

December 2017

# Accredited body report

NZ Institute of Chartered Accountants

1 July 2016 to 30 June 2017

# Purpose of this report

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This report contains the findings of our monitoring assessment of the New Zealand Institute of Chartered Accountants (NZICA) for the period 1 July 2016 to 30 June 2017.

The Auditor Regulation Act 2011 (the Act) requires us 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 that businesses and professionals have in place, but also their culture, conduct and activities, and how these reflect the best interests of their customers.

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# NZICA and its obligations

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As an accredited body, NZICA<sup>1</sup> is required by the Act to have adequate and effective systems, policies and procedures in place to perform its regulatory functions<sup>2</sup>. These functions include:

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

The Act also requires NZICA to provide to us an annual report assessing its own performance against its obligations. NZICA provided this year's report on 27 September 2017.

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

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<sup>1</sup>NZICA and the Institute of Chartered Accountants of Australia (ICAA) formally amalgamated on 1 January 2015 to form Chartered Accountants Australia and New Zealand (Chartered Accountants ANZ). 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 purpose of the audit oversight regime, NZICA continues to be the accredited body.

<sup>2</sup> NZICA's 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

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

## Licensing domestic auditors and registering domestic audit firms

We looked at whether NZICA's systems, policies and procedures for processing applications to license auditors and register audit firms are designed to ensure NZICA meets the prescribed minimum standards for accredited bodies. We also considered whether applications were processed according to these systems, policies and procedures.

During the year, NZICA licensed six auditors. We reviewed a sample of these licences to ensure they complied with the requirements set out in the prescribed minimum standard for licensed auditors and registered audit firms.

### Conclusion

All licences we reviewed were issued according to the prescribed minimum standards. NZICA has, and follows, the appropriate systems, policies and procedures to assess auditor licences and firm registrations.

## Monitoring the registered population

We reviewed NZICA's systems, policies and procedures for monitoring licensed auditors and registered audit firms.

We assessed the adequacy and effectiveness of NZICA's monitoring work to ensure it addressed the specific impact, outcomes and outputs of our current plan for oversight and regulation of auditors. We also assessed how NZICA developed and implemented strategies to address or mitigate issues of non-compliance and other matters of concern identified through complaints and monitoring.

### Conclusion

NZICA has the appropriate systems, policies and procedures in place to monitor its licensed auditors and registered audit firms, and to mitigate any issues of non-compliance identified through its complaints process.

To support NZICA with its ongoing monitoring, we share relevant audit quality review reports of registered audit firms.

## Promoting and monitoring competence

We considered whether NZICA has high-quality and valuable courses, seminars, conferences, 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 NZICA's policies for taking action against licensed auditors who fail to meet the ongoing competence requirement.

### Conclusion

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

With the introduction of the new International Education Standard 8, licensed auditors are required to change their reporting on Continuous Professional Development (CPD) hours. NZICA is engaging with licensed auditors about this new requirement.

## Taking action against misconduct

We reviewed whether NZICA has the appropriate systems, policies and procedures to meet the requirements of the Act for taking action against misconduct. We considered whether the prescribed minimum standards for accredited bodies were being met, and whether NZICA continued to comply with the standards.

We reviewed complaints and disciplinary procedures against licensed auditors, or registered audit firms, to ensure compliance with NZICA's own systems, policies and procedures, and the required minimum standards.

### Conclusion

NZICA has appropriate systems, policies and procedures in place to discipline its members, and the systems, policies and procedures meet the requirements.

We have made recommendations to further improve NZICA's disciplinary process in the following areas:

- how decisions are communicated and the threshold for granting name suppression to auditors and their firms
- clarity of the information lodged on the register about the nature of the offending and the outcome of disciplinary procedures
- timeliness of informing interested parties about the outcome of disciplinary procedures.

NZICA has taken into account our comments and is in the process of further enhancing its related policies and processes.

## Future focus

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We will continue to monitor NZICA'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 NZICA's audit regulatory systems and its operational effectiveness.

We have regular contact with NZICA regarding its regulatory functions. Where required, we have early communication about our expectations rather than waiting until the end of a review period.

If we identify any weaknesses or areas needing improvement, we will discuss these with NZICA in a timely manner. This should allow NZICA 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.