

20 June 2023

[REDACTED]  
By email [REDACTED]

Dear Mr [REDACTED]

### Your request under the Official Information Act 1982 (OIA)

I refer to your OIA request sent to the Commerce Commission on 29 March 2023, transferred to the Financial Markets Authority (FMA) on 31 March.

You noted an interest in the balance of supply and demand for qualified audit staff in New Zealand and requested any information we hold on the matter. On 20 April we wrote to you providing some publicly available material and specified that we held the following information, that you confirmed was within scope of your request:

1. Correspondence between the FMA and a professional body regarding auditor shortages in early 2021 (at the time the NZ border was closed due to Covid restrictions).
2. The following documents connected to the internal relief offered in 2021. Including:
  - (a) internal correspondence regarding the development, consideration and approval of the no action response;
  - (b) some external correspondence (consultation with a small number of external stakeholders/other regulators on the approach); and
  - (c) notifications from individual firms that sought temporary relief.

On 2 May we wrote to you again, extending the time for replying to your request. Our OIA response is below.

### Correspondence with professional body (refer 1 above)

The FMA corresponded with a professional body (CAANZ) regarding auditor workforce shortages. In summary:

- The FMA contacted CAANZ in February 2021 to understand if they were aware of any industry issues in connection with Covid-related border closures.
- The FMA met with CAANZ in April 2021 and auditor workforce shortage issues were noted. On 7 May 2021, CAANZ wrote to the FMA making a formal request for the extension of reporting deadlines for FMC reporting entities in response to the shortage.

- The FMA considered the formal request and wrote to CAANZ on 20 May 2021 suggesting a proposed approach for extending reporting deadlines. CAANZ responded on 28 May.
- In early June there was brief correspondence about how entities would apply for the reporting extension.
- On 11 June 2021, the FMA notified industry including CAANZ of our decision regarding the reporting extension.

The correspondence with CAANZ is **enclosed**. We have decided to withhold some information in the correspondence, namely:

- The names and contact details of staff at CAANZ and third parties under section 9(2)(a) of the OIA, to protect their privacy.
- Information that deals with matters other than the auditor shortage, which is outside the scope of your request. The information is considered confidential<sup>1</sup> and is withheld under section 9(2)(ba) of the OIA, to protect information that is subject to an obligation of confidence.
- We have not identified any considerations that render it desirable, in the public interest, to make the information withheld available.

#### **Internal correspondence and stakeholder engagement (refer 2(a) and (b) above)**

The FMA considered CAANZ's formal request to allow FMC reporting entities an extension of financial reporting deadlines:

- We agreed in principle to a 'no action approach' (this approach was developed in response to the Covid lockdowns in 2020). To receive relief, FMC reporting entities would notify the FMA confirming that they could not comply with the relevant requirements because of the auditor shortage. The FMA would then confirm the position with the reporting entity's auditor. The development and consideration of the FMA's proposed response is summarised in an email dated 17 May 2021.
- The FMA carried out a brief, targeted consultation with key stakeholders in relation to our proposed approach and approved the decision on 11 June 2021. The FMA's approval was collated and presented through an internal memorandum dated 9 June 2021, which includes a summary of the stakeholder engagement.

We have decided to release the summary email dated 17 May 2021 and internal memorandum dated 9 June 2021. These documents are **enclosed**.

There were further internal emails that were ancillary to this work (for example, internal emails establishing which staff would undertake the particular actions). Given these emails do not directly speak to your request, we assume you are not specifically seeking this information.

#### **Notifications from individual firms (refer 2(c) above)**

We have decided to respond to this aspect of your request by providing a summary under section 16(1)(e) of the OIA.

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<sup>1</sup> Pursuant to section 59 of the Financial Markets Authority Act 2011.

The FMA received approximately 70 electronic notifications from FMC reporting entities seeking the financial reporting deadline extension. Please note the following in relation to the notifications received:

- The number is approximate because some notification requests were filed in duplicate.
- The notification requests received represent a small proportion of the FMC reporting entity population (approximately 3.5%).
- Not all requests for an extension were granted.
- Some requests for an extension were granted for reasons broadly connected to the Covid-19 restrictions / lockdowns, rather than specifically due to the auditor shortage.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or freephone 0800 802 602.

If you wish to discuss any aspect of your request with us, including this decision, please feel free to contact me at [Ariarna.Hakaraia@fma.govt.nz](mailto:Ariarna.Hakaraia@fma.govt.nz).

Yours sincerely



Ariarna Hakaraia

**Manager, Internal Governance and Oversight**

**Ariarna Hakaraia**

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**From:** Jacco Moison  
**Sent:** Friday, 5 February 2021 11:32 AM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Query from FMA

Hi [REDACTED]

It would be good if I can give you a call around 12:30 to explain what we are looking for to support the audit firms.

