieve this impact

13. Given the structure of the regime, FMA will deliver this impact through:
 - its own direct actions, as set out in section B
 - effective discharge by accredited bodies of their statutory functions. FMA monitors accredited bodies, assists them in understanding their responsibilities and sets expectations for their contribution to the regime. Our areas of focus in respect of accredited bodies are set out in section C below.
14. FMA's own direct actions will focus on:
 - monitoring of emerging risks
 - monitoring the perimeter
 - 'quality reviews' of New Zealand auditors
 - its role in respect of licensing overseas auditors and registering overseas audit firms and monitoring their compliance
 - education and communication about the regime, our work and our expectations.

These focus areas are covered below.

15. We will carry out our work in line with FMA's overall compliance strategy, as set out in our Statement of Intent 2012-15. The strategy includes:
 - proactively working with financial market participants to help them willingly comply
 - ensuring that our education and enforcement activities work effectively together.

Monitoring of emerging risks

16. We will monitor risks which 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
- the results of the quality reviews carried out for FMA
- FMA's own work with overseas auditors.

17. In addition, we will monitor risks by:

- liaising with key stakeholders, including the External Reporting Board and bodies representing issuers and insolvency specialists
- monitoring the economic environment and audit industry trends
- monitoring the experience of audit regulators internationally (including through liaison with the Australian Securities and Investments Commission⁵ 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.

18. We will also monitor the development of financial reporting and auditing and assurance standards and professional standards for auditors in New Zealand and internationally. We will identify any increased level of compliance risk, which can arise when standards are new.

19. Where changes in risks are identified, we will determine whether action is needed by assessing the potential impact on auditors and their work. If action is needed, the action 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 introduction of a new focus for quality reviews
- discussions with accredited bodies regarding our expectations, for example adjustments to their monitoring .

Monitoring the perimeter

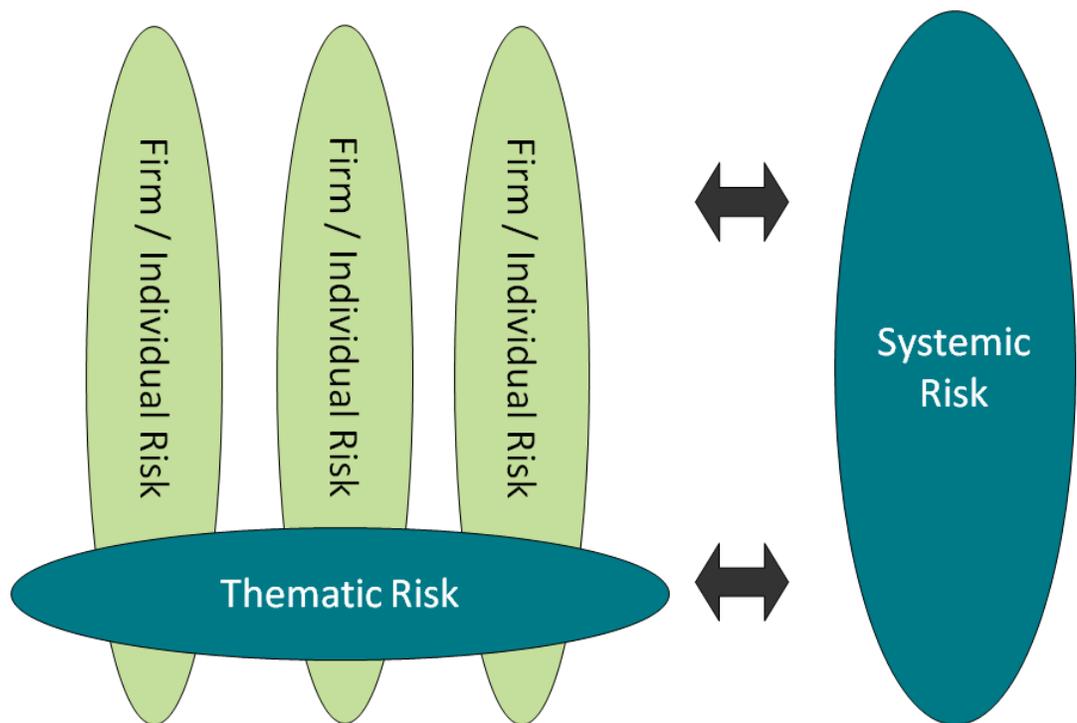
20. We will undertake surveillance and focus on any complaints, tips or referrals about auditors or audit firms who are carrying out issuer audits while unlicensed or unregistered. We will make inquiries and take enforcement action if necessary. We expect this to be a focus for our activity in 2012/13.

