

Memorandum of Understanding on Reciprocal Arrangements

between

The Financial Reporting Council

and

The Financial Markets Authority

Effective from 26 September 2023

1. Definitions

In this Memorandum, the following phrases shall have the meaning ascribed to them below:

- a. **Accredited Body** means the New Zealand Institute of Chartered Accountants (NZICA)¹ and CPA Australia (CPAA), both of whom are granted accreditation by the Financial Markets Authority to license auditors and register audit firms. A reference to an Accredited Body in this Memorandum shall be a reference to the bodies identified above jointly or any of them singly as the context requires.
- b. **Audit Qualification** means a qualification awarded to an individual for satisfying prescribed criteria which permits that person to apply to be registered or licensed to undertake audit work in either New Zealand or the United Kingdom.
- c. **CAANZ** means Chartered Accountants Australia and New Zealand on whose behalf the New Zealand Institute of Chartered Accountants (NZICA) regulates members of CAANZ resident in New Zealand.
- d. **FRC** means the Financial Reporting Council, the competent authority for audit in the UK.
- e. **FMA** means the Financial Markets Authority being the body which accredits and supervises Accredited Bodies in New Zealand.
- f. **Licensed Auditor** means a person who holds, or is treated as holding, an audit license under the Auditor Regulation Act 2011 in New Zealand but does not include a person registered as an auditor, and domiciled, in Australia to whom the FMA or an Accredited Body has issued a licence to undertake audit work in New Zealand by recognition of their qualifications under the Trans-Tasman Mutual Recognition Act 1997.
- g. **New Zealand applicants** means a person who is a Licensed Auditor or who meets the eligibility requirements for registration as a Licensed Auditor.
- h. **Participants** means the FRC and the FMA.
- i. **Recognised Qualifying Body** means a United Kingdom body which offers a professional qualification in accountancy that is recognised in accordance with Schedule 11 of the Companies Act 2006.
- j. **Recognised Supervisory Body** means any of Chartered Accountants Ireland ("CAI"), Institute of Chartered Accountants England and Wales ("ICAEW"), Institute of Chartered Accountants Scotland ("ICAS") and Association of Chartered Certified Accountants ("ACCA") to which the FRC has delegated the task of registration of statutory auditors under a delegation agreement. A reference to a Recognised Supervisory Body in this Memorandum shall be a

¹ NZICA and the Institute of Chartered Accountants of Australia (ICAA) formally amalgamated on 1 January 2015 to form Chartered Accountants Australia and New Zealand (Chartered Accountants ANZ). NZICA continues to regulate the accountancy profession for Chartered Accountants ANZ (CA ANZ) members who remain resident in New Zealand (and by virtue of their residence continue to be NZICA members) according to the NZICA Act 1996, and the terms of the amalgamation agreement. For the purpose of the audit oversight regime, NZICA continues to be the accredited body.

reference to the bodies identified above jointly or any of them singly as the context requires.

- k. **Registered Audit Firm** means a firm entered on the register as eligible for appointment as a statutory auditor under the Companies Act 2006 in the United Kingdom or an audit firm that is, or is treated as being, registered under subpart 2 of Part 2 of the Auditor Regulation Act 2011 in New Zealand.
- l. **Responsible Individual** means a principal or employee responsible for audit work and designated as such by a registered audit firm in the United Kingdom.
- m. **United Kingdom applicants** means a person who is a Responsible Individual or holds an audit qualification awarded by a Recognised Qualifying Body.
- n. **New Zealand Audit Qualification recognised by the FRC** means a qualification which the FRC has so recognised pursuant to section 1221 of the Companies Act 2006.