Regards,  
Jacco

**From:** [REDACTED]  
**Sent:** Friday, 5 February 2021 11:13  
**To:** [REDACTED]  
**Cc:** [REDACTED] Jacco Moison  
<Jacco.Moison@fma.govt.nz>  
**Subject:** RE: Query from FMA

Thanks [REDACTED]

Hi Jacco,  
We reached out to the audit firms late last year regarding possible talent shortages as a result of the closed borders. At a high level, some were already experiencing issues, and many foresaw more serious issues this year if the border settings were not adjusted (which remains the case).  
I am free to speak between 12-2pm today if you have some time.  
Kind regards,  
[REDACTED]

[REDACTED]



[REDACTED]



**From:** [REDACTED]  
**Sent:** Friday, 5 February 2021 10:15 AM  
**To:** [REDACTED]  
**Cc:** [REDACTED] Jacco Moison  
([Jacco.Moison@fma.govt.nz](mailto:Jacco.Moison@fma.govt.nz)) <[Jacco.Moison@fma.govt.nz](mailto:Jacco.Moison@fma.govt.nz)>  
**Subject:** Query from FMA

Hi [REDACTED]

Please see the message below from Jacco Moison at FMA. Can you please make contact with Jacco?

Kind regards

[REDACTED]

**From:** [REDACTED]  
**Sent:** Friday, 5 February 2021 10:10 AM  
**To:** [REDACTED]  
**Subject:** Email address

Hi [REDACTED]

Do you have [REDACTED] contact details? I am having some discussions with audit firms on secondments overseas and any optional issues may be incurred as a result of the closed borders. I am looking for some data to discuss this internally and with MBIE to raise any particular concerns.

Happy for you to forward this email to [REDACTED]. We are looking to discuss this next week.

Cheers,  
Jacco



**Jacco Moison** Head of Audit and Financial Reporting  
T +64 9 300 0406 M +64 21 515 230  
E [Jacco.Moison@fma.govt.nz](mailto:Jacco.Moison@fma.govt.nz)  
Level 5, Ernst & Young Building  
2 Takutai Square, Britomart, Auckland 1010  
PO Box 106 672, Auckland 1142 New Zealand

[www.fma.govt.nz](http://www.fma.govt.nz)  



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[REDACTED]

**Ariarna Hakaraia**

---

**From:** [REDACTED]  
**Sent:** Thursday, 18 February 2021 4:07 PM  
**To:** Jacco Moison  
**Cc:** [REDACTED]  
**Subject:** RE: Audit workforce challenges

[REDACTED]

**From:** Jacco Moison <Jacco.Moison@fma.govt.nz>  
**Sent:** Tuesday, 16 February 2021 9:48 AM

[REDACTED]

**Subject:** Audit workforce challenges

Dear Auditors and Audit representatives,

Thank you for bringing to our attention the challenges registered audit firms are facing regarding their work force. Our understanding based on our conversations with the industry [REDACTED]

Based on the information we have received from industry, our understanding is that industry is concerned that the lack of experienced audit staff could lead to FMC reporting entities not meeting their compliance obligations, by either not finding an appropriate auditor, or the auditor may not be able to complete the audit within the required 4 month time frame.

The FMA has internally discussed the initial observations from the audit firms when it comes the reliance of overseas workers. The FMA will informally raise this with MBIE as a potential emerging issue.

The FMA would encourage you and the industry to consider how you can respond to the challenge this issue poses before it is raised more formally. The FMA would encourage the industry to consider through any relevant industry bodies:

- What audit firms and the industry has done since identifying this issue to try to resolve it
- How this issue was tackled last year, and whether this offers potential solutions for 2021
- If any assistance is required from policy makers and regulators to implement these solutions, what, when and how
- The potential impact if these challenges don't get resolved or potential solutions are not able to be implemented?

The FMA would encourage you to think as an industry about potential solutions to the issues before broader engagement across Government on this matter.

If it is of assistance, the FMA will be happy to set up a phone call with any appropriate industry representatives to discuss this matter further.

Kind Regards,  
Jacco



**Jacco Moison** Head of Audit and Financial Reporting  
T +64 9 300 0406 M +64 21 515 230  
E [Jacco.Moison@fma.govt.nz](mailto:Jacco.Moison@fma.govt.nz)  
Level 5, Ernst & Young Building  
2 Takutai Square, Britomart, Auckland, 1010  
PO Box 106 672, Auckland 1143, New Zealand

[www.fma.govt.nz](http://www.fma.govt.nz)



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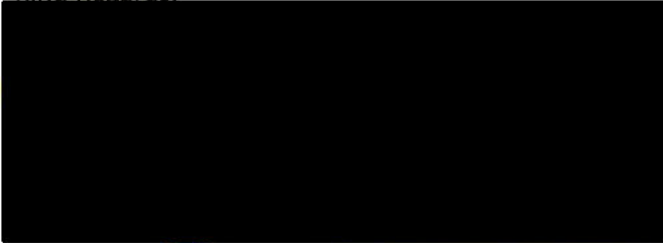
Released under the Official Information Act 1982