⁵ ASIC regulates auditors in Australia.

‘Quality reviews’

- 21. Audit firms must have systems, policies and procedures for compliance with auditing and assurance standards and conduct requirements⁶. 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) (section 65).
- 22. Whilst we expect to outsource the operation of our quality review process (as allowed by the Act), the reviews will nevertheless be carried out in accordance with a methodology approved by FMA. Monitoring will include the matters required by the Act (section 68). Firms will be selected for review according to a programme approved by FMA, with the timing and frequency of selection determined using a risk-based framework.
- 23. The methodology will ensure that the review covers systems, policies and procedures for compliance with all applicable auditing and assurance standards and legal requirements. The quality review programme will also focus on areas identified by FMA as of thematic risk affecting auditors generally (see emerging risks above) and risks for individual firms. Our work will inform our view of systemic risk.

Figure Two: Risk types



⁶ See the prescribed minimum standards for licensed auditors and registered audit firms available from FMA’s website at Help Me Comply / Auditors / Your Obligations.

24. For example, for auditors generally in the first year we will include a focus on the systems, policies and procedures for:

- quality control
- identifying and managing potential conflicts of interest (PES1)⁷
- identifying and dealing with related party transactions (ISA (NZ) 550)
- ensuring that the firm has the competence to perform the work (PES1), and has identified, assessed and addressed the risks of material misstatement through understanding the issuer and its environment (ISA (NZ) 315).

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

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

26. Our plan also allows for ad-hoc reviews to be undertaken, for example as a direct result of credible intelligence of significant compliance issues.

27. When undertaking monitoring activity, it is common to reveal some breaches 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. However, the action taken will depend on the seriousness of the review findings. In most instances, where matters are not significant, it will be most efficient for findings to be remedied through constructive dialogue. In these cases, we may require a follow up review of the firm's remedial action or subsequent compliance.

28. We will be transparent by making available information on focus areas and any general messages emerging from our quality reviews on a timely basis. We will liaise closely with accredited bodies to disseminate these messages. FMA must also publish a report annually by 31 December on its quality reviews in the year to June (section 73). The first report is due by 31 December 2013. FMA will also draw information to the attention of overseas auditors.

29. Risks vary over time, for example with the economic environment. We will update our risk-based approach in subsequent years in the light of developments and our experience.

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

30. 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.

⁷ Professional and Ethical Standard 1 (PES1) and International Standards on Auditing (New Zealand) (ISA (NZ)) are available from the External Reporting Board's website, www.xrb.govt.nz.

31. The Act's approach to overseas auditors recognises that the auditor is already regulated in their home country. The approach expects FMA to place some reliance on the existing regulator.
32. Based on our current understanding of auditors performing services in New Zealand, we expect applications for licensing and/or registration from Australia, the United Kingdom, and the United States of America. FMA has undertaken assessment of the audit regimes in these countries. However, FMA may need to assess and prescribe minimum standards for additional countries during the plan period.

