

**Memorandum of Understanding between the  
Financial Markets Authority and the Controller and  
Auditor-General**

**Memorandum of Understanding (Memorandum) - updated 23 September 2024**

**between** (1) the **Controller and Auditor-General (the Auditor-General)**  
**and** (2) the **Financial Markets Authority (FMA)**

***Background***

- 1 The Auditor-General is an Officer of Parliament who carries out their role independently of the executive government and Parliament. Under the Public Audit Act 2001, the Auditor-General audits all public entities in New Zealand that are required to have their financial or other information audited.
- 2 The Auditor-General appoints auditors to carry out audits of public entities, including FMC reporting entities.<sup>1</sup> Appointed auditors may be the Auditor-General's employees, or other qualified auditors from private sector firms.
- 3 The FMA is an independent Crown entity established under section 6 of the Financial Markets Authority Act 2011. The FMA's main objective, as set out in section 8 of that Act, is to promote and facilitate the development of fair, efficient, and transparent financial markets. The FMA enforces securities, financial reporting, and company law as they apply to financial services and securities markets and its role is to help develop financial markets that efficiently allocate capital, operate with integrity and provide diverse investment opportunities for New Zealanders and international investors.
- 4 The FMA is also responsible for independent monitoring, supervision, and enforcement of Climate Related Disclosures by Climate Reporting Entities under the FMC Act.

***Quality reviews***

- 5 As part of its role, the FMA undertakes the oversight of New Zealand and overseas licensed auditors. An important part of this oversight is the audit quality review of all registered domestic audit firms and individual auditors who are not members of a registered audit firm at least once every 4 years.
- 6 Those reviews include an assessment of the system of quality management of the audit firm or licensed auditor in connection with the provision of audit services and a review of FMC audit files for compliance with auditing and assurance standards. The Financial Markets Conduct Act 2013 may arrange for an accredited body or any other suitably qualified person to carry out a quality review (in whole or in part) on its behalf.
- 7 Under section 15A of the Public Audit Act 2001 the Auditor-General may ask the FMA to arrange for a quality review of the systems, policies, and procedures applying to the

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<sup>1</sup> Defined in [section 451](#) of the Financial Markets Conduct Act 2013.

employees of the Auditor-General who assist in auditing FMC reporting entities.

- 8 Under the Auditor Regulation Act 2011 (section 67), the Auditor-General may agree to the FMA carrying out a quality review of the systems, policies, and procedures applying to appointed auditors (who are not employees) who assist in auditing FMC reporting entities.

***Purpose of Memorandum***

- 9 This Memorandum sets out:
- (a) the basis upon which quality reviews are to be carried out; and
  - (b) how the FMA will share information with the Auditor-General about Climate Reporting Entities.
- 10 Nothing in this Memorandum is intended to limit or affect the independence of either party or the requirement that each party act independently to fulfil its functions and obligations.

***Overarching principles of cooperation and coordination***

- 11 The Parties agree that in their dealings with each under this Memorandum they will:
- (a) cooperate in the performance of their respective functions;
  - (b) act in good faith, and approach issues in a timely, collaborative, open, and transparent manner;
  - (c) treat information exchanged in confidence, in accordance with statutory obligations;
  - (d) forewarn each other of actions taken or proposed to be taken, where appropriate, and of which the other might reasonably be expected to be advised; and
  - (e) maintain an appropriate degree of transparency on principles and practices relating to the performance of their respective functions.

***Purpose of Quality Review***

- 12 The purpose of a quality review under the Public Audit Act 2001 is to provide the Auditor-General with advice on whether the systems, policies and procedures (which apply to their employees) are satisfactory in terms of:
- (a) promoting, in relation to audits of FMC reporting entities, compliance with the auditing and assurance standards that apply to those audits: and
  - (b) otherwise promoting reasonable care, diligence and skill in carrying out of those

audits.

- 13 The purpose of a quality review agreed under section 67(2) of the Auditor Regulation Act 2011 is to provide the Auditor-General with similar advice in relation to appointed auditors (who are not employees) that audit public sector FMC reporting entities.

#### ***Process***

- 14 The Auditor-General will write to the FMA and request a quality review under section 15A of the Public Audit Act 2001. The FMA will undertake quality reviews of appointed auditors who carry out FMC audits on behalf of the Auditor-General but who are not employees as part of its regular reviews of licensed auditors. The FMA will advise the Auditor-General when it intends to carry out these reviews.

