

IFIAR 2023 Member Profile – FMA

1. Jurisdiction	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>New Zealand</p>
2. Member¹	<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 number(s), a general email address (if any) and a link to the Member’s website:</p> <p>Level 5, Ernst & Young Building 2 Takutai Square, Britomart PO Box 106 672 Auckland 1143 New Zealand</p> <p>Tel: +64 (09) 300 0400 Fax: +64 (09) 300 0499 <u>Website</u>: 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</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>systems, and take action in respect of those systems that are inadequate or ineffective; to conduct quality reviews and investigations; to take over 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 Please indicate whether the Member has responsibility for the following tasks within the area of Audit Oversight:</p> <p><input checked="" type="checkbox"/> Licensing <input checked="" type="checkbox"/> Registration <input type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education / Continuous Training of Auditors <input checked="" type="checkbox"/> Inspection <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____</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, where possible, the names, the organization they represent (if any) and brief backgrounds of the governing body members, or provide a link to a page on your website where this information is provided.</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? E.g. Does national legislation require representatives on the governing body from certain organizations, or with specific experience, etc.</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 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>

4. Independence safeguards	<p>4.1 Please describe the national independence requirements for the governing body and its members, and legal or regulatory requirements/provisions in place that safeguard their independence from the audit profession.</p> <p>Members are required to disclose their interests, and are prohibited from acting if they have an interest, under the conflict of interest disclosure rules specified in the Crown Entities Act 2004, see sections 62 – 72 (the FMA is designated as a crown entity under section 7 of the Financial Markets Authority Act 2011). If members are connected to the audit profession this will be disclosed. Currently, no members have any interests in the audit profession.</p> <p>Conflicts are avoided through a conflict checking process, namely: a Disclosures and Interests paper is updated by Board members prior to each board meeting. The paper records matters in respect of which Board papers may be withheld at a Board member’s request and where there is a potential conflict. The process requires each Board member to review their disclosures and provide the FMA with updates on their interests or disclosures. The Board papers are then checked before release to members, and where appropriate papers, or extracts in the papers, are not provided to members. In this way conflicts are avoided.</p> <p>Are employees of the Member covered by the same or separate set of independence requirements?</p> <p><input checked="" type="checkbox"/> Same set of requirements <input checked="" type="checkbox"/> Different set of requirements</p> <p>If there are separate independence requirements for employees, please describe:</p> <p>The FMA has a conflicts of interest policy which must be adhered to. All staff employed by the FMA must update the interests register with relevant interests as and when they become aware that they could conflict with their duties as an FMA employee. This includes previous employment with a regulated firm (this would include audit firms). If a conflict arises between their current duties and previous employment, staff must raise this with their manager and a conflict management plan must be put in</p>

	<p>place and recorded. If staff accept an offer of employment at a regulated firm, they must notify their manager immediately, and a conflict management plan will be put in place for the remainder of their notice period that will restrict access to information relating to the regulated firm or its market competitors.</p> <p>4.2 Are there any additional safeguards in place that provide for the Member’s overall independence from the audit profession? E.g. through the appointment process, specific Board actions, etc.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe:</p> <p>As part of each inspection staff and FMA’s Audit Oversight Advisor advisory panel members re-confirm their independence from the audit firm and individual audit files reviewed.</p>
<p>5. Funding Arrangements</p>	<p>5.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget:</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 FMA and MBIE publicly 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>5.2 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>
6. Audit Market	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</p> <p>The public interest audits subject to inspections amount to approximately 1,050 audits and include approximately 185 listed entity audits.</p> <p>13 audit firms are registered in New Zealand and are subject to inspections.</p> <p>6.2 Please describe the sizes (in terms of revenue / number of listed entity clients / number of partners and audit staff / etc. – whichever measure is commonly used and available in your jurisdiction) and market shares of each of the largest audit firms in the Member’s jurisdiction.</p> <p>The GPPC audit firms (BDO, Deloitte, EY, Grant Thornton, KPMG and PWC) audit approximate 95% of the listed entities and 90% of other public interest audits.</p>
7. Inspection System	<p>7.1 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>7.2 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 directly, please describe the responsibility, including the follow-up and reporting process, and the regulatory measures available to be taken as a result of inspections (if described in Question 11 Enforcement, please reference that section for details on such measures).</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 by the Member:</p>