**Ariarna Hakaraia**

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**From:** [REDACTED]  
**Sent:** Friday, 7 May 2021 4:25 PM  
**To:** Jacco Moison  
**Subject:** FMA extension to reporting deadline request  
**Attachments:** FMA extension to reporting deadline request.pdf

Dear Jacco,  
Further to our meeting last week, please find attached our formal request for an extension to reporting deadlines for FMC reporting entities, and equity, debt and fund issuers with balance dates up to and including 30 September 2021.  
I am very happy to discuss this request with you if required.  
Kind Regards,



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**Ariarna Hakaraia**

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**From:** Jacco Moison  
**Sent:** Monday, 10 May 2021 4:44 PM  
**To:** [REDACTED]  
**Subject:** RE: FMA extension to reporting deadline request

Hi [REDACTED]

Thank you for your letter. We are considering this internally and we are looking for options where we can provide some support.

We work as fast as we can, but can't make any promises on the date.

Regards,  
Jacco

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**From:** [REDACTED]  
**Sent:** Friday, 7 May 2021 16:25  
**To:** Jacco Moison <Jacco.Moison@fma.govt.nz>  
**Subject:** FMA extension to reporting deadline request

Dear Jacco,

Further to our meeting last week, please find attached our formal request for an extension to reporting deadlines for FMC reporting entities, and equity, debt and fund issuers with balance dates up to and including 30 September 2021.

I am very happy to discuss this request with you if required.

Kind Regards,

[REDACTED]



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[REDACTED]



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## Ariarna Hakaraia

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**From:** [REDACTED]  
**Sent:** Thursday, 20 May 2021 3:23 PM  
**To:** Jacco Moison; [REDACTED]  
**Cc:** Lucy Ellis; [REDACTED]  
**Subject:** RE: FMA extension to reporting deadline request

Dear Jacco

CA ANZ is very appreciative of your draft proposals which will be very helpful.

We are focussing on the Govt Budget today but will come back to you with any specific comments in the next few days.

kind regards, [REDACTED]

[REDACTED]

[REDACTED]

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**From:** Jacco Moison <Jacco.Moison@fma.govt.nz>  
**Sent:** Thursday, 20 May 2021 3:17 pm  
**To:** [REDACTED]  
**Cc:** Lucy Ellis <Lucy.Ellis@fma.govt.nz>  
**Subject:** RE: FMA extension to reporting deadline request

Dear [REDACTED]

We have internally discussed CA ANZ request for extension for audits of FMC financial reporting entities. This is what we will be proposing:

- Provide a no-action approach for FMC reporting entities with reporting dates 31 March 2021 until 31 December 2021
- Provide an extension of one month to file audited financial statements, moving it from 4 to 5 months, where the entity cannot file in time due to the auditor shortage caused by COVID-19 border related restrictions
- Entity has to provide us with a letter from their auditor that they are unable to complete the audit in the required time frame for the above reason
- Entities still should be able to get their financial statements prepared within 4 months
- Provide extensions for one month on any related disclosures that are linked to the completion of financial statements similar to our Covid Exemption

The final no action relief and any conditions applying are subject to final approval at FMA. We will communicate our final approach on our website and confirm that approach to you in writing.

Please note that this relief is intended to be one-off to address the acute short-term shortage arising as a result of the COVID-19 border related restrictions this year. We encourage the audit industry to look to alternative solutions to address any longer term shortages.



We will ask the audit firms to endeavour where possible to prioritise the work of FMC audits above other audits, as they have been identified by the government as public interest entities. We will also engage with the audit firms and professional bodies on long term solutions on auditor shortages.  
Please let us know if you have any comments or objections to our proposal. We would appreciate any responses by the COB 26 May.

Kind Regards,  
Jacco



**Jacco Moison** Head of Audit and Financial Reporting

T +64 9 300 0406 M +64 21 515 230

E [Jacco.Moison@fma.govt.nz](mailto:Jacco.Moison@fma.govt.nz)

Level 5, Ernst & Young Building

2 Takutai Square, Britomart, Auckland, 1010

PO Box 106 672, Auckland 1143, New Zealand

[www.fma.govt.nz](http://www.fma.govt.nz)



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**From:** [Redacted]

**Sent:** Friday, 7 May 2021 16:25

**To:** Jacco Moison <[Jacco.Moison@fma.govt.nz](mailto:Jacco.Moison@fma.govt.nz)>

**Subject:** FMA extension to reporting deadline request

Dear Jacco,

Further to our meeting last week, please find attached our formal request for an extension to reporting deadlines for FMC reporting entities, and equity, debt and fund issuers with balance dates up to and including 30 September 2021.

I am very happy to discuss this request with you if required.

Kind Regards,



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**Ariarna Hakaraia**

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**From:** Jacco Moison  
**Sent:** Wednesday, 26 May 2021 12:26 PM  
**To:** [REDACTED]  
**Cc:** Lucy Ellis  
**Subject:** RE: FMA extension to reporting deadline request

Dear [REDACTED]

I will be on leave this Friday, so we would appreciate if you could provide any feedback by email. I may contact you with some further questions on Monday if required.

