

New Zealand Regulation team’s framework for handling of complaints, adverse practice review results, enquiries and investigations for New Zealand resident members of Chartered Accountants ANZ offering accounting services to the public

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The New Zealand Regulation team (“the NZ Regulation team”) of the New Zealand Institute of Chartered Accountants (“NZICA”) manages the day to day operation of NZICA’s regulatory work under the supervision of the New Zealand Regulatory Board, in respect of New Zealand resident members of Chartered Accountants Australia and New Zealand (“Chartered Accountants ANZ”).

It is important that the public can place trust in the quality of accounting services offered to members of the public by members of Chartered Accountants ANZ and in the way they conduct themselves in providing accounting services.

In the course of its work, the NZ Regulation team considers the quality of members’ work and their conduct in a number of ways, for example:

- The NZ Regulation team undertakes cyclical practice reviews of audit, assurance and insolvency practitioners and assesses their quality control procedures and the performance of a sample of engagements.
- The NZ Regulation team undertakes targeted practice review work on practitioners where it has been assessed that the practitioner and/or firm is at elevated risk.
- The NZ Regulation team undertakes some practice reviews (full and limited scope) of accounting practices on a random basis to assess the presence of systemic quality issues.
- As an Accredited Body under the Auditor Regulation Act 2011 (“ARA”), NZICA monitors those members who have been issued with an audit licence to act as an auditor in respect of an FMC audit (as defined in s6(1) ARA¹) to ensure they meet their obligations under the ARA.
- NZICA monitors those members who have been recognised by NZICA as qualified auditors in accordance with the Financial Reporting Act 2013 (FRA) to ensure that they meet their obligations under the FRA.
- Members of the public and Chartered Accountants ANZ’s own members contact the NZ Regulation team outside the formal complaints process concerning the performance of accounting services by a member or their conduct and the NZ Regulation team may make enquiries to determine whether further action is warranted.
- Government authorities acting as regulators of various statutory requirements refer matters to the NZ Regulation team in the ordinary course of their work. In the case of FMC audits, the Financial Markets Authority (FMA) refers matters to the NZ Regulation team for investigation arising from Quality Reviews performed under the ARA and/or as a result of its market surveillance work. In other cases, Government authorities may refer matters uncovered as a result of general investigations to the NZ Regulation team for further inquiries to be made.
- The NZ Regulation team undertakes proactive monitoring of information in the public domain.

¹ FMC audit —

(a) means the audit of —

(i) the financial statements or group financial statements of an FMC reporting entity that are prepared under the [Financial Markets Conduct Act 2013](#); or
(ii) the financial statements of a scheme or a fund prepared under [section 461A](#) of the [Financial Markets Conduct Act 2013](#); or
(iii) the financial statements referred to in [section 461B](#) of the [Financial Markets Conduct Act 2013](#); and

(b) includes any audit or review required to be carried out under the regulations made, or exemptions granted, under the [Financial Markets Conduct Act 2013](#) or the [Securities Act 1978](#) by a qualified auditor (within the meaning of either of those Acts); and

(c) includes any audit of the financial statements or group financial statements prepared under the [Financial Reporting Act 1993](#) in accordance with [section 55](#) of the [Financial Reporting Act 2013](#); and

(d) includes any issuer audit (as defined in this Act before the commencement of this paragraph); but

(e) does not include any audit carried out under the [Public Audit Act 2001](#) (whether the Auditor-General or any other person is acting as the auditor).

Outside of the NZ Regulation team's standard practice review programme, where matters are identified as a result of the NZ Regulation team's monitoring activities or referred to the NZ Regulation team by members of the public, other Chartered Accountants ANZ members or Government bodies, including FMA outside the formal complaints process, the NZ Regulation team may, following its initial inquiries, determine that further investigation is required. This will include cases where FMA, another regulatory agency or a NZICA disciplinary body requests an investigation. It is noted that in some instances the Professional Conduct Committee (PCC) or Disciplinary Tribunal may request that the NZ Regulation team performs a general or specific review of the member or firm. Such investigations are generally performed under Rule 12 of the NZICA Rules ("the Rules") which provides the necessary powers to conduct the investigation (in the remainder of this framework all such reviews and investigations are referred to as practice reviews).