	<p>The FMA carries its inspections as set in the Auditor Regulation Act 2011. This Act requires FMA to perform reviews of audit firms on a four-yearly cycle. To meet international requirements, the FMA conducts reviews of the big 4 audit firms every 2 years and any other registered firm every three years.</p> <p>Each review is required to cover the quality controls systems at the audit firms and to review a reasonable number of audit files on their compliance with the auditing standards.</p> <p>The inspections are performed by the FMA audit oversight team. Our inspection team include 3 staff members and are supplemented by staff members of our Financial Reporting division. Our review teams may also be supplemented by inspectors of other overseas audit regulators or other suitable contractors (not employed by audit firms).</p> <p>7.3 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 endeavour to keep its review cycle consistent with the European Union to remain internationally aligned and therefore will review each registered audit firm at least every three years. The larger national network firms are reviewed approximately every 2 years.</p> <p>7.4 Does the Member have its own inspection staff, use reviewers from the professional body or sub-contract to third parties, independent contractors, etc. for the conduct of inspections? Please tick the boxes that apply: (multiple responses allowed) Note that there is no need to tick a box if non-employee reviewers are used very occasionally and are not a core staffing approach.</p> <p><input checked="" type="checkbox"/> Employees of the Member <input type="checkbox"/> Professional body</p> <p><input type="checkbox"/> Third Parties <input checked="" type="checkbox"/> Other</p> <p>Please explain below: Other resources we use are independent contractors that are not a member of an audit firm (retired audit partners) and secondments from other audit regulators.</p>
<p>8. Licensing</p>	<p>8.1 If the Member has the responsibility for <u>Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Licensing conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p>

	<p>If through oversight, please indicate the name of the other organization and its composition. Also, give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>The areas of registration of domestic auditors, education and enforcement are primarily performed by accredited bodies. 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. The FMA accredit and monitor the professional bodies that fulfil this frontline regulatory role.</p> <p>Overseas auditors are directly licensed and registered by the FMA.</p>
9. Registration	<p>9.1 If the Member has the responsibility for <u>Registration</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>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 procedure applied, as well as the role of the Member in these procedures.</p> <p>The areas of registration of domestic auditors, education and enforcement are primarily performed by accredited bodies. 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. The FMA accredit and monitor the professional bodies that fulfil this frontline regulatory role. Overseas auditors are directly licensed and registered by the FMA.</p>
10. Audits and/or Ethics Standard Setting	<p>10.1 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, including any changes, with an appropriate level of detail.</p>

	<p>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>
11. Permanent Education / Continuous Training of Auditors	<p>11.1 If the Member has the responsibility for <u>Permanent Education / Continuous Training of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education / Continuous Training 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, including any changes, with an appropriate level of detail.</p> <p>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>
12. Enforcement	<p>12.1 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 directly, please describe the responsibility and procedures applied (including investigations, disciplinary actions or sanctions), as well as the reporting process for disciplinary action.</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 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 the accredited 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 reasonable 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 licensed auditor if the conduct is, or has been, the subject of proceedings before a disciplinary body.</p>
13. Other Responsibilities in Audit Oversight or Audit Regulation	13.1 If the Member has the responsibility for <u>other tasks within the area of Audit Oversight or Audit Regulation</u>, please describe with an appropriate level of detail: N/A
14. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight or Audit Regulation	14.1 Please describe with an appropriate level of detail, the responsibility of the Member for <u>tasks outside the area of audit oversight or audit regulation</u> such as supervision of financial reporting or securities regulation: FMA also regulates the conduct of: <ul style="list-style-type: none"> • Qualifying financial entities

	<ul style="list-style-type: none"> • Financial advisers • Crowd funding platforms • Peer-to-peer lenders • Securities trustees & statutory supervisors • Independent trustees • KiwiSaver providers • Superannuation schemes • Fund managers • Discretionary Investment Management Service providers • Derivatives issuers • Issuers of debt and equity securities • Banking and insurance conduct • Climate Related Disclosures
15. Member Update for public information (if any)	<p>15.1 Are there any major news, activities, events or updates (on audit matters, the Member’s organization, the governing legislation or the authority/responsibilities) that you wish to keep the public informed of since completing last year’s Member Profile?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> <p>The FMA is responsible for the oversight of Climate Related Disclosures and is likely to receive the oversight mandate of assurance practitioners providing services over these separate Climate Related Disclosures in the first half of 2023.</p>