Kind Regards,  
Jacco

**From:** [REDACTED]  
**Sent:** Wednesday, 26 May 2021 11:09  
**To:** Jacco Moison <Jacco.Moison@fma.govt.nz>; [REDACTED]  
**Cc:** Lucy Ellis <Lucy.Ellis@fma.govt.nz>  
**Subject:** RE: FMA extension to reporting deadline request

Hi Jacco,  
Thank you for your proposal around extension for audits of FMC financial reporting entities as detailed below. We are in the process of consulting with the audit providers that took part in the survey, and would appreciate an extra couple of days to do so thoroughly. If acceptable to you, we will send through our comments by COB Friday 28 May.  
I am happy to discuss via Zoom if better for you, otherwise we will be back in touch on Friday.  
Kind regards,  
[REDACTED]

[REDACTED]



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[REDACTED]

**From:** Jacco Moison <[Jacco.Moison@fma.govt.nz](mailto:Jacco.Moison@fma.govt.nz)>  
**Sent:** Thursday, 20 May 2021 3:17 PM  
**To:** [REDACTED]  
**Cc:** Lucy Ellis <[Lucy.Ellis@fma.govt.nz](mailto:Lucy.Ellis@fma.govt.nz)>  
**Subject:** RE: FMA extension to reporting deadline request

Dear [REDACTED]

We have internally discussed CA ANZ request for extension for audits of FMC financial reporting entities. This is what we will be proposing:

- Provide a no-action approach for FMC reporting entities with reporting dates 31 March 2021 until 31 December 2021
- Provide an extension of one month to file audited financial statements, moving it from 4 to 5 months, where the entity cannot file in time due to the auditor shortage caused by COVID-19 border related restrictions
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Please note that this relief is intended to be one-off to address the acute short-term shortage arising as a result of the COVID-19 border related restrictions this year. We encourage the audit industry to look to alternative solutions to address any longer term shortages.

We will ask the audit firms to endeavour where possible to prioritise the work of FMC audits above other audits, as they have been identified by the government as public interest entities. We will also engage with the audit firms and professional bodies on long term solutions on auditor shortages.

Please let us know if you have any comments or objections to our proposal. We would appreciate any responses by the COB 26 May.

Kind Regards,  
Jacco

**Jacco Moison** Head of Audit and Financial Reporting

T +64 9 300 0406 M +64 21 515 230

E [Jacco.Moison@fma.govt.nz](mailto:Jacco.Moison@fma.govt.nz)

Level 5, Ernst & Young Building

2 Takutai Square, Britomart, Auckland, 1010

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**From:** [REDACTED]  
**Sent:** Friday, 7 May 2021 16:25

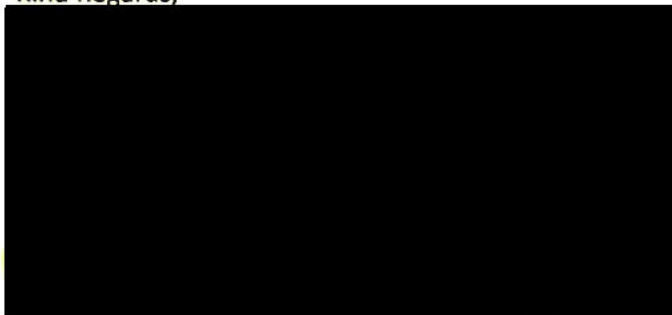
To: Jacco Moison <[Jacco.Moison@fma.govt.nz](mailto:Jacco.Moison@fma.govt.nz)>  
Subject: FMA extension to reporting deadline request

Dear Jacco,

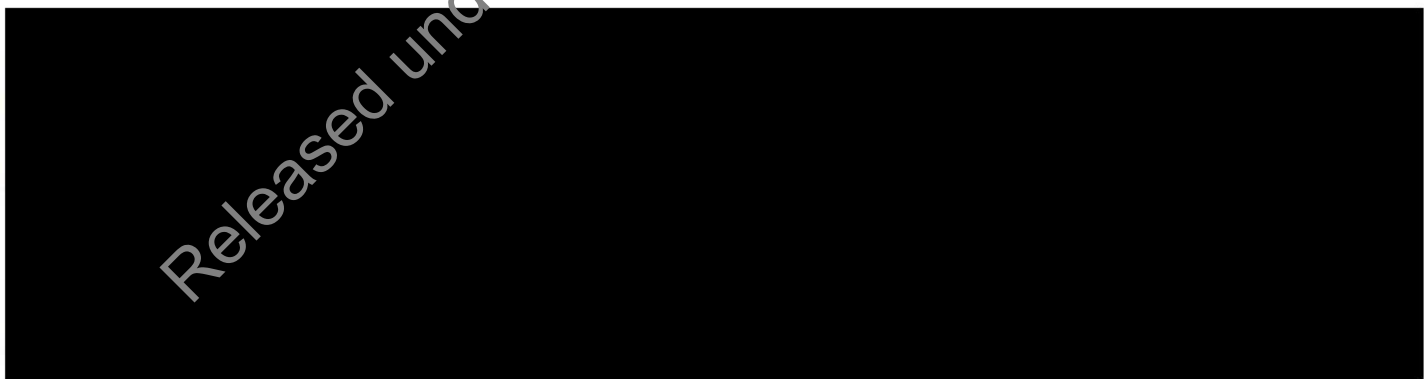
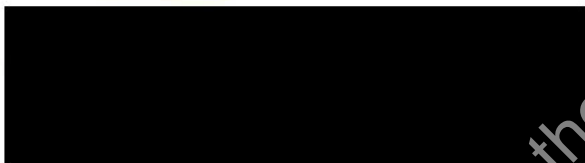
Further to our meeting last week, please find attached our formal request for an extension to reporting deadlines for FMC reporting entities, and equity, debt and fund issuers with balance dates up to and including 30 September 2021.