2. Objectives and purpose

- a. This Memorandum of Understanding (Memorandum) is between the FRC, the competent authority for audit in the United Kingdom, and the Financial Markets Authority (FMA). The FMA accredits and supervises Accredited Bodies, who recognise and register both audit firms and licensed auditors in New Zealand.
- b. This Memorandum covers individuals holding Audit Qualifications awarded by either an Accredited Body or a Recognised Qualifying Body.
- c. The United Kingdom bodies identified in the definition of Recognised Supervisory Body are recognised by the FRC as Recognised Qualifying Bodies.
- d. The purpose of this Memorandum is to record the basis whereby each Participant recognises audit qualifications from the other's jurisdiction and to record their understanding of the application processes whereby:
 - i. individuals holding, or eligible to hold, Licensed Auditor status in New Zealand may have that qualification recognised for the purpose of becoming a statutory auditor in the United Kingdom; and
 - ii. individuals holding an Audit Qualification granted by a Recognised Qualifying Body recognised in the United Kingdom may have that qualification recognised as an eligible qualification for the purpose of becoming a Licensed Auditor in New Zealand; and
 - iii. individuals who hold the status of Responsible Individual granted by a Recognised Supervisory Body may be recognised as a Licensed Auditor in New Zealand.
- e. The FMA have provided assurances regarding the basis for recognition of United Kingdom audit qualifications in New Zealand and that persons who hold a United-Kingdom Audit Qualification they have recognised, will receive comparable treatment to holders of a New Zealand Audit Qualification. The FRC has provided assurances regarding the basis for recognition in the United Kingdom of New Zealand Audit Qualifications and that persons who hold a New Zealand Audit

Qualification they have recognised, will receive comparable treatment to holders of a United Kingdom Audit Qualification.

- f. United Kingdom audit qualifications that are recognised in New Zealand are recognised by the Accredited Bodies in accordance with their approval and governance processes. New Zealand Audit Qualifications that will be recognised in the UK, will be recognised by the FRC exercising the power contained in section 1221 of the Companies Act 2006.
- g. This Memorandum has no impact on, or connection to, any visa or residency requirements that may be imposed by immigration authorities in the United Kingdom or New Zealand.
- h. This Memorandum does not alter, supersede, or replace any reciprocal membership agreements between the Accredited Bodies and the Recognised Supervisory Bodies.
- i. This Memorandum is not legally binding and the Participants agree the Memorandum does not create any legal rights or obligations which are enforceable upon them by either the Participants or third parties.

3. Basis of Recognition

- a. The Participants each have the power to recognise Audit Qualifications from a third country as comparable to Audit Qualifications obtained in their own jurisdiction. The FRC proposes to approve audit qualifications awarded by CAANZ and CPA Australia which are held by Licensed Auditors as approved third country qualifications for the purpose of becoming a statutory auditor in the United Kingdom. United Kingdom Audit Qualifications that are recognised in New Zealand as equivalent or comparable qualifications for the purpose of applying for registration as a Licensed Auditor are recognised under a decision by the FMA dated 23 February 2023. An Audit Qualification from the Association of International Accountants (AIA) is not recognised under that decision. Holders of an Audit Qualification from the Association of International Accountants (AIA) may apply to an Accredited Body in New Zealand for their Audit Qualification to be recognised.
- b. The Participants each recognise the importance of a person, whose Audit Qualification awarded in their home jurisdiction is recognised in the other, maintaining their membership of the Accredited Body or Recognised Supervisory Body based in their home jurisdiction.
- c. The Participants are satisfied the Audit Qualifications awarded in the other's jurisdiction which they have recognised, or propose to recognise, are comparable.
- d. The Participants are satisfied that a person holding a United Kingdom United Kingdom Audit Qualification recognised in New Zealand, will receive comparable treatment to holders of a New Zealand Audit Qualification (and vice versa).
- e. The Participants each recognise that auditors registered to practice in either the United Kingdom, New Zealand or both must follow the laws and professional standards of each jurisdiction in which they have been recognised to practice,

including any rules or regulations relating to an individual's obligations to undertake continuing professional development.