#### ***Reporting the results of Quality Review***

- 15 The quality reviewer will provide their initial findings to those persons with direct responsibility for the area being reviewed (**Affected Persons**). The Affected Persons will be given an opportunity to comment on the initial findings. After considering any comments from the Affected Persons, the FMA will report the results of the quality review, including any recommendations, to the Auditor-General.
- 16 The Auditor-General has stakeholders who rely on their independence and integrity. For this reason, the Auditor-General may report publicly the results of an FMA quality review of FMC audits carried out by employees. The Auditor-General will consult with the FMA before any public reporting takes place.
- 17 In line with section 74 of the Auditor Regulation Act 2011, the FMA may report publicly the results of an FMA quality review of FMC audits carried out by auditors who are not employees of the Auditor-General. The FMA will consult with the Auditor-General before any public reporting takes place.
- 18 The FMA must not disclose the results of any quality review to third parties without first consulting with the Auditor-General.

#### ***Access to information about licensed auditors***

- 19 The Auditor-General expects licensed auditors carrying out audits on behalf of the Auditor-General to provide relevant OAG quality assurance reports to the FMA for the purposes of the FMA carrying out a quality review of those licensed auditors. At the same time, the FMA agrees that licensed auditors carrying out audits on behalf of the Auditor-General are expected to provide relevant FMA quality review findings to the OAG for the purposes of the OAG carrying out a quality assurance review of those licensed auditors.

- 20 The Auditor-General and the FMA agree to share information relevant to their roles in connection with audit quality of licensed auditors and their firms. Where it relates to a quality review the information shared will be at the conclusion of the quality review. The advice will be limited to advising the OAG the nature of the finding.

***Climate reporting entities***

- 21 The Government has introduced a regime making climate-related disclosures (CRD) mandatory for certain large FMC reporting entities known as Climate Reporting Entities or CREs under Part 7A of the Financial Markets Conduct Act 2013 (FMC Act).
- 22 Under the Public Audit Act, the Auditor-General is the CRD assurance practitioner for public entities that are CREs.
- 23 The FMA is responsible for independent monitoring, supervision, and enforcement of the CRD regime under the FMC Act.
- 24 The FMA agrees to share with the Auditor-General information on the outcomes of its reviews of climate statements prepared by CREs for which the Auditor-General is the CRD assurance practitioner at the conclusion of the review and general information from its reviews of other climate reporting entities as appropriate.

***Maintaining confidentiality***

- 25 Without prejudice to or limitation of any applicable legal principles, each party will observe the strictest confidence in relation to information supplied under this Memorandum or derived from or based on any such information (**Protected Information**). Neither party will use or disclose Protected Information unless the use or disclosure is permitted or required or otherwise authorised by law, or authorised by the other, or is otherwise required to fulfil a statutory function.
- 26 Each party agrees to establish and maintain such safeguards as are necessary and appropriate to:
- (a) Keep Protected Information secure and protected;
  - (b) Ensure Protected Information is only accessed, used, modified and disclosed for legitimate business purposes; and
  - (c) Reduce the risk of loss or unauthorised access, use, modification or disclosure of Protected Information.

27 If one party is minded to disclose Protected Information to a third party, that party shall notify or consult with the other party in writing with reasonable notice to enable the other party to comment on the proposed disclosure.

***Cost of Quality Review of Audit New Zealand***

28 The Auditor-General agrees that the FMA can charge a fair fee for the quality review of Audit New Zealand in accordance with FMA's policies and practices and in accordance with section 15(1)(e) of the Auditor Regulations 2012. Fees are to be negotiated directly with the Executive Director of Audit New Zealand.

***Disputes***

29 When there is a disagreement over any matter related to issues in this Memorandum, the parties will seek to resolve the issue by negotiation at an operational level. If these negotiations fail, the matters will be referred to the Auditor-General and the Chief Executive of the FMA for discussion and resolution.

***Term of Memorandum***

30 This Memorandum remains effective unless terminated by either party (by giving 30 days written notice) or by mutual consent.

31 All confidentiality commitments between the parties will remain in effect despite any termination of this Memorandum.

32 This Memorandum may be amended at any time during its term by written agreement between the two parties.

33 This Memorandum will be made available on the FMA's website.



John Ryan  
Controller and Auditor-General



Samantha Barrass  
Chief Executive of the Financial Markets Authority

Date: 06 Dec, 2024