

Application Guide: Licensing and registration of overseas auditors and audit firms

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FINANCIAL MARKETS AUTHORITY
TE MANA TATAI HOKOHOKO – NEW ZEALAND

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Overview

1. The Financial Markets Authority ('FMA') oversees the regulation of auditors and audit firms in respect of issuer audits under the Auditor Regulation Act 2011¹ ('the Act'). The Act comes fully into force on 1 July 2012. It establishes an independent oversight system in order to:
 - promote, in respect of issuer audits, quality, expertise, and integrity in the profession of auditors; and
 - promote the recognition of the professional status of New Zealand auditors in overseas jurisdictions.
2. This guide is for overseas auditors and overseas audit firms. It explains how:
 - an overseas audit firm can apply for authorisation of its registration
 - overseas auditors can apply for licences (which are not transitional licences and are referred to in this guide as 'standard' licences).
3. It explains how FMA will assess applications.
4. It may be of interest to overseas audit staff who are progressing towards becoming an audit partner responsible for issuer audits, as the requirements for becoming licensed can involve a significant period of experience.
5. Auditors seeking a transitional licence should read the guide '[Application guide: Transitional Licences for Overseas Auditors](#)' available on FMA's website.

Who has to be licensed or registered?

6. From 1 July 2012:
 - an individual who acts as the auditor in respect of an issuer audit must hold a licence (section 8 of the Act)
 - an audit firm that accepts an engagement to act as the auditor in respect of an issuer audit must be registered, and must ensure that for each issuer audit:
 - the engagement partner² holds a licence (section 9)
 - an individual who carries out the quality control review of key decisions and judgements (before the report is issued) also holds a licence (this is a prescribed minimum standard under the Act (section 32(1)(d)). Prescribed minimum standards were published in the New Zealand Gazette on 19 April 2012). (This person might be known as the concurring partner, or quality review partner.)
7. An 'issuer audit'³ means:

¹ New Zealand legislation is available from www.legislation.govt.nz

² The partner or other person in a firm who is responsible for the audit and the audit report (section 6)

³ 'issuer audit' is defined in section 6

- an audit of the financial statements, and if required the group financial statements, of an issuer. Issuer is defined in the Financial Reporting Act (section 4)
 - an audit of the financial statements of any scheme, fund, or retirement village referred to in section 9A of the Financial Reporting Act 1993
 - any other audit or review required under the Securities Act 1978.
8. 'Issuer' has a broad definition in New Zealand legislation. Auditors should check the definition of 'issuer' in the Financial Reporting Act 1993 and any exemptions. 'Issuers' include all entities which have offered securities to the public in New Zealand, or are the manager of a scheme or fund where interests in that scheme or fund have been offered to the public in New Zealand. It also includes companies who have securities quoted on a market operated by NZX Limited, registered banks, insurance companies, and retirement villages.

Who is an overseas auditor or audit firm?

9. An 'overseas auditor' is an individual who is entitled to act as an auditor in a jurisdiction outside New Zealand that is included in a prescribed list. The Auditor Regulations 2012 ('the Regulations') have prescribed the following jurisdictions:
- Australia
 - Any country, state or territory in the European Union
 - Hong Kong
 - Singapore
 - The United States of America.
10. Auditors not based in New Zealand or entitled to act as an auditor in a prescribed jurisdiction may contact FMA to discuss how they will comply with the law.
11. An 'overseas audit firm' is a partnership, where the majority of its partners are ordinarily resident outside New Zealand (section 6). An entity other than a partnership or a limited partnership cannot become a registered firm, however a partner or employee of such an entity can undertake an issuer audit personally if licensed.

When should I register or apply?

12. Key dates for licensing and registration are:

Key date	Action for overseas auditor	Action for overseas audit firm
May 2012	Registration for transitional licences opens 1 May. FMA open to receive 'standard' licence applications from overseas auditors.	FMA open to receive applications for registration. (There are no transitional provisions for overseas audit firms.)
26 June 2012	Last day to register for transitional overseas auditor licence.	
1 July 2012	Auditor Regulation Act 2011 comes into force. FMA may issue 'standard' licences to overseas auditors. Only licensed auditors may conduct issuer audits.	Auditor Regulation Act 2011 comes into force. FMA may authorise registration of overseas audit firms. Only registered audit firms may conduct issuer audits.
1 May 2014	Transitional licences end. Only auditors with 'standard' licences may conduct issuer audits.	

13. 'Conduct issuer audits' above refers to issuer audits for periods ending after 30 June 2012. Audits relating to financial statements for accounting periods ending or before on 30 June 2012 are not subject to the new legislation, even if completed after that date.

14. For issuer audits for periods ending after 30 June 2012:

- an unlicensed auditor is liable to a fine of \$50,000 on summary conviction (section 8)
- partners or directors of an unregistered audit firm may be liable to a fine up to \$50,000 on summary conviction (section 9).

Any breach of the Act's requirements will be taken into account in assessing any subsequent licence or registration applications.

How do I apply?

15. Detailed application requirements are set out in each of the relevant sections of this guide. The standard you must meet and the evidence you need to provide may depend on your home country. This is because FMA has taken account of:

- the audit regime in the home country

- how that regime is applied to the individual auditor.
16. FMA has assessed the standards in Australia, the United Kingdom and the United States of America, and prescribed minimum standards for overseas auditors for these countries. This guide addresses the specific requirements for applicants from these countries. Australian applicants who are Registered Company Auditors should also contact FMA to see if Trans-Tasman Mutual Recognition arrangements apply.
 17. Where an auditor or audit firm is based in Hong Kong, Singapore, or a country, state or territory of the European Union other than the UK, you should contact FMA as soon as possible so FMA can assess the requirements of your regulatory regime. (Matters which FMA will assess in respect of the home country were set out in the [consultation paper](#) on Licensing of Auditors and Registration of Audit Firms (Second Consultation, February 2012) available on FMA's website. Auditors and audit firms can consider the material required for other countries in this guide.)
 18. In providing evidence to support an application, you should demonstrate how you or your firm meet the licensing requirements, and how you will be able to meet your obligations on an ongoing basis. Applicants can submit documentation and explanations beyond those specifically requested, where this allows them to best demonstrate suitability for licensed or registered status.
 19. Applicants should provide only information or documents which are relevant to meeting the standards and requirements, or to their role on an ongoing basis.
 20. It is an offence for any person to make false or misleading statements in relation to an application (section 96). Applicants will be asked to make a declaration regarding the information provided.