4. Cooperation

- a. The Participants will co-operate with each other until a Participant withdraws from this Memorandum in accordance with paragraph 8.
- b. The Participants are committed to pursuing the aims and purposes contained within this Memorandum in good faith and to act in accordance with its provisions on a voluntary basis.
- c. In the event there are any differences of opinion in respect of any matters relating to this Memorandum, the participants and will endeavor to resolve any differences of opinion through co-operation and consultation with the other.
- d. To the extent permitted by the law in their respective jurisdictions, the Participants both acknowledge and understand that co-operation includes the timely processing of, and response to, requests for information.
- e. To the extent permitted by law in their respective jurisdictions, the Participants will co-operate and will endeavor to avoid increasing the other's administrative burdens in connection with the registration of auditors from the other country.
- f. To the extent permitted by law in their respective jurisdictions, the Participants will co-operate by making the other aware of any matters that may affect this Memorandum or the basis upon which a Participant has recognised an Audit Qualification awarded in the jurisdiction of the other as comparable to an Audit Qualification awarded in their jurisdiction. The Participants each acknowledge that any changes which affect or impact the basis upon which an Audit Qualification from one jurisdiction has been recognised in the other, may trigger a Participant to review whether that qualification should continue to be so recognised.

5. Applicants for the purposes of this Memorandum

The Participants agree that both United Kingdom applicants and New Zealand applicants must be members of either a Recognised Supervisory Body, CPA Australia or CAANZ and have achieved membership by completing a typical pathway to membership of that body. A 'typical pathway' is a path to membership which is completed through the education and training required by that body.

6. Application process – United Kingdom applicants seeking registration as a Licensed Auditor

The FMA has confirmed to the FRC the process for a United Kingdom applicant seeking registration as a Licensed Auditor consist of the following steps:

- a. United Kingdom applicants must apply in such form and providing such information about their professional qualifications, Audit Qualification and audit experience as required by an Accredited Body.

- b. The Accredited Body assesses whether the applicant's qualifications and experience meet their eligibility requirements to become a member. The assessment will consider whether the applicant is a member in good standing.
- c. The Accredited Body may seek verification from the Recognised Qualifying Body that the applicant is a member of that body and how their professional membership was gained.
- d. The Accredited Body may seek verification the United Kingdom applicant is a member in good standing from the Recognised Supervisory Body the United Kingdom applicant is registered with. The Recognised Supervisory Body may also be the Recognised Qualifying Body under which the applicant originally qualified as a professional accountant.
- e. The Accredited Body may seek verification for the purpose of satisfying themselves the person applying to be a Licensed Auditor:
 - i. meets the prescribed minimum standards set by the Financial Market Authority; and
 - ii. is otherwise a fit and proper person to hold a licence.
- f. The Accredited Body may, if it considers the applicant has insufficient audit experience to meet their prescribed standards for registration as a Licensed Auditor, require applicants to complete a period of audit experience in respect of audits of entities incorporated under the laws of the New Zealand.
- g. The FMA may require applicants to satisfactorily complete a course in auditing². The FMA acknowledge they will not require applicants to obtain further audit qualifications provided they hold a comparable United Kingdom Audit Qualification recognised by the FMA.
- h. The decision on whether a United Kingdom applicant who applies to be registered as a Licensed Auditor is to be made by an Accredited Body. An Accredited Body is required to ensure auditors meet the prescribed standards set by the Financial Markets Authority.

7. Application process – New Zealand applicants seeking recognition of a New Zealand Audit Qualification in the United Kingdom and/or registration as a Responsible Individual

The FRC has confirmed to the FMA the process for a New Zealand applicant seeking registration as a Responsible Individual and recognition of a New Zealand Audit Qualification consist of the following steps:

Recognition of New Zealand audit qualification in the United Kingdom

- a. A Recognised Qualifying Body which receives an application from a New Zealand applicant for recognition of their Audit Qualification in the United Kingdom will be responsible for assessing the application.

