

December 2020

Accredited body report

CPA Australia
1 July 2019 to 30 June 2020

Purpose of this report

This report contains the findings of our monitoring assessment of CPA Australia for the period 1 July 2019 to 30 June 2020.

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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Contents

Purpose of this report	2
CPA Australia and its obligations	4
Our findings and observations	4
Licensing and cancellation of auditors and registering audit firms	5
Monitoring the registered population	5
Promoting and monitoring competence	5
Taking action against misconduct	6
Future focus	7

CPA Australia and its obligations

CPA Australia is a professional accounting body with a membership of over 166,000 finance, accounting and business professionals in more than 100 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 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 an annual report assessing its own performance against its obligations. This year's report was provided on 6 October 2020.

CPA Australia's self-assessment stated 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 is currently reviewing its internal processes following recent changes to its corporate governance structure. We remain in contact with CPA Australia and continue to assess these changes with the compliance requirements for accredited bodies.

As at 30 June 2020, CPA Australia has only one licensed auditor and one registered audit firm in New Zealand.

During the 12-month period to 30 May 2020, CPA Australia registered one audit firm.

Our assessment of CPA Australia's regulatory functions is based on our initial assessment, conducted as part of the accreditation, design and implementation of its audit regulatory systems, and any ongoing monitoring of its licensed auditor. CPA Australia's annual monitoring plan was impacted by COVID-19 pandemic and the public practice programme — where CPA Australia monitors member compliance with the Auditing and Assurance standards — was postponed for the remainder of 2020.

We continue to engage with CPA Australia on any matters that may affect reviews in the upcoming period. We do not have any further observations regarding the monitoring of licenced auditors and registered audit firms.

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

Our findings and observations 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.

Licensing and cancellation of auditors and registering audit firms

We looked at whether CPA Australia's systems, policies and procedures for processing applications to license auditors and the cancellation of auditors and registering audit firms 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 and audit firm registration. CPA Australia registered one audit firm during the review period. We reviewed whether the registration and systems, policies and procedures in place were effective to assess applications. During the 12-month period to 30 May 2020, there were no cancellations or renewals of licences.

We note that CPA Australia currently has only one licenced auditor and one registered audit firm.

CPA Australia is developing standard procedures for renewals and voluntary licence cancellation. We recommend CPA Australia include a standard procedure that would verify if a member has any ongoing disciplinary matters with CPA Australia or other relevant parties such as the FMA and CA ANZ. This is to ensure that the licenced auditor does not resign their membership from CPA Australia or renew a licence before the conclusion of any disciplinary processes.

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. However CPA Australia's annual monitoring plan was impacted by COVID-19 pandemic and the public practice programme — where CPA Australia monitors member compliance with the Auditing and Assurance standards — was postponed for the remainder of 2020. This did not impact our conclusion on the effectiveness of the audit regulatory function of CPA. We continue to engage with CPA Australia on any matters that may affect the reviews in the upcoming period.

Promoting and monitoring competence

We considered whether CPA Australia offers 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 appropriately accessible. 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 knowledge of auditing and accounting standards. Further, we recommend CPA Australia implement a process to verify licensed auditors continuing professional development

(CPD) requirement to check their declarations back with underlying records. We also recommend all licensed auditors are reviewed at least every 3 years.

When assessing the professional competence of a licenced auditor, CPA Australia requires its members to comply with the most recent Internal Education Standard (IES 8). We note that CPA Australia has not yet implemented this requirement. We highly recommend that CPA Australia develops a process to evaluate the learning objectives necessary to ensure this standard is met in accordance with clause 7 (1) of the prescribed minimum 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 any 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.