Confidentiality of information

21. Information held by FMA is subject to the Official Information Act 1982 (OIA). The Financial Markets Authority Act 2011 (FMA Act) imports an obligation of confidence on all information supplied or disclosed to FMA under the FMA Act or any financial markets legislation. This will apply to information provided to FMA in an application. In addition, there is likely to be good reason to withhold information provided in applications under the OIA including where it is commercially sensitive.

How will my application be assessed?

22. Information about how FMA interprets the requirements of the Act is available in each of the relevant sections of this guide.
23. The regime requires FMA to exercise discretion and judgement in considering applications in some areas (for example, fit and proper; systems, policies and procedures). For these areas, FMA's approach to assessment of the applicant's capabilities takes into account the objectives of the Act. Each application is assessed on its own merits, taking into account the applicant's particular circumstances.
24. Having examined an application, FMA may request further information or interviews. These requests and discussions allow the applicant an opportunity to explain how it meets the requirements in a particular area, or any steps it may take to amend its approach in the light of FMA's enquiries.
25. FMA may also make its own enquiries regarding the auditor, audit firm or partners of the audit firm, including undertaking criminal record checks in New Zealand or other relevant jurisdictions, or contacting the regulator or professional bodies in the home country for information about the applicant's conduct and standing or for further information to enable FMA to assess that jurisdiction.
26. After consideration, FMA may agree the applicant satisfies the requirements. FMA may impose conditions to reflect the individual circumstances. In such cases, the conditions will be discussed with the applicant to ensure they address the risk and the applicant is willing to proceed with the application.
27. In the event FMA considers an application should be declined, FMA will inform the applicant in writing before making a final decision. FMA will set out why it is considering declining the application and give the applicant the opportunity to make written submissions or to be heard on the matter.
28. If FMA does reject an application, the applicant may appeal to the District Court within 20 working days of receiving FMA's decision (sections 24 and 31).

Licence duration and conditions

29. Standard licences for auditors and registered audit firms will be subject to conditions. FMA expects to set similar conditions for most auditors and audit firms, although in some circumstances FMA may include individual conditions to address particular issues as outlined above. Information on the kinds of expected standard conditions is included in this guide and examples of the proposed conditions will be available on FMA's website.
30. An applicant may appeal to the District Court against conditions within 20 working days of receiving FMA's decision (sections 24 and 31).

31. Standard licences for overseas auditors can have a duration of up to 5 years. An auditor's actual licence period will be determined on a case by case basis. The auditor will be informed of the period of licence before the licence is granted.
32. Subsequent licence periods may vary from the initial period, based on FMA's approach at the time of application.
33. An overseas audit firm's registration does not have an expiry date. FMA's enforcement powers however, include cancellation of registration.

Information for the Register

34. A public on-line register records details of auditors and audit firms who can carry out issuer audits. The Register is maintained by the Registrar of Companies and is available at www.business.govt.nz/companies/auditors-register.
35. The contents of the Register are set by the Act and its regulations. The Register will include the conditions of licence or registration and duration of licence (for auditors). Details for the Register are provided by:
 - the overseas auditor when registering his/her transitional licence (see Application Guide: Transitional Licences for Overseas Auditors)
 - FMA when licensing an overseas auditor or authorising registration of an overseas audit firm.

How will auditors be regulated?

36. Licensed auditors and registered audit firms should ensure that they comply with their ongoing obligations. They must (section 21 and 29):
 - carry out issuer audits with reasonable skill, care and diligence, including in accordance with auditing and assurance standards and any legal requirements relating to the conduct of issuer audits
 - continue to meet the minimum standards prescribed by FMA
 - meet the conditions of the licence or registration, including ongoing notification and reporting conditions
 - where relevant, continue to be an overseas auditor, comply with the competence requirements in the home country and comply with the requirements to notify FMA in certain circumstances (section 13).
37. FMA is responsible for monitoring compliance with the Act. FMA may monitor licensed overseas auditors and registered overseas audit firms directly and through liaison with the

regulator in the home country. FMA will publish its plan relating to auditor regulation and oversight each year.

Further information

38. Further information about the regulation of auditors, including their obligations and how they will be regulated is available at on [FMA's website](#) (see Help me comply/Auditors)
39. You can also contact FMA's Licensing Team by email at auditorregulation@fma.govt.nz with 'Licensing Query' as the subject, or by phone +64 4 472 9830.

Registration of overseas audit firms

Requirements for registration

40. FMA may authorise the Registrar to register an overseas audit firm where it is satisfied of the matters in sections 6 and 26 of the Act and the prescribed minimum standards⁴. In summary these are:

- the firm is a partnership (but not a limited partnership)
- one or more of the firm's partners are licensed auditors (either a transitional or standard licence)
- the firm is subject to review arrangements that are equivalent to the quality review provisions under the Act
- the systems, policies and procedures of the firm are satisfactory in terms of promoting compliance with applicable legal requirements and auditing and assurance standards, and otherwise promoting reasonable care, diligence and skill, including:
 - systems, policies and processes which:
 - comply with the requirements of Professional and Ethical Standards 1, 2 and 3 (as set by the New Zealand External Reporting Board)
 - OR*
 - materially comply with those requirements and comply with the requirements of the corresponding standards applicable in the firm's home country
 - key decisions and judgements involved in an audit must be subject to engagement quality control review by another licensed auditor
 - other systems, policies and procedures which are necessary or desirable to reasonably ensure compliance with the requirements of New Zealand auditing and assurance standards relating to issuer audits
- in respect of the firm's partners:
 - at least 75% of the partners are members of an appropriate professional body
 - 50% of all partners are members of an approved professional accounting body and hold a practising certificate
 - all partners are fit and proper persons
- the firm has professional indemnity insurance that is adequate and appropriate for the nature and scale of the firm's business activities.

41. FMA will also consider whether a firm will be able to meet its conditions of registration.

⁴ The prescribed minimum standards are available from FMA's website www.fma.govt.nz.

