

The Auditor Regulation Act (Prescribed Minimum Standards and Conditions for Licensed Auditors and Registered Audit Firms) Amendment Notice 2015

Pursuant to sections 32 and 92 of the Auditor Regulation Act 2011, the Financial Markets Authority gives the following notice (to which is appended a statement of reasons of the Financial Markets Authority).

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Notice

1 Title

This notice is the Auditor Regulation Act (Prescribed Minimum Standards and Conditions for Licensed Auditors and Registered Audit Firms) Amendment Notice 2015.

2 Commencement

This notice comes into force on the day after its notification in the Gazette.

3 Principal notice

This notice amends the Auditor Regulation Act (Prescribed Minimum Standards and Conditions for Licensed Auditors and Registered Audit Firms) Notice 2012 (the **principal notice**).

4 Clause 2 amended (Interpretation)

- (1) In clause 2(1), definition of **application for renewal**, delete “,but does not include a licence applied for while a person holds a transitional licence”
- (2) In clause 2(1), definition of **approved practising certificate**, delete “,and includes a certificate of public practice issued by NZICA”

- (3) In clause 2(1), definition of **Australian professional accounting body**, replace “The Institute of Chartered Accountants of Australia” with “Chartered Accountants of Australia and New Zealand”
- (4) In clause 2(1), revoke the definitions of **NZICA, PES1, PES2, PES3** and **transitional licence**
- (5) In clause 2(1), insert following definitions in their appropriate alphabetical order:

NZ IFRS means the New Zealand equivalent of the International Financial Reporting Standards

Professional and Ethical Standards means the Professional and Ethical Standards issued by the External Reporting Board

- (6) In clause 2(1), definition of **structured training**, replace “work” with “working”
- (7) In clause 2(1), definition of “**United Kingdom professional accounting body**”, replace ‘means’ with ‘includes’

5 Clause 3 amended (Prescribed minimum standards for licensed auditors)

- (1) Replace clause 3(1)(b) with:

(b) the person is a qualified statutory accountant of an accredited body.

- (2) Clause 3(1)(c), revoked.
- (3) Clause 3(3)(c), revoked.

6 Clause 4 amended (Prescribed minimum standards for overseas auditors)

In clause 4(b)(iii), replace “Professional Oversight Board” with “Financial Reporting Council”.

7 Clause 7 amended (Prescribed requirements for ongoing competence)

Replace clause 7(1) with:

- (1) Persons licensed by an accredited body under section 11 of the Act shall be subject to the following ongoing competence requirements prescribed for the purposes of section 32(1)(c) of the Act:
 - (a) When a licensed auditor is a member of an accredited body that is required to meet the International Federation of Accountants requirements, the licensed auditor should comply with the most recent International Education Standards (professional competence for engagement partners responsible for audits of financial statements as set by the International Accounting Education Standards Board).
 - (b) When the accredited body is not a member of the International Federation of Accountants, the licensed auditor should at a minimum meet the following requirements:
 - (i) Complete at least 120 hours of training and education in every rolling three-year period, with such training or education to include at least 20 hours completed in every year (together, the **required training**); and
 - (A) at least 60 hours of the required training must be structured training; and
 - (B) of the structured training, at least 18 hours must relate to auditing and at least 18 hours must relate to financial reporting.
 - (ii) All required training must be relevant to the auditor’s professional activities.

8 Clause 8 amended (Prescribed minimum standards for registration as a registered audit firm)

(1) Replace clauses 8(a), 8(b) and 8(c) with:

- (a) In the case of a partnership, the majority of partners of an audit firm must be members of an approved professional accounting body and hold a practising certificate issued by that professional accounting body.
- (b) In the case of a company, the company must comply with the requirements of regulation 5A of the Auditor Regulations 2012.
- (c) All partners of a partnership that is an audit firm and all directors of a company that is an audit firm must be fit and proper persons, as assessed by the relevant authority.

(2) In clauses 8(d)(i) and 8(d)(ii)(A), replace “PES1, PES2 and PES3” with “Professional and Ethical Standards”.

9 Clause 9 revoked (Transitional provisions – auditors and overseas auditors)

Clause 9 revoked.

10 Clause 10 revoked (Transitional provisions – audit firms)

Clause 10 revoked.

11 Further terminology amendments

- (1) In the provisions of the principal notice, replace “issuer audit” with “FMC audit” in each place.
- (2) In the provisions of the principal notice, replace “an issuer” with “an FMC reporting entity” in each place.
- (3) In the provisions of the principal notice, replace “Financial Reporting Act 1993” with “Financial Reporting Act 2013” in each place.

Dated at Wellington this *9th* day of *November* 2015.



Liam Mason
Director of Regulation
Financial Markets Authority