Licensing

33. FMA may grant licences to overseas auditors and authorise registration of overseas audit firms from 1 July 2012. Alternatively, overseas auditors may take advantage of a transitional licence, which must be registered by 26 June and can last until May 2014.
34. As a result, we expect our licensing work to be concentrated in the second half of 2012 and in early 2014. The objective of this work is to ensure that only auditors and audit firms who are able and likely to comply with the requirements can undertake issuer audits. Our website and 'Application Guide: Licensing and registration of overseas auditors and audit firms' sets out more information about our approach.

Monitoring

35. FMA will develop its profile of overseas auditors and firms as the population becomes known (through licensing and registration). FMA will use this information to enhance its approach and to build and maintain its relationships with relevant overseas regulators.
36. FMA's direct monitoring of overseas auditors and firms will include:
 - ensuring auditors were eligible for transitional licences for which they have registered
 - dealing with notifications from firms, including reviewing quality control reports and reports on the firm's systems, policies and procedures produced internally, by professional bodies or by other regulators
 - making appropriate inquiries into any complaints, tips or referrals, including from or through overseas regulators.
 - its issuer disclosure surveillance work, which monitors the compliance of the audited financial statements with the Financial Reporting Act 1993.

Actions against misconduct

37. FMA expects to use the full range of its regulatory tools in respect of its monitoring and any actions against overseas auditors and audit firms.

38. In particular, FMA has the power to cancel the transitional licence of an overseas auditor if it appears that the person has made false or misleading declarations. We will consider carefully our response to the results of our monitoring of transitional licence registrations.

Education and communication about the regime

39. FMA will educate issuer auditors, audit firms, accredited bodies and issuers about the regulatory regime and matters arising from it.
40. FMA will proactively provide information so that auditors can willingly comply with our expectations regarding their compliance with the standards and requirements. This plan forms part of that approach. The plan also notes expected communications, such as publication of general messages emerging from quality reviews of auditors' compliance with auditing and assurance standards.
41. FMA will work with accredited bodies for New Zealand auditors to disseminate information. Information for overseas auditors and firms will be available on our website or will be communicated directly. Information will also be provided to overseas regulators or professional bodies, where appropriate.
42. FMA will also work with bodies representing issuers and relevant professional bodies to ensure that issuers are aware of the licensing requirements when appointing auditors and are aware of FMA's role as regulator.
43. FMA does not provide education about auditing and assurance standards. FMA may comment on education about the standards as part of its monitoring of accredited bodies' competence programmes and promotion, monitoring and review of the ongoing competence of their members.

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

Why this impact is important

44. Accredited bodies oversee New Zealand auditors and audit firms. They act as a frontline regulator and gatekeeper. The Act's requirements for an accredited body include maintaining adequate and effective systems and processes for performing its regulatory functions. These functions include:
- maintaining a code of ethics
 - licensing
 - monitoring
 - promoting and monitoring competence
 - action against misconduct.

45. These are significant regulatory functions. Clear responsibilities and understanding of FMA's expectations enable accredited bodies to willingly deliver compliant activities. Effective discharge of an accredited body's functions is key to the success of the regime.

What we will focus on to achieve this impact

46. This section includes descriptions of (as required by section 52):

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

47. FMA also expects to liaise with accredited bodies on an ongoing basis to further the achievement of this impact.

The contribution of accredited bodies

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

- meeting their obligations in the Act, the prescribed minimum standards⁸ and conditions on an ongoing basis
- proactively working with and educating auditors to help them to willingly comply with their own obligations under the auditing and assurance standards and other conduct requirements.

49. FMA has set out its expectations for how an accredited body will organise itself to contribute in its prescribed minimum standards. The standards include requirements on systems, policies and processes and the body's monitoring of its own discharge of its functions.

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

Licensing

51. FMA has set out its expectations for licensing, by prescribing minimum standards that accredited bodies must apply when licensing New Zealand auditors and audit firms and the

⁸ 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/help-me-comply/auditors/who-needs-to-comply/accredited-bodies/)

kinds of conditions that we expect auditor licences to include⁹. Alternatively, New Zealand auditors and audit firms may register a transitional licence, which must be registered by 26 June and can last until May 2014.

