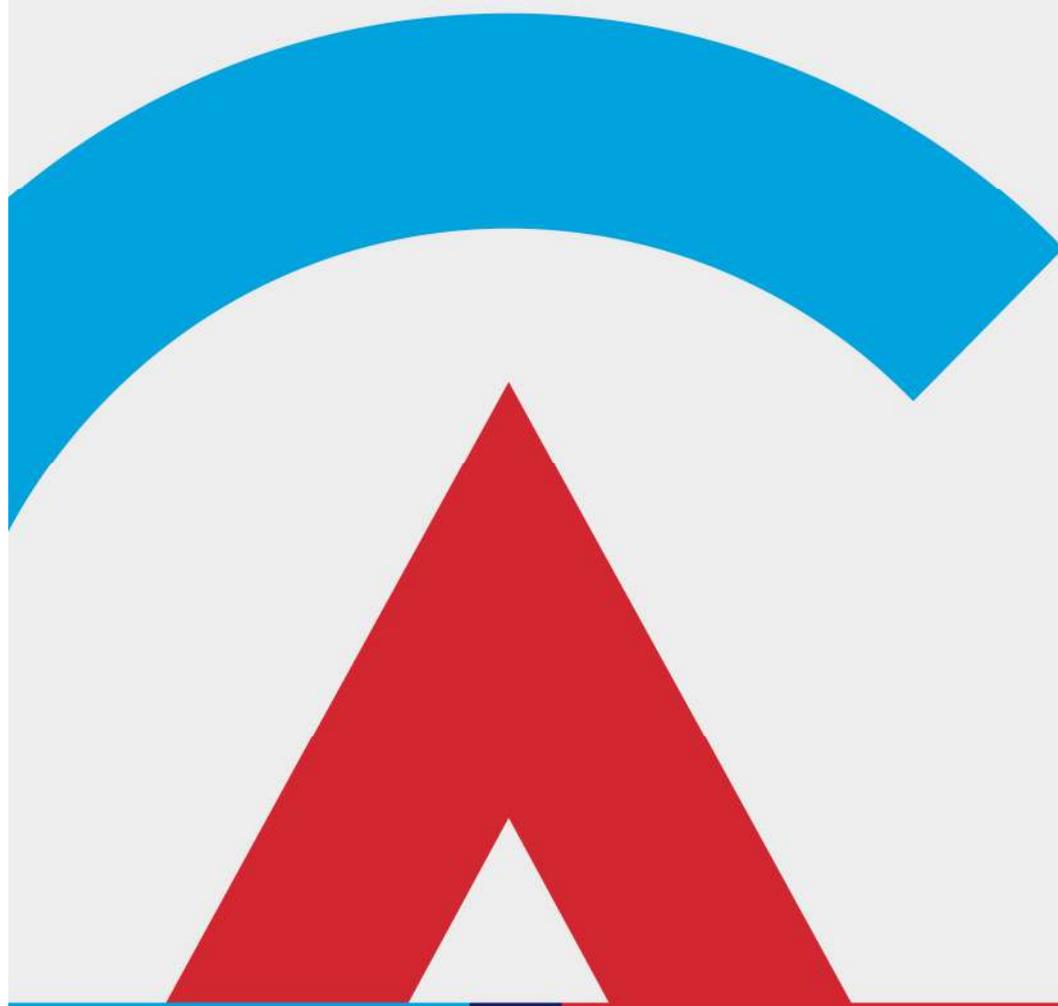


Guidance on statutory assurance engagements in New Zealand

February 2022



Auditor qualifications

The framework for *who* can perform assurance engagements in New Zealand is as follows:

Type of assurance engagement	Minimum qualification required
Financial Market Conduct audits	Licensed auditor
Statutory assurance engagements	Qualified auditor
Other assurance engagements pursuant to statute	Chartered Accountant with a Certificate of Public Practice
Non-statutory assurance engagements	Chartered Accountant (so long as below fixed fee level)

Financial Market Conduct audits

Audits and certain other assurance engagements under the Financial Markets Conduct (FMC) Act 2013 and related regulations (FMC audits)¹ must be performed by a licensed auditor or a registered audit firm. Members and firms in New Zealand can apply to us² for licensing and registration if they meet the [Prescribed Minimum Standards](#) set by the Financial Markets Authority (FMA). Auditors and firms based outside New Zealand can apply to the FMA for licensing and registration. The Companies Office maintains a register of all licensed auditors and registered audit firms on its [website](#).