I am very happy to discuss this request with you if required.

Kind Regards,



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**Ariarna Hakaraia**

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**From:** [REDACTED]  
**Sent:** Friday, 28 May 2021 6:00 PM  
**To:** Jacco Moison  
**Cc:** [REDACTED]  
**Subject:** FMA extension to reporting deadline request

Dear Jacco

Thank you for your proposal in response to our request for an extension to the deadlines for audits of FMC reporting entities. We appreciate the FMA's willingness to provide relief and acknowledgement of the significant staff shortages across the audit profession. We believe a one month extension for both filing audited financial statements and for related disclosures will be useful for the profession.

However, we have concerns about the the proposed requirement for the entity to provide a letter to the FMA to access the extension. We believe such a requirement is likely to result in the audit profession not utilising the relief. In our view a blanket extension is much more more likely to be utilised and therefore much more effective in helping address the resourcing issue in the short term.

We shared the details of your proposal with some of the audit providers and have compiled the following feedback for your consideration. They have effectively validated our concerns.

- A blanket extension would send the right signal to the market about the critical shortage of auditors.
- The reasons for pressures on audit deadlines are complicated and intersecting, which would make it difficult to sign off on a letter directly referring to COVID 19 border restrictions as the reason for the extension request.
- The CA ANZ survey provides robust evidence that all audit firms are suffering from a shortage of auditors and should obviate the need for each entity seeking to access the extension to confirm the issue by letter.
- There is potentially a 'walk of shame' aspect to producing a letter, compared to simply having access to a blanket extension, which is likely to reduce uptake significantly or completely.
- Firms are concerned that a letter seeking an extension and referencing resourcing could affect the FMA's view of a firm's audit quality.
- Access to a blanket extension would be more straight forward.

We are happy to discuss this with you next week.

Kind regards, [REDACTED]

[REDACTED]



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**Ariarna Hakaraia**

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**From:** [REDACTED]  
**Sent:** Tuesday, 8 June 2021 12:28 PM  
**To:** Jacco Moison  
**Cc:** [REDACTED] Lucy Ellis  
**Subject:** RE: FMA extension to audit deadline for FMC entities

Hi Jacco,  
Thank you for the update, much appreciated.

Kind regards,  
[REDACTED]

**From:** Jacco Moison <Jacco.Moison@fma.govt.nz>  
**Sent:** Tuesday, 8 June 2021 8:14 AM  
**To:** [REDACTED]  
**Cc:** [REDACTED] Lucy Ellis <Lucy.Ellis@fma.govt.nz>  
**Subject:** RE: FMA extension to audit deadline for FMC entities

Hi [REDACTED]

As discussed last week our aim is to get it out by Friday this week.

Kind Regards,  
Jacco

**From:** [REDACTED]  
**Sent:** Friday, 4 June 2021 14:19  
**To:** Jacco Moison <Jacco.Moison@fma.govt.nz>  
**Cc:** [REDACTED]  
**Subject:** Re: FMA extension to audit deadline for FMC entities

Hi Jacco,  
I appreciate the update.

Kind regards,  
[REDACTED]

**From:** Jacco Moison <Jacco.Moison@fma.govt.nz>  
**Sent:** Friday, June 4, 2021 2:07:56 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: FMA extension to audit deadline for FMC entities

Hi [REDACTED]

We are running a small consultation at the moment across multiple agencies and the NZX. We expect to receive all responses on Tuesday.



I also will contact the audit firms with our expectation.