42. A firm must also provide information in its application to FMA for the Register. In addition to contact information, this includes the names of all of the firm's licensed auditors (section 41 and the Regulations).

How to apply

Download the template documents and forms

43. An overseas audit firm must submit an application form with all necessary supporting documentation. The application form and templates for certain evidence are described below and are available on [FMA's website \(www.fma.govt.nz\)](http://www.fma.govt.nz) via the Help Me Comply/Auditors / How to Get Licensed section.
- Overseas Audit Firm Application Form (OAF1.1)
 - Overseas Audit Firm Application Form Cover Sheet Pack
 - Partner and Auditor Firm spreadsheet (PAF1.1)
 - Statutory Declaration Fit and Proper, Firms (SDFP1.1)
 - Statutory Declaration Fit and Proper, Audit/Management Partner (SDFP2.1)
 - Adverse Matter Template (AMT1.1)

Gather the evidence of meeting requirements

44. A summary of the evidence required to support your application is provided in the 'Evidence of meeting the requirements' section of this guide.
45. Please check you have provided the expected evidence from both the 'all countries' section and the section relevant to your country.
46. Please also carefully check you provide the evidence in accordance with the 'FMAs interpretation of requirements' section of this guide. Incomplete forms, or answers which do not take account of the guidance provided, are likely to result in queries and delays in processing your application and additional costs.
47. The application form must be signed by an appropriately authorised partner and must explain the nature of the person's role and authorisation.
48. The application should include the name of a compliance officer, who will act as the contact person for FMA. We expect this person to have a sufficient level of seniority to be able to address any questions we may have.

Submit your application by both post/courier and email and pay your fees

What you must post/send

49. Physical copies of **all** your application material should be sent to:

Licensing Team
Financial Markets Authority

Mail:
PO Box 1179
Wellington 6140
New Zealand

Visit/Courier:
Level 2
1 Grey Street
Wellington
New Zealand

What you must email

50. In addition, your OAF1.1 form together with the PAF1.1 form must be emailed to auditorregulation@fma.govt.nz with 'Overseas Audit Firm Application' as the subject.

What you must pay

51. Applications must be accompanied by the application and registration fee (NZ \$115 and \$350 respectively). Payment details are provided on the application form. Applicants must also pay an assessment fee when invoiced by FMA. The assessment fee is based on time spent on the application by FMA (NZ \$230 per hour for board members and associate board members and \$166.62 for staff.) FMA may also recover any costs of external advice or assistance obtained.

52. Fees have been prescribed by the Regulations.

Evidence of meeting the requirements

53. The following evidence is required:

Summary of requirement	Expected evidence (Provide all listed items, unless explicitly stated otherwise)
Firm is a partnership (and not a limited partnership)	<ul style="list-style-type: none">○ A declaration from a qualified solicitor that the entity is a partnership (and not a limited partnership)<i>OR</i>○ A copy of the current partnership deed.
A partner is a licensed auditor	<ul style="list-style-type: none">○ Complete the relevant columns in the Partner and Auditor Firm spreadsheet (PAF1.1) providing the name and NZ registration number of a partner who is a licensed auditor (with a transitional or standard licence).
Information for the Auditor Register	<ul style="list-style-type: none">○ Complete the relevant columns in the Partner and Auditor Firm spreadsheet (PAF1.1), providing a list of the firm's licensed auditors (employees and partners with a transitional or

	standard licence), together with their NZ registration numbers.
75% of partners are members of a professional body	<ul style="list-style-type: none"> ○ Complete the relevant columns in the Partner and Auditor Firm spreadsheet (PAF1.1), giving a list of all partners indicating those who are members of a professional body, the name and website address of the professional body and a link to, any publicly available online register of members published by the body. ○ Confirmation (by letter) from each professional body that the relevant persons are members.
50% of partners hold a practicing certificate from an accounting body	<ul style="list-style-type: none"> ○ On the list of partners (PAF1.1), indicate those who hold practising certificates, the name and website address of the relevant approved professional accounting body and a link to, any publicly available online list of practising certificate holders published by the body. ○ Confirmation (by letter) from each professional body that the relevant persons hold practicing certificates.
All partners are fit and proper	<ul style="list-style-type: none"> ○ A partner of the firm must complete FMA's template Statutory Declaration Fit and Proper, Firm (SDFP1.1). This is a declaration that the partners of the firm are fit and proper persons for their role taking into account the matters outlined in Appendix A of this guide. The declaration must describe the process undertaken and information gathered for checking that partners are fit and proper persons, including checks of criminal records. Where the partner has identified potentially adverse matters, the declaration must include the Adverse Matter Template (AMT1.1), describing the circumstances relating to the matter and the role of the relevant partner. ○ Each partner who holds a licence (transitional or standard) under the Act (Audit Partner) and/or who is in a position to significantly influence the management or administration of the firm's audit practice as it relates to New Zealand issuers, including the managing partner or chief executive (or equivalent position) and the head of assurance (or equivalent position) (Management Partner), must complete FMA's template Statutory Declaration Fit and Proper, Audit/Management Partner (SDFP2.1). As part of that declaration they must provide a description of their role within the firm.

	<p>As with the SDFP1.1, where a partner who has to complete an individual declaration has adverse matters, they must attach to the declaration (using the Adverse Matter Template (AMT1.1) a description of the matter and the circumstances surrounding it.</p> <p>The statutory declaration also includes or attaches:</p> <ul style="list-style-type: none"> ○ a consent authorising FMA to undertake criminal record checks and regulatory checks; ○ a copy of a completed criminal record check from the partner’s home country; and ○ a letter of standing from the professional accounting body the partner is a member of. <p>A partner would be considered to be in a position to significantly influence the management or administration of the firm’s audit practice as it relates to New Zealand issuer audits, if they (for example) have the ability to significantly influence the systems, policies and processes, or practices and judgements related to the conduct of audits or quality control reviews, whether in respect of all audits or in respect of audits of New Zealand issuers. For this purpose we would not consider a partner to have significant influence over the audit firm’s practice just because the partner acts as an engagement partner on particular audits.</p> <ul style="list-style-type: none"> ○ A description of the firm’s process for monitoring the fitness and propriety of partners, both on admission to partnership and on an on-going basis.
Quality review procedures are equivalent	<ul style="list-style-type: none"> ○ Evidence of the last review by your regulatory body, including a copy of the relevant report, commentary on any steps taken to address issues raised and any subsequent substantive correspondence with the body. ○ Evidence that the firm is reviewed by that regulatory body on at least a three yearly cycle.
Systems, policies and processes are satisfactory	<ul style="list-style-type: none"> ○ A description of the firm’s approach to promoting compliance with auditing and assurance standards and reasonable skill, care and diligence in issuer audits. ○ A summary of the systems, policies and procedures to ensure issuer audits are carried out in accordance with New Zealand law and standards, including: <ul style="list-style-type: none"> ○ how PES 1, 2 and 3 are addressed