Statutory assurance engagements

Some legislation requires an assurance engagement to be carried out by a qualified auditor. Where this is the case, it is called a 'statutory assurance engagement'. The New Zealand Institute of Chartered Accountants (NZICA) is able to recognise New Zealand resident members of Chartered Accountants Australia and New Zealand (CA ANZ) as qualified auditors if they meet the requirements of [section 36](#) of the Financial Reporting Act 2013. Limited companies can also be granted recognition. Qualified auditors may also perform statutory assurance engagements through a partnership and no separate recognition is needed for the firm. Qualified auditors cannot perform a statutory assurance engagement through a limited partnership or other type of entity. A licensed auditor is automatically considered to be a qualified auditor and does not need to apply for separate recognition. However, some licensed auditors have chosen to apply for recognition so that they may be included on the register of qualified auditors on our [website](#). Overseas auditors must apply to the Companies Office for recognition, regardless of whether they are eligible to act as an auditor in another country (e.g., an RCA in Australia). However, the Companies Office cannot recognise overseas companies. The Companies Office maintains a register of approved overseas auditors on its [website](#).

Other assurance engagements pursuant to statute

New Zealand resident members of CA ANZ are required to hold the Chartered Accountant (CA) designation, and have a Certificate of Public Practice (CPP) in accordance with [paragraph 10.5 of the NZICA Rules](#) in order to carry out 'assurance engagements pursuant to statute'. This is where legislation, including overseas legislation, requires an assurance engagement, regardless of whether it must be carried out by a 'qualified auditor'.

¹ As defined in [section 6](#) of the Auditor Regulation Act 2011

² Licensing and registration is by the NZICA, the regulatory body in New Zealand. The NZICA is an accredited body under the Auditor Regulation Act 2011 for this purpose.

Non-statutory assurance engagements

This includes voluntary assurance engagements or other externally or internally imposed assurance requirements that are not in legislation. Internally imposed requirements are those contained within an entity's founding documents, for example, a company constitution or a trust deed. Externally imposed requirements may be contained within contracts, for example, a grant agreement. [Paragraph 10.5 of the NZICA Rules](#) requires New Zealand resident members of CA ANZ carrying out an assurance engagement that is not required by law to hold the CA designation. However [Appendix IV, paragraph 2.9 of the NZICA Rules](#) requires members to hold a CPP where gross fees of greater than \$13,000 (excluding GST) are earned in any period of twelve consecutive months.

Application to public sector audits

All public sector entities are required by law or regulation to have an audit. Under the *Public Audit Act 2001* the Auditor-General is the auditor of all public sector entities but may appoint other auditors to act on their behalf. The Auditor-General may require such auditors to be licensed or qualified.

Requirements for common entity types

Determining whether an entity has a statutory assurance requirement is not always straight forward. The following table provides a summary of assurance requirements and auditor qualification requirements for some common types of entities in New Zealand. This guidance is not intended to be exhaustive. As legislative requirements change, members should confirm the current requirements.

We recommend that the acceptance and continuance procedures prior to commencing an assurance engagement should include consideration of the assurance requirements that apply and checking that the auditor's understanding of this is based on the latest version of the requirements.

Entity type	Assurance requirement	Audit qualification requirement
Financial Markets Conduct Act 2013		
Financial Market Conduct (FMC) reporting entity	Section 461D – Audit of financial statements	Section 9 of the Auditor Regulation Act 2011 – Licensed auditor
Companies Act 1993		
Large ^(a) overseas company	Section 206(1)(c) – Audit of financial statements. Plus if the NZ business is also large ^(b) , the financial statements for the NZ business (prepared as if that business were conducted by a company formed and registered in New Zealand) must also be audited.	Section 207(1) – Qualified auditor
Large ^(c) NZ company	Section 206(1)(a) – The default requirement is for an audit of financial statements. But it can opt out under section 207J if shareholders who between them hold 95% or more of the voting rights approve a resolution.	
Non-large ^(c) NZ company with 10 or more shareholders	Section 206(1)(d) – The default requirement is for an audit of financial statements. But it can opt out under section 207I if shareholders who between them hold 95% or more of the voting rights pass a resolution.	
Non-large ^(c) NZ company with less than 10 shareholders	Section 206(1)(e) – The default requirement is for <u>no</u> audit of financial statements. But it can opt in under section 207K if shareholders who between them hold 5% or more of the voting rights pass a resolution.	

