



IFIAR 2019 Member Profile – FMA

1. Jurisdiction	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>New Zealand</p>
2. Member ¹	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Financial Markets Authority (FMA)</p>
	<p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>Level 5, Ernst & Young Building 2 Takutai Square, Britomart PO Box 106 672 Auckland 1143 New Zealand Tel: +64 (09) 300 0400 Fax: +64 (09) 300 0499 Website: www.fma.govt.nz</p>
	<p>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</p> <p>The Financial Market Authorities (FMA) was established as an independent Crown entity on the 1 May 2011. FMA's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets. FMA is responsible for the oversight of the audit profession as set out in the Auditor Regulation Act 2011 ("the Act"). This Act came fully into force on 1 July 2012.</p> <p>The purposes of the Act are to promote, in respect of FMC audits, quality, expertise, and integrity in the profession of auditors and to promote the recognition of the professional status of New Zealand auditors in overseas jurisdictions. The functions of the FMA under the Act include to issue licences to overseas auditors; to authorise the registration of overseas audit firms; to prescribe licensing, registration, and other matters; to grant accreditation to persons; to monitor the audit regulatory systems of accredited bodies, report on the adequacy and effectiveness of those systems, and take action in respect of those systems that are inadequate or ineffective; to conduct quality reviews and investigations; to take over</p>

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.



	<p>and perform regulatory functions; and to perform or exercise any other functions, powers, and duties conferred or imposed on it by or under the Act.</p> <p>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not² in the audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession</p> <p>FMA is structured with a Board of Directors and an Executive team with a CEO appointed by the Board. The Board currently consists of 9 members appointed by the Governor-General on the recommendation of the Minister of Commerce. Members hold office for a term not exceeding five years and may be reappointed</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The Board comprises between 5 and 9 Members. The Governor-General, on advice of the Minister, appoints all Members of the Board. The criteria are set by the Governor General.</p> <p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.



	<p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p>The Board contains one member that is the chair of one of the professional bodies in New Zealand. The total ratio of audit practitioners and non-practitioners is 1:8. The other members of the board are lawyers, professional directors or have a background in financial markets. The board has a strict conflict management policy and therefore the auditor is not involved in any decisions regarding auditor regulation.</p> <hr/> <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>-</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p> <p>-</p>
4. Funding Arrangements	
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The FMA’s annual appropriation from the Crown is determined by the Government and is made up of Crown funding and third party funding. Third party funding is obtained from levies paid by financial market participants, including auditors. The FMA also recovers some of its costs through fees for services it provides, including licensing fees, auditor quality review fees, and other fees.</p> <p>The FMA consults with levy payers and other affected parties before seeking any change to its appropriation. Similarly, the Ministry of Business, Innovation and Employment (MBIE) consults on changes to levies. The</p>



	<p>FMA and MBIE publically consulted on changes to the FMA’s appropriation and the FMA’s levies earlier this year. MBIE announced Cabinet’s approval of changes to the FMA’s funding in October. Further information on the consultation and regulatory impact can be found here.</p> <p>Full details of the levies, including the classes of persons who must pay a levy and the amounts payable, can be found in the Financial Markets Authority (Levies) Regulations 2012. The FMA’s audited financial statements provide additional information on the funding of the FMA. The FMA’s budget is prepared by its executive leadership team and approved by the Board. You can find this in the FMA’s annual Statement of Performance Expectations.</p> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession</p> <p>As set out above, the FMA is an independent crown entity. Our budget is approved by our government. The levies charged to auditors and the fees paid by Audit Firms in relation to audit quality reviews are set by law, and are incorporated in the total budget of the FMA as a security regulator.</p> <p>Any Levies and Charges to the Audit Profession will not impact the overall budget received by the FMA for executing its tasks. It would rather impact the split between government funding and funding from market participants (which includes audit professionals). Therefore, our funding is independent from the profession.</p>
<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>An audit quality review must be carried out at least once in every four years. FMA will endeavor to keep its review cycle consistent with the European Union to remain internationally aligned and therefore will</p>



	<p>professional bodies that fulfill this frontline regulatory role. Overseas auditors are directly licensed and registered by the FMA.</p> <hr/> <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>Auditing Standards are set by External Reporting Board and is another independent crown entity.</p> <hr/> <p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The Auditor Regulation Act provides for a tiered regulatory regime, with professional bodies that have been accredited as ‘accredited bodies’ having a frontline regulation role in respect of their members, and FMA having oversight over the accredited body and the whole regime.</p> <p>Part of this function is monitoring the auditor’s compliance with the permanent education requirements. The FMA monitors the professional bodies oversight of this annually.</p> <hr/> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Referral</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description</p>
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	<p>of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The responsibility for conducting investigations and disciplinary proceedings sits primarily with the accredited body that issued the licence. Accredited bodies are able to investigate suspected breaches of auditing and assurance standards, the Act, conditions of an auditor's licence or audit firm's registration, or their conduct rules or code of ethics. Where an accredited body, or its disciplinary body determines an auditor or audit firm has breached an obligation, it may cancel or suspend the auditor's licence or impose any other penalties available under its rules.</p> <p>The FMA may start or take over investigation or investigate in conjunction with ac-credited body (Section 75 and 76 of the Act). The FMA may, if it is satisfied on reasonable grounds that it is in the public interest to do so:</p> <ul style="list-style-type: none"> (a) start an investigation; or (b) take over an investigation started by an accredited body; or (c) conduct an investigation in conjunction with an accredited body. <p>However, the FMA may not investigate the conduct of a member of an accredited body in respect of an FMC audit unless</p> <ul style="list-style-type: none"> (a) the FMA is satisfied on reasonable grounds that: <ul style="list-style-type: none"> i. the accredited body has decided not to investigate the matter; or ii. the matter is not being investigated promptly or otherwise in a reason-able manner by, or on behalf of, the accredited body; or (b) the accredited body has asked the FMA to investigate the matter. <p>If the FMA starts, or takes over, an investigation the accredited body may only investigate that matter or take disciplinary or other action with the FMA's written approval.</p> <p>However, the FMA may not act on an investigation in respect of the conduct of a li-censed auditor if the conduct is, or has been, the subject of proceedings before a disciplinary body.</p> <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>-</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>FMA also regulates the conduct of:</p> <ul style="list-style-type: none"> • Qualifying financial entities • Financial advisers • Crowd funding platforms • Peer-to-peer lenders • Securities trustees & statutory supervisors



	<ul style="list-style-type: none"> • Independent trustees • KiwiSaver providers • Superannuation schemes • Fund managers • Discretionary Investment Management Service providers • Derivatives issuers • Issuers of debt and equity securities
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>Our last public audit inspection report and directors guide to audit quality was issued on 26 November 2018 covering audit inspections substantially completed in the 12 months to 30 June 2018.</p>