Regards,  
Jacco



**Jacco Moison** Head of Audit and Financial Reporting

T +64 9 300 0406 M +64 21 515 230

E [Jacco.Moison@fma.govt.nz](mailto:Jacco.Moison@fma.govt.nz)

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**From:** [Redacted]

**Sent:** Thursday, 3 June 2021 12:35

**To:** Jacco Moison <[Jacco.Moison@fma.govt.nz](mailto:Jacco.Moison@fma.govt.nz)>

**Cc:** [Redacted]

**Subject:** FMA extension to audit deadline for FMC entities

Hi Jacco,

Thanks for your time on Monday. It was helpful to discuss the FMA's thinking around how FMC entities best access the filing extension without submitting a letter to their clients. You mentioned circulating the revised wording to CA ANZ and others this week. Do you need any further input from us on this front?

Also, further to our discussion on auditor shortages and immigration solutions. We are meeting with [Redacted] tomorrow to discuss the possibility of MBIE sponsoring an application for a class border exemption for auditors. I will update you on progress when we next speak.

Kind regards,  
Charlotte

[Redacted]

[Redacted]



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[Redacted]

**Ariarna Hakaraia**

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**From:** [REDACTED]  
**Sent:** Friday, 11 June 2021 2:53 PM  
**To:** Lucy Ellis  
**Cc:** Jacco Moison; [REDACTED]  
**Subject:** RE: Temporary extension for certain reporting deadlines

Hi Lucy and Jacco,  
Thank you for the work you have done in the background to get this reporting deadline extension over the line. It will be helpful to audit providers, and to the industry as a whole.  
Have a lovely weekend.  
Kind regards,  
[REDACTED]

[REDACTED]

[REDACTED]



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[REDACTED]

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**From:** Lucy Ellis <Lucy.Ellis@fma.govt.nz>  
**Sent:** Friday, 11 June 2021 2:43 PM  
**To:** Lucy Ellis <Lucy.Ellis@fma.govt.nz>  
**Cc:** Jacco Moison <Jacco.Moison@fma.govt.nz>  
**Subject:** Temporary extension for certain reporting deadlines

Good afternoon

As discussed, the FMA is providing temporary relief to give some businesses additional time to comply with certain regulatory reporting requirements under the Financial Markets Conduct Act 2013 (FMC Act). This is in response to a shortage of experienced auditors in New Zealand related to the COVID-19 border restrictions. Relief is being made available through a class 'no-action' approach that gives eligible entities a one-month extension to file audited financial statements, comply with certain related reporting deadlines and other audits or assurance engagements under the FMC Act.

Today, we published [information](#) on our website in relation to this relief. This includes details on what FMC Act requirements the relief applies to, eligibility for the relief and the applicable conditions.

The relief is available for eligible entities with balance dates between 31 March 2021 and 31 December 2021. The no-action approach will apply if the entity is unable to comply with the relevant requirement within the original timeframe as a direct or indirect consequence of the auditor shortage and certain conditions are met.

The no action approach only relates to specified requirements under the FMC Act and FMC Regulations.

Thank you for the feedback provided during the development of this relief. If you have any questions, please contact either Jacco Moison or me.

Kind regards  
Lucy




**Lucy Ellis Acting Manager, Policy**  
T +64 4 495 1682  
E [Lucy.Ellis@fma.govt.nz](mailto:Lucy.Ellis@fma.govt.nz)  
Level 5, Ernst & Young Building  
2 Takutai Square, Britomart, Auckland, 6011  
PO Box 106 672, Auckland 1143, New Zealand

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7 May 2021

Jacco Moison  
Head of Audit and Financial Reporting  
The Financial Markets Authority  
PO Box 106 672,  
Auckland 1143,  
New Zealand

By email: [Jacco.Moison@fma.govt.nz](mailto:Jacco.Moison@fma.govt.nz)

Dear Jacco

Further to our meeting on 28 April, we are writing to formally request an extension to reporting deadlines for FMC reporting entities (as defined in the Financial Markets Conduct Act 2013), and equity, debt and fund issuers with balance dates up to and including 30 September 2021. Since March 2020 overseas recruitment has ceased due to the COVID-19 related border settings. This has resulted in an acute industry wide shortage of skilled and experienced senior audit staff.

To illustrate: according to the results of a survey of the 13 largest audit providers conducted by Chartered Accountants Australia and New Zealand in April 2021, prior to March 2020 on average:

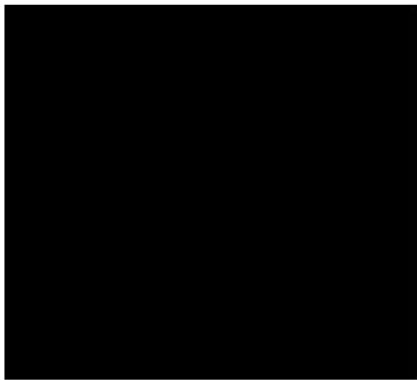
- 72 short term secondees were recruited from overseas member network firms for an average of 3-6 months each year; and
- 53 long term secondees per year were recruited from overseas member network firms for an average of 18-24 months each year; and
- 107 permanent international candidates were recruited each year.

We are concerned that staff shortages could lead to a heightened risk of audit quality deterioration as audit work is carried out by fatigued auditors and auditors lacking sufficient experience.