	<ul style="list-style-type: none"> ○ comment on any significant differences between New Zealand auditing and assurance standards and those in the home country and how you address these. ○ An explanation as to how the firm has satisfied itself that its systems, policies and procedures are satisfactory to meet the requirements of the Act. ○ An explanation of the arrangements for quality control review of key judgements and decisions, including how the firm ensures its issuer audits are subject to review by a licensed auditor and that its arrangements are followed. ○ In addition to the information under quality review procedures above, copies of the last internal and external review of the firm's systems, policies and procedures relevant to future issuer audits, together with commentary on any steps taken to address issues raised and any subsequent substantive correspondence with any external reviewer. Please also provide a list of other reviews in the last 5 years.
Quality control reviewer to be licensed auditor	<ul style="list-style-type: none"> ○ A list of the firm's issuer audits and for each, the name of the engagement partner⁵ and the name of the person responsible for quality control review, together with the nature of their relationship with the firm. Provide NZ registration numbers if available. (FMA may delay authorisation for registration until there are at least two licensed auditors, to allow for quality control review.)
Adequate professional indemnity insurance	<ul style="list-style-type: none"> ○ A schedule or certificate of professional indemnity insurance from an insurer showing the amount of cover for relevant activities <p style="text-align: center;"><i>OR</i></p> <ul style="list-style-type: none"> ○ A description of any self-insurance arrangements, including how any funds are held or guarantees given and by whom. ○ A description of the size and nature of the business which the insurance covers, and an explanation on behalf of the partnership as to why the insurance is considered adequate. The explanation should take into account any existing potential claims on the amount of insurance for the current period. ○ Evidence that the insurance covers claims by New Zealand residents, for example an extract from the policy or letter from the insurer.

⁵The partner or other person in a firm who is responsible for the audit and the audit report (section 6)

54. FMA expects most applicants to provide the expected evidence. A firm should discuss with FMA any difficulty in providing the evidence, particularly where this arises as a result of the volume of material to be provided in your circumstances, or because of particular requirements in the home country.
55. If it is necessary for an applicant to provide a substitute for the specific information requested, this should be highlighted and an explanation should also be provided. FMA will consider whether the substitute information provides adequate evidence that the requirement is addressed.

FMA's interpretation of the requirements

Membership of a professional body

56. Partners may be included in the 75% who are members of a professional body even if they are not accountants. For example, they may be lawyers or actuaries who are members of a professional body relevant to their expertise.
57. In considering whether 50% of the partners are members of approved professional accounting bodies (and hold practising certificates from those bodies), the prescribed minimum standards define an approved professional accounting body to be:
 - a body whose primary membership is accountants or auditors
 - a member of the International Federation of Accountants.
58. FMA will make a case-by-case judgement of whether a professional body or professional accounting body is acceptable. FMA expects that a professional body will have ethical and conduct standards, and a disciplinary process to enforce those standards. Acceptable professional accounting bodies include:
 - The Institute of Chartered Accountants of Australia
 - CPA Australia Limited (previously The Australian Society of Practising Accountants)
 - The Institute of Chartered Accountants of England and Wales
 - The Association of Certified Chartered Accountants (previously the Chartered Institute of Certified Accountants)
 - The Institute of Chartered Accountants of Scotland
 - American Institute of Certified Public Accountants

Quality review procedures

59. Section 65 of the Act requires that FMA carries out a quality review of each New Zealand registered firm at least once every four years for each registered audit firm. To authorise registration of an overseas audit firm, FMA must be satisfied the firm is subject to quality review procedures equivalent to those for New Zealand firms.

60. Evidence is therefore required that the firm is subject to regular quality reviews by the relevant regulator:
- ASIC in Australia
 - the Audit Inspection Unit (AIU) of the Professional Oversight Board in the United Kingdom
 - the Public Company Accounting Oversight Board in the United States.

Systems, policies and procedures

61. FMA understands systems, policies and processes that facilitate compliance with the requirements are likely to include large audit and other procedure manuals for the conduct of engagements and individuals. Applicants should describe their systems policies and processes, and explain the relevant content of any procedures manuals, rather than submitting the manuals with their applications. The information provided should include the firm's controls and processes to ensure that its arrangements are followed.
62. The Professional and Ethical Standards of the New Zealand External Reporting Board deal with:
- PES 1 – Ethical standards for assurance providers
 - PES 2 – Independence in assurance engagements
 - PES 3 – Quality control
63. The standards can be found on the [XRB website \(www.xrb.govt.nz\)](http://www.xrb.govt.nz). PES 1 and 2 deal with matters also found in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accounting, but has some additional requirements. PES 3 deals with matters also covered by International Standard on Quality Control 1 of the International Auditing and Assurance Standards Board.
64. In addressing PES 1, 2 and 3, the firm should explain how its systems, policies and procedures comply with these requirements, or materially comply and also comply with the requirements of the corresponding standards in the firm's home country (in accordance with the prescribed minimum standard).
65. PES 3 will form the core of an assessment of a firm's systems, policies and procedures. A firm should state any significant differences between the home country requirements and PES 3 and explain how these will be addressed.
66. FMA will also pay particular attention to how a firm confirms and preserves independence and manages conflicts of interest.
67. FMA will accept systems, policies and procedures which materially comply with New Zealand standards. However, issuer audits must be carried out in compliance with New Zealand auditing and assurance standards, and arrangements should be in place for these audits to ensure compliance.
68. Audit firms should be conscious of the public interest in issuer audits being of a high quality. The standards must be applied in a manner consistent with the regulatory framework in New Zealand, and with a view to implementing industry best practice.
69. Systems, policies and procedures should ensure that all issuer audits are performed by an appropriate team. Audit firms will need to ensure:

- the engagement partner is a licensed auditor, is permitted under the terms of their licence to conduct the particular audit, and has the knowledge and expertise to conduct that audit
- the engagement team collectively has the skills, knowledge and expertise to conduct the audit
- the quality control reviewer for an audit is a licensed auditor and has the knowledge and expertise to review the key decisions and judgements for that audit.