² Approved professional courses are specified here: [Notice of approved auditing courses](#)

- b. New Zealand applicants should apply in such form and providing such information about their professional qualifications, Audit Qualification and audit experience as the Recognised Qualifying Body may require.
- c. The Recognised Qualifying Body assesses whether the applicant's qualifications and experience meet their eligibility requirements to become a member. The assessment will consider whether the applicant is a member in good standing.
- d. The Recognised Qualifying Body may seek verification from the relevant Accredited Body that the applicant is a member of that body and how that membership was obtained.
- e. New Zealand applicants may be required to pass an aptitude test (see section 7 (g) below) or to complete an adaptation period but shall not be required to obtain any further audit qualifications provided they hold a New Zealand Audit Qualification recognised by the FRC.
- f. If a person holds a New Zealand Audit Qualification that does not meet all the requirements for recognition by the FRC, they may pass additional examinations post-qualification in order for their New Zealand Audit Qualification to be recognised by the FRC. This should be undertaken a person seeks recognition of their qualification under this Memorandum.
- g. An aptitude test is set by a Recognised Qualifying Body and tests subjects that are not covered by the Audit Qualification already held by that individual, knowledge of which is essential to pursue to be a statutory auditor in the United Kingdom. The subjects which may be tested include, but are not limited to, United Kingdom tax and audit laws.

Responsible Individual process

- h. A Recognised Supervisory Body which receives an application from a New Zealand applicant for registration as a Responsible Individual assesses the application.
- i. New Zealand applicants must apply in such form and providing such information about their professional qualifications, Audit Qualification and audit experience as the Recognised Supervisory Body requires.
- j. A Recognised Supervisory Body assesses whether an applicant meets the eligibility requirements to become a Responsible Individual. The assessment will consider whether the applicant is a member in good standing.
- k. A Recognised Supervisory Body may seek verification from the relevant Accredited Body that the applicant is a member of that body and of how their professional membership was gained.
- l. New Zealand applicants must hold an Audit Qualification granted by a Recognised Qualifying Body or a New Zealand Audit Qualification recognised by the FRC.
- m. Where the applicant is a Licensed Auditor or meets the eligibility criteria for registration as a Licensed auditor, a Recognised Supervisory Body may seek verification of this status from the FMA.

- n. Applicants must obtain membership or affiliate status of a Recognised Supervisory Body. This membership may be obtained under a reciprocal membership agreement between the accountancy bodies of the United Kingdom and New Zealand.
- o. Where a New Zealand applicant has obtained membership of a Recognised Supervisory Body under reciprocal arrangements and subsequently ceases to be a member of the CPA Australia or CAANZ, their reciprocal membership of the Recognised Supervisory Body may be revoked by the Recognised Supervisory Body.
- p. A Recognised Supervisory Body may require New Zealand applicants to complete a further period of audit experience (an adaptation period) in respect of audits of entities incorporated under the laws of the United Kingdom where it considers the applicant has insufficient audit experience to meet the eligibility requirements for registration as a Responsible Individual.
- q. The decision on whether a New Zealand applicant should be registered as a Responsible Individual rests with the Recognised Supervisory Body.
- r. Where an individual has been granted Responsible Individual status by a Recognised Supervisory Body and also wishes to be responsible for work on the audits of Public Interest Entities ("PIE"), they must additionally seek registration as a PIE Responsible Individual under the FRC's PIE Auditor Registration Regulations.

8. Duration and Review of this Memorandum

- a. This Memorandum will continue until either of the Participants withdraws in accordance with paragraph 8 (c). be reviewed after a period of 5 years from the effective date.
- b. This Memorandum will be reviewed by the parties not less than every 5 years from the date it becomes effective. The review will consider the ongoing suitability of this Memorandum and whether there have been any changes to the basis upon which the Participants have recognised an Audit Qualification from the other's jurisdiction.
- c. Either of the Participants may withdraw from this Memorandum upon provision of 12 months written notice to the other. Such a notice shall include, or be accompanied by, a written explanation of the reasons for withdrawal. A written explanation which cites a change to the basis upon which either of the Participants have recognised an Audit Qualification from the other's jurisdiction as a reason for withdrawal, must provide a full written explanation of the change(s) and the impacts that change(s) is considered to have on the basis of recognition.
- d. This Memorandum may only be amended by the written agreement of the Participants.
- e. The effective date of this Memorandum is 26 September 2023.

Signing

Dated this 26 September 2023

The Financial Reporting Council


Signed by authorised signatory:

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Sarah Rapson
Acting CEO and Executive Director of Supervision

Financial Markets Authority

Signed by authorised signatory:

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Samantha Barrass
Chief Executive