52. As a result, accredited bodies' licensing work is likely to be concentrated in late 2012 and in early 2014. The objective of the work is to ensure that only auditors and firms who are able and likely to comply with the requirements can undertake issuer audits.
53. We expect accredited bodies to engage with FMA in formulating policy in relation to licensing to ensure the objectives of the prescribed minimum standards are met. FMA will monitor how an accredited body applies the licensing minimum standards.
54. 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). FMA will work with accredited bodies during 2012/13 to ensure the development of such courses, which FMA can approve.

Monitoring and action against misconduct

55. FMA will carry out quality control reviews of audit firms at least every four years. However, an accredited body is responsible for monitoring the compliance of both its registered audit firms and its licensed auditors on an ongoing basis.
56. The minimum standards require accredited bodies to be able to identify current or emerging issues in the profession. We expect accredited bodies to use the resulting issues and other information to take a risk-based approach to monitoring (similar to that described above for FMA's quality reviews). FMA will also liaise with accredited bodies to share information regarding emerging risks for auditors generally and to ensure appropriate consistency of risk views.
57. We expect the accredited body's monitoring in the first year to consider:
 - the areas of focus for FMA's quality reviews (set out in Section B)
 - individual ongoing competence requirements.
58. We will liaise with accredited bodies in the second half of 2012 and at least annually to clarify our expectations for any focus areas for future monitoring.
59. We expect an accredited body to use the full range of its regulatory tools in 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 that there are no gaps, reduce potential duplication and ensure appropriate action is taken when an issue is identified.

⁹ See the prescribed minimum standards for licensed auditors and registered audit firms available from FMA's website at Help Me Comply / Auditors / Your Obligations. The kinds of conditions which auditor licences may be subject to are set out in the Auditor Regulations 2012.

60. In particular, during the first year, we expect accredited bodies to monitor and take prompt action if it becomes clear that an auditor or audit firm has registered a transitional licence without meeting the necessary criteria, or is providing audit services without having the required licence or registration.

Education and communication about the regime

61. We expect an accredited body to make available information regarding the regime, their approach and expectations to assist auditors and audit firms in applying for licensing and to increase the opportunity for voluntary compliance.
62. 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

63. The New Zealand Institute of Chartered Accountants ('NZICA') is deemed to be an accredited body from 1 July 2012. FMA may be required to consider other applications to become an accredited body, particularly during 2012/13. FMA's approach to accreditation is set out on our website and in our document 'Policies and guidance for the assessment of applications to be an accredited body'. This includes information about the conditions that an accreditation may be subject to.

Monitoring and actions against misconduct

64. 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 processes (section 51). 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 June. FMA's first report must be produced by 31 December 2013 (section 55).
65. FMA will liaise with accredited bodies in the second half of 2012 to ensure that its expectations regarding the accredited body's own report are clear.
66. FMA will take a proactive approach to the assessment of the accredited body's systems and processes. We will undertake our monitoring work over the report period where possible, rather than waiting until the end. This should allow the accredited body to adjust and improve its systems and processes during the period, if necessary.
67. As part of this, FMA will undertake a 'shadow accreditation' of NZICA during the first year. This will promptly identify any areas needing attention, providing the opportunity for NZICA to put in place any remedial measures.

68. We expect our early focus areas to include:

- policies and resources, which will influence the effectiveness of the regime on an ongoing basis
- the plan for monitoring the accredited body's auditors and audit firms
- how the monitoring methodology is implemented in practice and decisions taken in respect of findings, including how complaints, tips and referrals are evaluated and progressed
- the approach to promoting competence
- development of licensing processes, to ensure that accredited bodies are ready for the end of the transitional period.

69. We will also liaise with accredited bodies on an ongoing basis, including in respect of any reports or notifications made by the accredited body, or to share intelligence provided to FMA (where appropriate).