70. When providing copies of review reports, the applicant should ensure that the scope of the review and the person performing the review are clear. External reviews include any carried out by a professional accounting body.

Professional indemnity insurance

71. FMA will consider:

- the monetary amount available for claims (in total and per individual claim) and the scope of coverage (including any exclusions and conditions)
- the size of, and risk associated with, the firm's audit and assurance client base
- any other business activities covered by the insurance
- whether the insurance covers the firm (and all of its partners) in respect of the actions of all partners, employees and consultants of the firm.

72. A firm may wish to comment on the level of professional indemnity insurance required by the home licensing authority and how it meets or exceeds the requirement.

Conditions attaching to a registration

73. The registration of an overseas audit firm may be subject to conditions imposed by FMA (section 28). Conditions in respect of the following areas will generally be included:

- The firm must appoint a compliance officer. The compliance officer must be responsible for ensuring the firm continues to meet minimum standards and complies with all conditions.
- A firm must promptly advise FMA if there is any change to any information recorded in the Register.
- A firm must notify FMA of any breaches of the requirements, including if it becomes aware that any partner, including a new partner, has matters requiring consideration in relation to their fit and proper status.
- The firm must notify FMA, in respect of the home country:
 - of any disciplinary action against the firm or any of its licensed auditors
 - of any changes to the terms and conditions of the firm's registration or of the firm's licensed auditors
 including if any licence or registration is cancelled.

- The firm must provide FMA with a copy of the findings of any internal or external review of the firm's audit practice together with details of the steps taken, or to be taken, to correct any adverse findings and implement any recommendations.
 - If a review relates to the firm's practice more generally, the firm should provide all parts relevant to the firm's audit and assurance business.
 - If any recommendation will not be implemented, the firm should explain why not.
 - Reviews include any reviews conducted by:
 - partners or employees of the firm
 - other branches of the firm or associated or networked firms
 - persons contracted by the firm to conduct a review
 - the audit regulator in the firm's home country.
- The firm must provide, or make available through an external provider at the firm's expense, appropriate education and training to all audit staff.
- FMA will impose conditions to facilitate its monitoring of compliance by firms, including requiring the audit firm to provide information on request or periodically.

Licences for overseas auditors

Requirements for a licence

74. FMA may issue an overseas auditor a licence(referred to here as a ‘standard’ licence) under section 12, if (in summary) it is satisfied you:

- are entitled to act as an auditor in a prescribed jurisdiction
- are subject to ongoing competency requirements are equivalent to those under the Act
- are subject to practice review arrangements equivalent to the New Zealand quality review arrangements
- have systems, policies and procedures that are satisfactory in terms of promoting compliance with applicable legal requirements and auditing and assurance standards, and otherwise promoting reasonable care, diligence and skill, and are sufficient to meet the purposes of the Act
- are a fit and proper person.

75. FMA must also be satisfied that you meet the prescribed minimum standards⁶, which for auditors are based on their country. The actual requirements are set out by country below, but in summary they include that you:

- are a member of a professional body
- have completed academic or professional training to become an overseas auditor
- have completed 3,000 hours of auditing experience within 5 years before becoming an overseas auditor (or met similar home country requirements)
- have undertaken continuing experience since becoming entitled to act as auditor
- have completed 375 hours of experience on issuer audits or audits of overseas issuers
- have completed a training course providing knowledge of New Zealand laws relevant to commercial law and taxation.

76. In setting any conditions for your licence, FMA must take into account (section 16):

- Any limitations imposed by the auditor’s licence in other jurisdictions.

77. FMA will also consider whether an auditor will be able to meet his/her licence conditions.

78. You must also provide information in your application to FMA for the Register. In addition to contact information, this includes the name of your audit firm (section 41 and the Regulations).

⁶ The prescribed minimum standards are available from FMA’s website www.fma.govt.nz via the Auditors / How to get Licensed section under Help Me Comply

How to apply

79. If you have a transitional licence, it will be valid until 1 May 2014 (unless it is replaced by another licence or revoked before then). However you are encouraged to apply for a 'standard' licence at an early stage, so FMA can process your application and you can answer any queries before that date.
80. Please note, Australian auditors who are Registered Company Auditors may be eligible for licensing via Trans-Tasman Mutual Recognition Arrangements. This will be a different licensing process. Please contact FMA for further information.

Download the template documents and forms

81. An overseas auditor must submit the appropriate application form with all necessary supporting documentation. The application form and templates for certain evidence are described below and are available from [FMA's website](http://www.fma.govt.nz) (www.fma.govt.nz) via the Help Me Comply/Auditors / How to Get Licensed section.
- Overseas Auditor Application Form
 - Overseas Auditor Application Form Cover Sheet Pack
 - Statutory Declaration Fit and Proper

Gather the evidence of meeting requirements

82. A summary of the evidence required to support your application is provided in the 'Evidence of meeting the requirements' section of this guide.
83. Please check you have provided the expected evidence from both the 'all countries' section and the section relevant to your country. Please note, auditors not based in a prescribed jurisdiction should contact FMA to discuss how they will comply with the law.
84. Please also carefully check you provide the evidence in accordance with the 'FMAs interpretation of requirements' section of this guide. Incomplete forms, or answers which do not take account of the guidance provided, are likely to result in queries and delays in processing your application and additional costs.
85. **Submit your application by both post/courier and email and pay your fees**

What you must post/send

86. Physical copies of **all** your application material should be sent to:

Licensing Team
Financial Markets Authority

Mail:
PO Box 1179
Wellington 6140
New Zealand

Visit/Courier:
Level 2
1 Grey Street
Wellington
New Zealand

What you must email

87. In addition, your application form must be emailed to auditorregulation@fma.govt.nz with 'Overseas Audit Firm Application' as the subject.