Charities Act 2005		
Large ^(d) registered charity	Section 42C(2)(a) – Audit of financial statements	Section 42C(2)(a) – Qualified auditor
Medium ^(e) registered charity	Section 42C(2)(b) – Review of financial statements at a minimum, but can opt up to an audit	Section 42C(2)(b) – Qualified auditor
Non-large ^(d) and non-medium ^(e) registered charity	None in statute	CA (and maybe a CPP depending on fees earned)
Limited Partnerships Act 2008		
Large ^(c) limited partnership	Section 75A – The default requirement is for an audit of financial statements. But it can opt out under section 75G if partners who together have contributed at least 95% of the capital pass a resolution.	Section 75A(1) – Qualified auditor
Non-large ^(c) limited partnership	Section 75A – The default requirement is for <u>no</u> audit of financial statements. But it can opt in under section 75F if partners who together have contributed at least 5% of the capital pass a resolution.	
Partnership Law Act 2019		
Large ^(c) partnership	Section 61(1) – The default requirement is for an audit of financial statements. But it can opt out under section 64 if partners who together are entitled to share in ≥95% of the capital pass a resolution.	Section 61(1) – Qualified auditor
Non-large ^(c) partnership	None in statute	CA (and maybe a CPP depending on fees earned)
Unit Titles Act 2010		
Body corporate	Section 132(2) – The default requirement is for an audit or review of financial statements or for an agreed-upon procedures engagement. But it can opt out under section 132(8) if members pass a special resolution at the AGM.	Section 132(7) – Qualified auditor

Industrial and Provident Societies Act 1908		
Large ^(c) industrial and provident society	Section 8E – The default requirement is for an audit of financial statements. But it can opt out under section 8L if members pass a resolution at a meeting.	
Non-large ^(c) industrial and provident society	Section 8E – The default requirement is for an audit of financial statements. However it can opt out of preparing financial statements under section 8K if members pass a resolution at a meeting. If it does prepare financial statements, it can opt out of an audit under section 8K if members pass a resolution at a meeting.	Section 8E(2) – Qualified auditor
Friendly Societies and Credit Unions Act 1982		
Friendly society that is a specified not-for-profit entity ^(f)	Section 64A – Audit of financial statements	Section 64A(1) – Qualified auditor
Friendly society that is not a specified not-for-profit entity ^(f)	None in statute	Ordinarily a CA (and maybe a CPP depending on fees earned). However, under section 64A(4) if the entity's rules require an audit then this must be undertaken by a qualified auditor.
Te Ture Whenua Māori Act 1993		
Large ^(g) Māori incorporation	Section 277(1) – Audit of financial statements	Section 277(4) – Qualified auditor
Non-large ^(g) Māori incorporation	None in statute	CA (and maybe a CPP depending on fees earned)
Māori Trust Boards Act 1955		
Māori trust board	Section 31B(1) – Audit of financial statements	Section 31B(2) – Qualified auditor
Gambling Act 1993		
Class 4 gambling operator	Section 107(2)(b) – Audit of financial statements	Section 107(6) – Qualified auditor

Real Estate Agents (Audit) Regulations 2009		
Real estate agent trust account	Section 9(1) – Assurance engagement (compliance engagement) over the entity’s trust accounts	Section 10(1) – Qualified auditor
Trusts Act 2019		
Trust	None in statute	CA (and maybe a CPP depending on fees earned)
Charitable Trusts Act 1957		
Charitable trust	None in statute (but the entity may be subject to an audit requirement under other legislation such as the Charities Act 2005 or the Gambling Act 1993)	CA (and maybe a CPP depending on fees earned)
Incorporated Societies Act 1908		
Incorporated society ³	None in statute (but the entity may be subject to an audit requirement under other legislation such as the Charities Act 2005 or the Gambling Act 1993)	CA (and maybe a CPP depending on fees earned)
Education Act 1989		
Private training establishment (PTE)	New Zealand Qualifications Authority – Assurance engagement over entity’s compliance with the Education Act 1989, the Student Fee Protection Rules 2013 , and the relevant Trust Deed.	CA with a CPP
Private early childhood education (ECE) centre	Ministry of Education – an ECE with revenue of greater than \$80,000 is required to have its financial statements audited, including specific information on funding received from the MoE.	CA (and maybe a CPP depending on fees earned)
Anti-Money Laundering and Countering Financing of Terrorism Act 2009		
Reporting entity ⁴	Section 59 – Assurance engagement (compliance with requirements specifying controls) over entity’s risk assessment and AML/CFT programme.	CA with a CPP

³ [Section 98](#) of the Incorporated Societies Bill proposes that ‘certain societies’ (to be prescribed by regulations) must have their financial statements audited by a qualified auditor

⁴ As defined in [section 5\(1\)](#) of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009