The NZ Regulation team does not undertake investigations into formal complaints as these are handled by the PCC.

Where matters arise that require further action the NZ Regulation team, in broad terms, can pursue one or both of the following categories of action:

- Seek to improve the competency of the member; and/or
- Refer matters to the PCC.

Seek to improve competency

The NZ Regulation team is unable to cancel a Certificate of Public Practice (CPP) once issued. If a matter has arisen that may require consideration of whether a CPP should be removed from a member (and/or other disciplinary action) the NZ Regulation team lodges a formal complaint against a member with the PCC.

The NZ Regulation team does not automatically lodge complaints against members where matters have arisen following a practice review. The decision whether to lodge a complaint requires professional judgement. The NZ Regulation team is required to consult with the Practice Review Advisory Group ("PRAG") before referring a complaint to the PCC.

Where a matter arising does not represent a significant breach of the Code of Ethics or the Rules and the member is willing and able to remediate, the NZ Regulation team will usually seek to improve the member's competency. However in deciding whether remediation is appropriate, the NZ Regulation team will consider the public interest including whether there is a risk to the public if the member is permitted to continue providing the relevant services, and whether any such risk may be appropriately mitigated.

The NZ Regulation team can seek to improve the competency of members in respect to matters arising from practice reviews, for example by:

- Requiring the member or the member's firm to undertake a course of training prior to undertaking specified engagements;
- Require the member be supervised by another approved member when undertaking specified engagements; and
- Undertaking further practice review work (i.e. to assess the member's remediation of matters arising).

FMC Audit Licence Holders and registered firms

In addition to the items above, the NZ Regulation team, through delegations from the New Zealand Regulatory Board, may also undertake the following in respect of FMC audit licence holders and registered firms:

- Add a condition to the licence or firm registration (e.g. limiting the types of FMC audits the licence holder or firm can perform for a period of time).
- Suspend the licence or registration.
- Cancel the licence or firm registration

The NZ Regulation team will cancel licences at the voluntary request of the licence holder and audit firm registrations where the eligibility criteria are no longer satisfied. Any decision to cancel a licence or audit firm registration that relates to a matter of a disciplinary nature will be handled as part of the disciplinary process.

The NZ Regulation team may exercise its power to suspend an FMC audit licence or firm registration where a matter arising has been referred on to the PCC and it is considered to be in the interest of the public to suspend the licence while the outcome of the disciplinary process is determined.

Qualified Auditors

The NZ Regulation team, through delegations from the New Zealand Regulatory Board, may also undertake the following in respect of individuals and companies recognised as qualified auditors:

- Add a condition to an individual's qualified auditor recognition or firm recognition (e.g. limiting the types of audits that can be undertaken).
- Suspend the recognition as a qualified auditor (for firms and individuals).
- Cancel the recognition for the individual or firm as a qualified auditor.

The NZ Regulation team will cancel recognition at the voluntary request of the individual or firm or where the firm no longer satisfies the eligibility criteria. Any decision to cancel recognition of an individual that relates to a matter of a disciplinary nature will be handled as part of the disciplinary process.

Any decision to cancel recognition of a firm as the result of a material breach of the recognition agreement will require specific approval by the New Zealand Regulatory Board.

The NZ Regulation team may exercise its power to suspend individual qualified auditor recognition where a matter arising has been referred on to the PCC and it is considered to be in the interest of the public to suspend the recognition while the outcome of the disciplinary process is determined.

Referring matters to the Professional Conduct team.

Where the NZ Regulation team is unable to, or considers it is inappropriate to, address the matter arising by working to raise the competency of the member, FMC audit licence holder or individual qualified auditor, the matter is referred to the PCC by lodging a formal complaint. As previously noted, under the Rules such a complaint may only proceed following consultation with PRAG.

The NZ Regulation team will consult with PRAG before making a complaint to the PCC and before taking certain action as set out above.