What you must pay

88. Applications must be accompanied by the application and registration fee (NZ \$115 and \$350 respectively). Payment details are provided on the application form. Applicants must also pay an assessment fee when invoiced by FMA. The assessment fee is based on time spent on the application by FMA (NZ \$230 per hour for board members and associate board members and \$166.62 for staff.) FMA may also recover any costs of external advice or assistance obtained. Firms may pay the fees for a number of individuals' licence applications together.
89. Fees have been prescribed by the relevant Regulations.

All countries - evidence of meeting the requirements

90. You may have provided a declaration in respect of similar information when you registered your transitional licence. However, you will need to provide up to date information with your 'standard' licence application.
91. You will need to provide the following evidence:

Summary of requirement	Expected evidence
Entitled to act as an auditor in a prescribed jurisdiction	<ul style="list-style-type: none">○ Print out of the relevant entry on a statutory register of auditors (or equivalent) along with the website address of the register <p><i>OR</i></p> <ul style="list-style-type: none">○ A copy of a certificate from the statutory body in the relevant jurisdiction, together with the name and contact details of the body.
Any limitations on licences	<ul style="list-style-type: none">○ If the limitations, conditions or duration of licence are not shown on the register or certificate provided above, a copy of relevant correspondence with the statutory body or a statement that there are no limitations or conditions or no expiry date.
Ongoing competence requirements	<ul style="list-style-type: none">○ A copy of the ongoing competence requirement which applies to you in your home jurisdiction and the body that makes and monitors the requirement.
Quality review	<ul style="list-style-type: none">○ If you are part of an overseas registered audit firm, confirmation from the firm that its expectations of quality review frequency are unchanged. FMA may ask the firm to confirm that it has informed FMA of the results of all reviews.○ If you are not part of an overseas registered audit firm (ie you will

	<p>accept audit engagements personally) then you should provide information about quality review equivalent to that required to register a firm (see section on registration of overseas audit firms), considering particularly the frequency of any quality review of your individual work.</p>
Systems, policies and procedures	<ul style="list-style-type: none"> ○ If you are part of an overseas registered audit firm: <ul style="list-style-type: none"> ○ your confirmation that you apply and are subject to the firm's processes and ○ confirmation from the firm that there have been no significant changes since its registration which have not been notified to FMA. ○ If you are not part of an overseas registered audit firm (ie you will accept audit engagements personally), provide the information about systems, policies and procedures equivalent to that required to register a firm (see section on registration of overseas audit firms).
Fit and proper person	<ul style="list-style-type: none"> ○ Complete FMA's template Statutory Declaration, taking into account the matters in Appendix A. ○ Provide a completed criminal record check in your country of residence.
Member of a professional accounting body	<ul style="list-style-type: none"> ○ The name and contact details of the professional accounting body and a website address for any publicly available list of members published by the body. ○ Confirmation of membership from the professional body
Continuing experience	<ul style="list-style-type: none"> ○ The date from which you became an overseas auditor ○ A brief description of your experience since becoming an overseas auditor (or for the last 5 years if shorter, with any comment on the years prior to that). The description can refer to the analysis of issuer audit experience provided below. The description should broadly explain the scope of experience during the period, the types of roles undertaken and comment on the relevance to issuer audits.
Completed 375 hours of audit experience on issuer audits or audits of overseas issuers	<ul style="list-style-type: none"> ○ Analysis of your most recent relevant experience, including the number of hours by year, the name of the issuer or overseas issuer (and of any exchange on which it is traded, if applicable), and the nature of your role in the audit.
Training course on New Zealand laws and taxation	<ul style="list-style-type: none"> ○ A certificate from an approved training organisation of satisfactory completion of the course. The name and contact details of the body should be provided if not shown on the

	<p>certificate</p> <p>OR</p> <ul style="list-style-type: none"> ○ Evidence of satisfactory completion of a course, explaining the content of the course relevant to New Zealand laws and taxation, indicating the qualification level and the body providing the course.
Summary of condition	Expected evidence
Professional indemnity insurance	<ul style="list-style-type: none"> ○ If you are not part of a registered overseas audit firm (ie you will accept audit engagements personally), provide the information about your insurance equivalent to that required to register a firm (see section on registration of overseas audit firms). ○ If you are part of a registered overseas audit firm, no further evidence is required.
Workload	<ul style="list-style-type: none"> ○ A list of your issuer audits and your role on those audits. ○ Explanation of your overall role and workload, including the number of audits, overseas issuer audits and issuer audits. The explanation should estimate the time spent on audits, overseas issuer audits and issuer audits for the past year and comments on any known changes for the coming year.

92. FMA expects most applicants to provide the expected evidence. You should discuss with FMA any difficulty in providing the evidence, particularly where this arises as a result of the volume of material to be provided in your circumstances, or because of particular requirements in the home country.
93. If it is necessary to provide a substitute for the specific information requested, you should highlight this and provide an explanation. FMA will consider whether the substitute information provides adequate evidence that the requirement is addressed.

All countries - FMA's interpretation of the requirements

Entitled to act as an auditor

94. In addition to the evidence in the table above, the evidence you provide should include:

Australia	Evidence that you are a Registered Company Auditor ('RCA')
UK	Evidence that you are a 'responsible individual' (- a person designated by a professional accounting body to act as engagement partner within a firm regulated by the Professional Oversight Board)
US	Evidence of the eligibility requirement that applies in your state, as we understand the criteria vary depending on the auditor's state.

Ongoing competence

95. FMA is aware of the competence requirements generally applicable in some home jurisdictions, but needs to ensure that the general requirements apply to you. For other home jurisdictions, we understand the continuing education requirements can vary across the jurisdiction, so again we need to understand the requirements that apply.
96. Please therefore provide the expected evidence set out above: 'a copy of the ongoing competence requirement which applies to you in your home jurisdiction and the body that makes and monitors the requirement.'
97. The relevant requirement is the one that applies in your 'home jurisdiction' - the place outside New Zealand where you are ordinarily resident and are entitled to act as auditor (see the specific definition for this requirement in section 12).

