

November 2018

Accredited body report

CPA Australia
1 July 2017 to 30 June 2018

Purpose of this report

This report contains the findings of our monitoring assessment of CPA Australia for the period 1 July 2017 to 30 June 2018.

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

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

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

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www.fma.govt.nz

AUCKLAND OFFICE | Level 5, Ernst & Young Building | 2 Takutai Square, Britomart | PO Box 106 672 | Auckland 1143
WELLINGTON OFFICE | Level 2 | 1 Grey Street | PO Box 1179 | Wellington 6140

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CPA Australia and its obligations

CPA Australia is a professional accounting body with a membership of over 163,000 finance, accounting and business professionals in 125 countries. CPA Australia has an office in Auckland; its head office is in Melbourne, Australia.

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

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

The Act also requires CPA Australia to provide us an annual report assessing its own performance against its obligations. This year's report was provided on 2 October 2018.

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

Our findings and observations

CPA Australia has undergone changes to its corporate governance structure. This followed an independent review to assess the current structure and recommend changes, taking into account members' feedback. We have been in contact with CPA Australia and have assessed the changes with the compliance requirements for accredited bodies.

CPA Australia has only one licensed auditor in New Zealand. It didn't license any new auditors or register any new audit firms during the review period.

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

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

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

Licensing domestic auditors

We looked at whether CPA Australia's systems, policies and procedures for processing applications to license auditors are designed to ensure CPA Australia meets the prescribed minimum standards for accredited bodies.

Conclusion

CPA Australia has the appropriate systems, policies and procedures in place to assess applications for auditor licences. CPA Australia did not assess any new applications during the review period. Therefore, we were unable to test the effectiveness of these systems and procedures.

Monitoring the registered population

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

Conclusion

CPA Australia has the appropriate systems, policies and procedures in place to monitor its licensed auditor. To support CPA Australia with its ongoing monitoring, we share relevant audit quality review reports of registered audit firms.

Promoting and monitoring competence

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

Conclusion

CPA Australia meets the requirements for promoting and monitoring competence. The current training provided to the licensed population is sufficient to maintain and extend their knowledge of auditing and accounting standards.

Taking action against misconduct

We reviewed whether CPA Australia has the appropriate systems, policies and procedures in place to meet the Act's requirements for taking action against misconduct. We considered whether the prescribed minimum standards for accredited bodies are being met and whether CPA Australia continued to comply with the standards.

Conclusion

CPA Australia has appropriate systems, policies and procedures to discipline its members, and the systems, policies and procedures met the requirements. As there were no complaints against CPA Australia's licensed auditor, we were unable to test the effectiveness of these systems and procedures.

Future focus

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

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

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

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

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