70. If we identify weaknesses or areas for improvement we expect to discuss these with the accredited body. FMA has the power to issue a direction requiring an accredited body to amend its systems and processes. However, in most instances, unless matters are significant, we expect it will be most efficient for issues identified to be remedied through constructive dialogue and appropriate remedial action.

Section D: FMA's actions support recognition of NZ auditors by overseas jurisdictions

Why this impact is important

71. Overseas recognition of New Zealand auditors and the audit regime supports the confidence of overseas investors in investing in New Zealand.

72. For New Zealand entities listed overseas, it allows them to use New Zealand auditors without those auditors also being subject to overseas requirements and supervision by overseas regulators. It is efficient for New Zealand entities in attracting overseas capital.

73. For the European Union ('EU'), New Zealand auditors and audit firms are allowed to conduct audit activities in the EU or audits of EU listed entities for financial years starting up until 31 July 2012. For financial years starting after that date, affected New Zealand auditors must:

- be registered in the EU, with the New Zealand regime recognised as equivalent or
- come under the oversight of EU supervisors and fully comply with EU rules.

EU assessors are expected to visit New Zealand early in 2012/13 with a view to a decision on equivalence by mid 2013.

What we will focus on to achieve this impact

74. Our work on the impacts discussed in sections B and C above is aimed at ensuring a robust auditor regulation and oversight regime. It is a necessary foundation for achieving this outcome.

Recognition of equivalence by the EU

75. We will ensure that our work takes account of the principles against which New Zealand will be assessed by the EU assessors. In addition, we will:

- monitor the development of audit regulation in the EU and take any necessary action to support equivalence
- work with the Ministry of Economic Development to provide information in advance to the EU assessors and engage directly with them during their visit
- ensure that any FMA actions expected as a result of the visit are carried out on a timely basis.

76. Once EU equivalence has been achieved, we will continue to monitor developments in the EU, so that equivalent status is maintained.

Recognition by other countries

77. We expect to liaise closely with the Australian Securities and Investments Commission regarding regulation of auditors and audit firms. We are liaising with government agencies and ASIC regarding the application of the Trans-Tasman Mutual Recognition Act to the licensing of individual auditors.

78. In addition, if a need is identified to achieve equivalence in other jurisdictions, we will work with the Ministry of Economic Development to progress this.

Section E: How FMA will measure the impacts

79. FMA sets out how it measures its performance against its overall impacts, and its use of government funding to achieve those impacts, in its Statement of Intent 2012-15 and its Statement of Service Performance for 2012/13.

80. The Statement of Intent includes the following measure which is directly relevant to our auditor regulation and oversight role:

Measure	2012/13	2013/14	2014/15
FMA's assessment of accredited bodies	Accredited bodies audit regulatory systems are adequate and effective	Accredited bodies audit regulatory systems are adequate and effective	Accredited bodies audit regulatory systems are adequate and effective