Training course

98. Information on standard courses approved by FMA will be available on FMA's website at Help Me Comply/Auditors/How to get Licensed. FMA will also consider other courses on a case by case basis.

Quality review, systems and controls and professional indemnity insurance

99. If you are part of an overseas audit firm which has applied for authorisation for registration, but the application has not yet been determined, you do not have to submit information on systems and controls, the quality review process or professional indemnity insurance. If the overseas audit firm is not authorised for registration, the auditor will need to provide additional information.
100. If a number of applicants are part of a firm which is not a registered overseas audit firm (eg individuals are personally accepting audit engagements as the firm is not a partnership), each applicant is responsible for submitting appropriate information. Applicants may wish to draw to FMA's attention that similar information is included with other applications, or has previously been considered.
101. If you are not part of a registered overseas audit firm, but are part of a firm and your issuer audit will be covered by the firm's insurance, you should submit evidence accordingly, ensuring that it is clear that your audit will be covered.

Membership of a professional accounting body

102. If your country is the United States, you must provide evidence you are a member of the American Institute of Certified Public Accountants.

Workload

103. FMA will consider whether it is likely that:
 - the auditor will carry out sufficient audit work to maintain their competence, and
 - issuer audits will receive sufficient attention.

104. The following sections set out additional prescribed minimum standards for auditors by country, together with the evidence expected.

Australia – Additional requirements

105. There are no additional requirements for auditors whose home country is Australia.

United Kingdom – Additional requirements

106. You must:

- Be a partner or employee of a firm registered with the professional Oversight Board of the United Kingdom

107. You will need to provide the following evidence:

Summary of requirement	Expected evidence
Partner or employee of a registered firm in the UK	<ul style="list-style-type: none"> ○ A print-out from an on-line statutory register of audit firms (or equivalent) showing that you are a partner or employee of the firm together with the website address for the register. <p style="text-align: center;"><i>OR</i></p> <ul style="list-style-type: none"> ○ A statement from the firm of your status, together with a print-out from an on-line statutory register of audit firms and the website address for the register. <p style="text-align: center;"><i>OR</i></p> <ul style="list-style-type: none"> ○ A statement from the firm of your status, and a certificate from the statutory body regarding the firm's status, together with the name and contact details of the body.

United States – Additional requirements

108. You must:

- Be a partner or employee of a firm registered with the Public Company Accounting Oversight Board
- Provide evidence of the academic and professional training completed by the applicant in order to be registered as a Certified Public Accountant
- Provide evidence of either:

- (i) completion of 3000 hours auditing experience within the five years before becoming CPA OR
- (ii) compliance with any experience requirements set by the American Institute of Certified Public Accountants .

109. You will need to provide the following evidence:

Summary of requirement	Expected evidence
Partner or employee of a registered firm in the US	<ul style="list-style-type: none"> ○ A print out from an on-line statutory register of audit firms (or equivalent) showing that you are a partner or employee of the firm together with the website address for the register. <p style="text-align: center;"><i>OR</i></p> <ul style="list-style-type: none"> ○ A statement from the firm of your status, together with a print from an on-line statutory register and the website address for the register. <p style="text-align: center;"><i>OR</i></p> <ul style="list-style-type: none"> ○ A statement from the firm of your status, and a certificate from the statutory body in the US regarding the firm's status, together with the name and contact details of the body.
Academic and professional training	<ul style="list-style-type: none"> ○ An explanation of the academic and professional training you undertook to become a CPA. ○ Evidence of the training or qualifications, such as certified copies of certificates of degrees or diplomas. Please give an overview of the content of the courses.
3000 hours auditing experience within the last 5 years OR	<ul style="list-style-type: none"> ○ Analysis of your audit experience before becoming a CPA, including the number of hours by year, the name of the audit clients and the nature of your role in the audit (the analysis can refer to/include the analysis of continuing experience required in the All Countries section above).
Compliance with the experience requirements of AICPA	<ul style="list-style-type: none"> ○ An explanation or copy of the relevant audit experience requirements that you completed to become a CPA ○ Evidence of your compliance, for example correspondence with AICPA or copies of experience logs.

Academic and professional training and auditing experience

110. We understand US auditors are subject to different requirements depending on the state, or states, where they are registered as a CPA. You should help FMA to identify the specific requirements for your state, so that their equivalence can be reviewed.
111. You should provide evidence of how you personally fulfilled the training and experience requirements, so that FMA may consider how you meet any gaps in equivalence.
112. If you provide copies of certificates, these should be certified as true copies by a person who would be qualified to witness your Statutory Declaration as a fit and proper person.

Conditions for overseas auditor licences

113. FMA has prescribed the kinds of conditions that auditors must and may be subject to⁷.
114. The licence of an overseas auditor must be subject to conditions (section 15 and the prescribed minimum standards and conditions):
 - Relating to the kinds of audit engagements the auditor may accept. In most cases, auditors will be licensed for all kinds of issuer audit, but overseas auditors will generally not be licensed to audit any classes of issuer they are not able to audit in their home country.
 - Requiring the auditor to comply with any relevant rules and codes (including of an approved professional accounting body and any laws or rules of the home jurisdiction).
 - Requiring an auditor who accept audits other than through an audit firm he/she is a partner or employee of, to have:
 - (i) systems, policies and procedures equivalent to those required of an audit firm; and
 - (ii) adequate professional indemnity insurance.
 - Requiring the auditor to provide specified reports and notifications to FMA. Likely matters to be reported or notified are covered below.
 - The licence may also be subject to conditions restricting, or providing a mechanism for restricting or supervising the issuer audits an auditor can undertake.
 - In addition, where FMA considers that maintaining currency with auditing practice, or dedicating adequate time to individual audit engagements, is an issue for a particular licensed auditor, it may include conditions:
 - (i) relating to the workload taken on by an auditor and which allow FMA to monitor compliance and address any non-compliance

⁷ The prescribed kinds of conditions are available from FMA's website www.fma.govt.nz via the Auditors / How to get Licensed section under Help Me Comply.

- (ii) which allow FMA to monitor the auditor's workload.