Appendix: Summary of size criteria

- (a) [Section 45\(2\)](#) of the Financial Reporting Act 2013. An overseas company or a New Zealand company that is a subsidiary of an overseas company is **large** in respect of an accounting period if at least one of the following applies:
- (i) As at the balance date of each of the two preceding accounting periods, the total assets⁵ of the entity and its subsidiaries (if any) exceed \$22 million.
 - (ii) In each of the 2 preceding accounting periods, the total revenue⁶ of the entity and its subsidiaries (if any) exceeds \$11million.
- (b) [Section 204\(3\)](#) of the Companies Act 1993. The New Zealand business of an overseas company is **large** in respect of an accounting period if at least one of the following applies (calculated as if that business were an entity):
- (i) As at the balance date of each of the two preceding accounting periods, the total assets⁴ of the entity/business exceed \$22 million.
 - (ii) In each of the two preceding accounting periods, the total revenue⁵ of the entity/business exceeds \$11 million.
- (c) [Section 45\(1\)](#) of the Financial Reporting Act 2013. A New Zealand company (other than a subsidiary of an overseas company), limited partnership, partnership and an industrial and provident society is **large** in respect of an accounting period if at least one of the following applies:
- (i) As at the balance date of each of the two preceding accounting periods, the total assets⁴ of the entity and its subsidiaries (if any) exceed \$66 million.
 - (ii) In each of the two preceding accounting periods, the total revenue⁵ of the entity and its subsidiaries (if any) exceeds \$33 million.
- (d) [Section 42D\(1\)\(a\)](#) of the Charities Act 2005. A registered charity is **large** if in each of the two preceding accounting periods if the total operating expenditure⁷ of the entity and all entities it controls⁸ (if any) is \$1.1 million or more.
- (e) [Section 42D\(1\)\(b\)](#) of the Charities Act 2005. A registered charity is **medium** if it is not large; and in each of the two preceding accounting periods, the total operating expenditure⁶ of the entity and all entities it controls⁷ (if any) is \$550,000 or more.
- (f) [Section 46](#) of the Financial Reporting Act 2013. A friendly society is a **specified not-for-profit entity** in respect of an accounting period if, in each of the two preceding accounting periods, the total operating payments⁹ of the entity are \$140,000 or more.
- (g) [Section 276A\(5\)](#) of the Te Ture Whenua Māori Act 1993. A Māori incorporation is **large** in respect of a financial year if, in each of the two preceding financial years, the total revenue⁵ of the Māori incorporation and its subsidiaries (if any) exceeds \$10 million.

⁵ As defined in paragraphs 8, 11-13 of [XRB A2 Meaning of Specified Statutory Size Thresholds](#)

⁶ As defined in paragraphs 8-13 of [XRB A2 Meaning of Specified Statutory Size Thresholds](#)

⁷ As defined in paragraphs 23C-23G of [XRB A2 Meaning of Specified Statutory Size Thresholds](#)

⁸ As defined in paragraph 23H of [XRB A2 Meaning of Specified Statutory Size Thresholds](#)

⁹ As defined in paragraphs 15-16 of [XRB A2 Meaning of Specified Statutory Size Thresholds](#)

Disclaimer

This Guide has been prepared for use by members of Chartered Accountants Australia and New Zealand (CA ANZ) in New Zealand only. It is not intended for use by any person who is not a CA ANZ member and/or does not have appropriate expertise in the Guide's subject matter.

This Guide is intended to provide general information and is not intended to provide or substitute legal or professional advice on a specific matter. Laws, practices and regulations may have changed since publication of this Guide. You should make your own inquiries as to the currency of relevant laws, practices and regulations.

No warranty is given as to the correctness of the information contained in this Guide, or of its suitability for use by you. To the fullest extent permitted by law, CA ANZ is not liable for any statement or opinion, or for any error or omission contained in this Guide and disclaim[s] all warranties with regard to the information contained in it, including, without limitation, all implied warranties of merchantability and fitness for a particular purpose. CA ANZ is not liable for any direct, indirect, special or consequential losses or damages of any kind, or loss of profit, loss or corruption of data, business interruption or indirect costs, arising out of or in connection with the use of this publication or the information contained in it, whether such loss or damage arises in contract, negligence, tort, under statute, or otherwise.

Copyright Notice

© February 2022 Chartered Accountants Australia and New Zealand ABN 50 084 642 571.

Copyright Use Statement

This document is protected by copyright. Other than for the purposes of and in accordance with the Copyright Act 1994 (NZ), this document may only be reproduced for internal business purposes, and may not otherwise be reproduced, adapted, published, stored in a retrieval system or communicated in whole or in part by any means without express prior written permission.