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

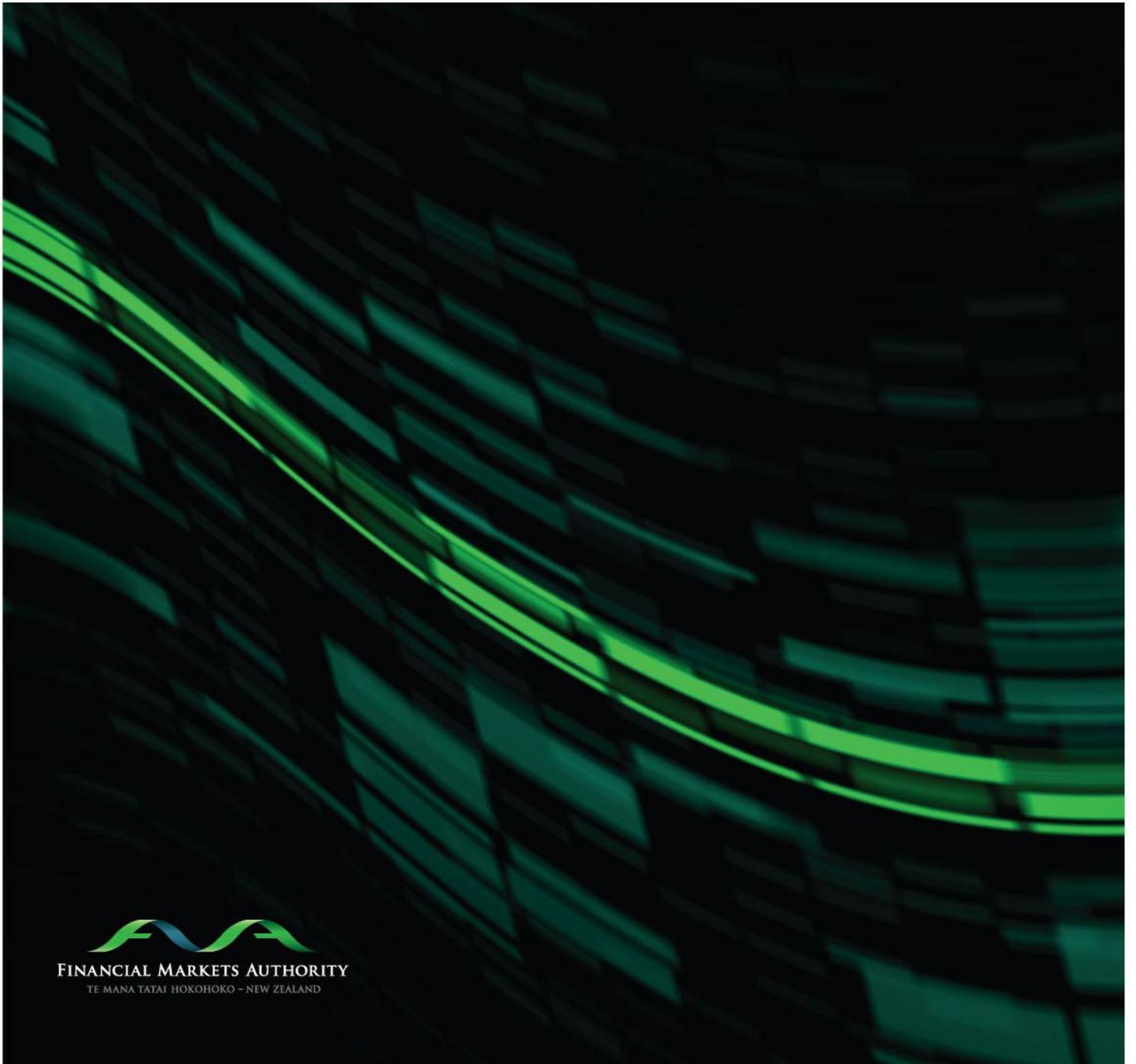
81. In addition, our auditor regulation and oversight work contributes towards a number of more general measures in the Statement of Intent. For example:

Measure	2012/13	2013/14	2014/15
Percent of prospectuses requiring intervention	Establish baseline	Establish baseline	Decrease
Level of compliance of licence holders	Establish baseline	Target to be set once baseline established	Target to be set once baseline established
Level of quality of issuer financial reports	Improve on baseline	Target to be established dependent on 2012/13 results	Target to be established dependent on 2013/14 results

82. The impacts in this plan are aligned with the FMA’s overall desired impacts. FMA does not receive separate funding for its work on auditor regulation and oversight, so does not specifically publish separate impact measures for this work.

83. This plan discusses the outputs that FMA will deliver to achieve each of the desired impacts for auditor regulation and oversight. Work in respect of these outputs for the auditor regulation and oversight regime will contribute to the delivery of a number of the forecast standards which are the measures in FMA’s overall Statement of Service Performance for 2012/13.

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