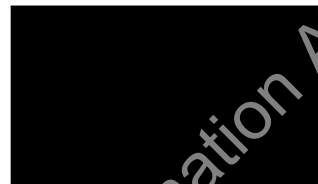
This talent shortage poses a significant risk to audit quality across the public and private sectors. A deterioration in audit quality enhances the risk of an erosion in investor and regulator confidence in reported results. This also poses a risk to the reputation of New Zealand's capital markets.



The extended reporting deadlines will help relieve pressure on resources for the audits of FMC entities, and equity, debt and fund issuers by allowing audit providers additional time for the quality completion of the audit process.  
We are happy to discuss our request with you if required.  
Kind regards,



[Redacted] Australia  
and New Zealand



Chartered Accountants Australia  
and New Zealand

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**From:** [Lucy Ellis](#)  
**To:** [REDACTED] [Helena Lewis](#); [Ivana Erceg Floerchinger](#); [Jacco Moison](#); [Alexandra McNair](#)  
**Cc:** [REDACTED] [Liam Mason](#)  
**Subject:** RE: CA ANZ request for extension to financial reporting deadlines  
**Date:** Monday, 17 May 2021 3:49:10 pm

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Just adding in the action point to talk to NZX about a waiver – in yellow below

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**From:** Lucy Ellis

**Sent:** Monday, 17 May 2021 3:24 PM

**To:** [REDACTED]

Helena Lewis <Helena.Lewis@fma.govt.nz>; Ivana Erceg Floerchinger <Ivana.ErcegFloerchinger@fma.govt.nz>; Jacco Moison <Jacco.Moison@fma.govt.nz>; Alexandra McNair <Alexandra.McNair@fma.govt.nz>

**Cc:** [REDACTED] Liam Mason <Liam.Mason@fma.govt.nz>

**Subject:** CA ANZ request for extension to financial reporting deadlines

Hi all

Thanks for attending today. Here's a brief summary of where we got to. Please add or amend as necessary.

#### Noted

- CA ANZ has requested additional time for FMC reporting entities to file audited financial statements
- This is needed due to a shortage of auditors in NZ a problem that has occurred because we rely on getting overseas auditors and can't get them due to COVID travel restrictions
- ASIC has granted a one month extension
- Last year during covid we granted similar relief via class exemptions but we think it might be quicker and more practical to use the covid no action approach developed last year
- This may also affect audits of non-FMC reporting entities (MBIE has been notified about this), other audit-like processes (e.g. assurance engagements) and also flow-on reporting obligations (that can't be completed without audited financial statements (see covid exemptions))
- There are a couple of thousand FMC reporting entities. Last time there was around a 20% uptake for covid exemptions – estimate this time will be around 5% based on auditors prioritising audits of FMC reporting entities
- It is desirable to ensure audits are completed properly and not rushed.
- We need to balance the interests of investors and ensuring they have access to sufficient information – one solution to consider might be allowing publication of unaudited statements
- Liam is willing to consider a no action approach.

#### What we want to find out

- Is one month enough to resolve the issue
- Is the Exemptions Division happy with this approach
- Does NZX need to grant relief/have any objections to our approach
- CA ANZ to confirm FMC reporting entities will be prioritised

#### Agreed

- We are happy with one month but not longer, for balance dates from 31 March – 31 December
- We want to make sure companies are completing their financial accounts on time so that they are aware of any issues they need to disclose (for public issuers). The relief should

- only be available due to the auditor shortage and not for other reasons
- We will use the covid no action approach
- This will be a class no action with only one decision memo and one approval
- FMC reporting entities to notify us of reliance and:
  - Provide a copy of letter from auditor confirming can't comply due to auditor shortage caused by covid
  - File copy of notice at Companies Office (same as covid exemption)
  - Complete audit or other obligation within one additional month
- We will publish a statement on our website

Action points

- Alex and Lucy to consider how to put this into effect
- Lucy to raise at Exemptions Division on Wednesday
- Ivana/Helena to talk to NZX to see if they will grant a waiver
- Jacco to prepare letter to CA ANZ to send after we get the go ahead from the Exemptions Division (i) telling them what we propose (ii) checking the one month extension will be sufficient to solve problem (iii) noting they need to be thinking of other solutions if this is not sufficient
- Lucy/Alex/Jacco to work on communication for website approval by Sarah/Liam

Lucy

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## MEMORANDUM

**TO** : Liam Mason

**FROM** : Jacco Moison/Lucy Ellis

**DATE** : 9 June 2021

**SUBJECT** : 'No action' to give one month extension for reporting deadlines given auditor shortage relating to COVID-19 border restrictions