Reports and notifications

115. Matters to be reported or notified are likely to include:

- If the auditor leaves an audit firm, joins an audit firm, becomes a partner in an audit firm, or ceases to be a partner in an audit firm.
- Any investigation commenced or any action taken in respect of the auditor by any overseas authority.
- Any material matters relevant to the auditor's status as a licensed auditor, including any failure to comply with the rules of any professional body, and any matter which may adversely impact on whether the auditor would meet the fit and proper person test.
- If the auditor resigns from or declines any issuer audit engagement, or otherwise ceases to be the auditor of a particular issuer, for any reason. The notification should include reasons for ceasing to act as the auditor. This condition would not require notification where an engagement partner ceases as a result of rotation, but the firm continues as the auditor.
- Details of any review of the auditor's work, or processes and procedures together with the findings of that review.
- Any change to any information recorded in the Register.
- Annual confirmation of the list of your issuer audits, your role on those audits and an estimation of the time spent, together with any known changes for the coming year.

Appendix A: Fit and proper requirements

Overseas auditors

1. To be licensed an overseas auditor must be a fit and proper person to fulfil their role in respect of issuer audits.
2. FMA expects that most applicants will be able to attest there are no adverse matters relevant to an assessment of his/her fitness and propriety.
3. If any of the relevant matters referred to in paragraph 12 below or any other adverse matters apply to a person, the application should provide full details of the event or matter, including the date of the event, the individual's conduct in relation to the event, any findings made in relation to the event, and any penalty or sanction imposed or any settlement reached.
4. FMA may undertake its own checks, including criminal record checks and making enquiries of relevant regulators and professional bodies, to verify that the information provided by the applicant is correct and complete.
5. Where adverse matters exist, FMA will consider the circumstances of the matter, including:
 - (a) the seriousness of any misconduct, or alleged misconduct, involved;
 - (b) whether any finding has been made by a court, tribunal or professional association, or otherwise how likely the allegations are to be true and complete;
 - (c) the length of time since the matter occurred;
 - (d) any steps the person has taken to mitigate or remedy the matter;
 - (e) the overall history of the person, including whether the matter forms part of a pattern of conduct; and
 - (f) whether similar adverse conduct is likely to occur in future .
6. FMA will determine whether a person is fit and proper on a case by case basis. FMA recognises that some of the relevant matters listed in paragraph 12 below will not necessarily arise as a result of misconduct on the part to the person. An applicant will not necessarily be refused a licence because a relevant matter applies.

Overseas audit firms

7. For an overseas audit firm to be registered, each of the partners must be a fit and proper person, taking into account the role that the partner holds within the firm relevant to issuer audits and management of the firm.
8. As with persons applying to be a licensed auditor, FMA will assess fitness and propriety on a case by case basis taking into account the circumstances of any matters which exist (see guidance below).
9. However, while FMA will consider the same range of matters as for auditors, FMA's consideration of whether a partner is fit and proper will be assessed in the context of that partner's role in the firm and any likely influence over the firm or issuer audits. For example,

FMA will consider whether the partner is significantly involved in: the firm's management; in the firm's systems, policies and processes for meeting audit and assurance standards or for quality control review; or reviewing the performance of licensed auditors.

10. The weighting given to some matters will therefore be different for partners compared to applicants to be licensed auditors. FMA will still be concerned about any matters indicating an element of dishonesty or other deliberate unethical or illegal behaviour. However, for example, a lower threshold may be applied to matters reflecting an error of professional judgement, if the partner has less direct involvement in the audit business of the firm and the issuer audits regulated under the Act.
11. In addition to assessing the information provided, FMA may undertake its own checks as to the fitness and propriety of some or all of the partners, including undertaking criminal record checks or making enquiries of relevant regulators and professional bodies.

Matters relevant to fit and proper

12. FMA considers the following matters will be relevant to, though not necessarily determinative of, whether a person is fit and proper:
 - (a) The person has been convicted of a crime involving dishonesty. These offences generally involve an element of theft or fraud. FMA will consider offences which are equivalent to those:
 - (i) under any of section 99 to 106, 108 to 117, and 217 to 266 of the Crimes Act 1961;
 - (ii) under any of sections 15 to 20 of the Summary Offences Act 1981.
 - (b) The person has been convicted of any offence under any provision of any legislation governing auditors, financial markets or financial services, corporations, financial reporting, or requirements for preventing money laundering.
 - (c) The person has been banned from acting as a director of a company or other incorporated body, or from being involved in the management of any class of incorporated or unincorporated entity.
 - (d) The person has been subject to disciplinary actions against them by any professional body or disciplinary tribunal, where those actions resulted in penalties being imposed or censure.
 - (e) The person has had a court ruling against them in respect of a civil case, or has reached an out of court settlement, relating to their profession.
 - (f) The person has been declined membership of any professional body, or has been declined any registration, licence, authorisation, or accreditation required in relation to any profession by any public body, self-regulatory organisation or exchange, or has had any such membership, registration, licence, authorisation or accreditation revoked or withdrawn.
 - (g) The person has been dismissed, or asked to resign, from a position of trust, fiduciary appointment or similar position.

- (h) The person has, in the past ten years, been made bankrupt, entered into a compromise agreement with creditors or been placed into statutory management.
 - (i) The person has, in the past ten years, been a director or senior manager of a company, or other incorporated or unincorporated entity, which has:
 - (i) been placed into liquidation, administration, receivership or statutory management (or any overseas equivalent status);
 - (ii) entered into any compromise agreement, moratorium or other restructuring to avoid liquidation, administration or receivership (or any overseas equivalent).
 - (iii) The person was a director or senior manager of the company if the person held such a position at the time of, or left the position within one year prior to, the relevant event. We note this does not include a person who was acting in their professional capacity as a receiver, liquidator or the holder of any similar office.
 - (j) The person is subject to pending proceedings which, if an adverse finding is reached, will result in one or more of the matters set out in subparagraphs (a) to (i) above applying to the person.
13. The person should also consider whether there is any other adverse matters which would be relevant. FMA may determine a person is not fit and proper for their role for reasons beyond those listed.
14. A failure or refusal to provide any relevant information or declarations, or to consent, in an acceptable form, to any reasonable checks being carried out, may be considered grounds to decline an application. Providing false or misleading information, representations or declarations is likely to result in the licence being declined or cancelled, and may result in criminal proceedings being taken against you.