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1. In May 2021, following a written request from CA ANZ, the Exemptions Division approved in principle a 'no action approach' to provide a one-month extension for filing audited financial statements (and completing certain consequential reporting or other audit obligations) where non-compliance is directly or indirectly caused by the shortage of auditors relating to the COVID-19 border restrictions. This is for balance dates from 31 March to 31 December 2021 (inclusive).
  - a) The Exemptions Division also delegated authority to the General Counsel to finalise and approve communications to give effect to this decision.
2. We have been working on information for the FMA's website to give effect to this no action and **attach** a draft for approval. We plan to publish this on Friday, 11 June 2021. We also intend to include a brief item in the FMA Update scheduled for 16 June.
3. We also **attach** a draft email to audit firms on the no action. This tells them about our expectation that they will consider the public interest when prioritising their audit work and requests that they consider any downstream impacts of a delay on other regulatory regimes such as the NZX Listing rules and RBNZ's prudential reporting requirements.
4. Please confirm by COB today (if possible) if you approve/don't approve publication of the draft website information by signing below. If you have any questions or comments, please let me or Jacco know.
5. I confirm that we followed the following approach in developing the draft information:
  - a) I drafted the information for the website, and it has been reviewed by Alexandra McNair and Jacco Moison. We are satisfied that it is accurately written, gives effect to the FMA's decision, and reflects the FMA's reasons.
  - b) We discussed our proposed approach with CA ANZ. They raised one issue that resulted in the change discussed in the next paragraph. Subject to this, they have confirmed that the no action will provide the necessary relief and address the situation giving rise to the need for an extension.
6. An entity that wants to rely on the no action will need to give notice to the FMA confirming that the non-compliance is due to the auditor shortage. Once we receive the notice, we will seek confirmation of this from the entity's auditors. This is slightly different to the original

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<sup>1</sup> Delegation Record: Minutes of Exemptions Division meeting #56 held on 19 May 2021 #[6405809](#).



proposal put to the Exemptions Division which was for the entity to provide the auditor's letter to us and register it on Disclose or the Companies Office register. This change has been made because the audit profession is concerned about the reputational risks if information that they have been slow to complete audits due to staff shortages is made public.

7. We have consulted with NZX, MBIE, CPA Australia, the Office of the Auditor General, the Companies Office, IRD, XRB, RBNZ and CPA Australia. Only RBNZ has raised any concerns.
8. RBNZ have not received a similar request for relief in relation to prudential returns or audited financial information. Their initial view is that they should not formally forbear on the timing of prudential returns or audited financial information, given the consequential supervisory impacts and data/publication issues. They were concerned about the optics if the FMA grants relief but RBNZ does not. After discussing the matter with them we have included a statement in the draft website information noting that the no action relief only applies to FMC Act requirements and businesses may need to engage with other regulators such as NZX or RBNZ if broader relief is required. We have also prepared a draft email to audit firms noting that we expect audit firms' cooperation in ensuring that the priority for completing audits will be audits of listed issuers and entities licensed by RBNZ. They confirmed that these changes would address their concerns.

Lucy Ellis, Acting Manager, Policy

**DRAFT APPROVED FOR PUBLICATION ON WEBSITE**

yes

no

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Liam Mason  
General Counsel

Date:

**Summary of no action**

The 'no -action' approach will give eligible entities, which are affected by the auditor shortage a one-month extension to file their audited financial statements and comply with certain related reporting deadlines and other audits or assurance engagements. The relief will be available for eligible entities with balance dates between 31 March 2021 and 31 December 2021. Entities will still need to prepare financial statements within the usual 4-month timeframe.

The no-action approach will apply if:

- the entity is unable to comply with the relevant requirement within the original timeframe as a direct or indirect consequence of the auditor shortage; and

- the conditions below are met.

The following conditions will apply:

1. The entity will have to notify us in writing on or before the original due date for compliance that it is relying on the no-action approach.
2. A copy of the notice to the FMA will have to be lodged with the Registrar.
3. The entity will have to comply with the requirement within one month of the original compliance date.

The no action will apply for the requirements in the table below (additional detail can be found in the draft website information).

Summary of requirement eligible for one-month extension	Who is affected
Requirement to lodge audited financial statements for FMC reporting entity or registered scheme	FMC reporting entities and managers of registered schemes
Requirement to update certain information on the offers register	Continuous equity and debt issuers
Requirement to prepare an annual report for a registered scheme	Managers of registered schemes
Requirement to make an annual fund update available and supply confirmation information to members	Managers of restricted schemes if the final annual earnings (which could be negative) that are distributed to the scheme participants are determined by reference to the scheme's audited financial statements
Requirement to call and hold an annual meeting	Managers of closed-ended schemes
Requirement to have financial product registers audited	Issuers of regulated products
Requirement to obtain assurance engagement in relation to: <ul style="list-style-type: none"> <li>• scheme property</li> <li>• client money or client property</li> <li>• compliance with the requirements in Sch 21C and reg 229ZA(2)(b)(iii) to (v) of the FMC Regulations; or</li> <li>• derivatives investor money or derivatives investor property.</li> </ul>	Custodians of registered schemes, custodians of financial products, non-NZX providers and derivatives issuers