

FMC Reporting Entities Considered to have a Higher Level of Public Accountability (FMC HLPAs)

<p>Who is a FMC HLPAs</p>	<p>A FMC HLPAs is described in section 461K of the Financial Markets Conduct Act 2013.</p> <p>This category of FMC reporting entity includes:</p> <ul style="list-style-type: none"> • Equity issuers who make a regulated offer (and have more than 50 shareholders) • Debt issuers who make a regulated offer • Licensed derivative issuers • Licensed Managed Investment Scheme (MIS managers) (in respect of the financial statements of the MIS they manage) • Listed issuers • Recipients of money from conduit issuers • Registered banks • Licensed insurers • Credit unions • Building societies • Any other entity designated as having a higher level of public accountability by the FMA <p>For more information refer to the FMA’s website for information about FMC public accountability designations.</p>
<p>Where is this term used in the ISAs (NZ)</p>	<p>The NZAuASB has used the term “FMC HLPAs” to replace the term “listed entity” as used in the international auditing standards when adopting the international standards as the New Zealand standards. That is, in New Zealand, the international phrase “listed entity” should be read as “FMC HLPAs”.</p> <p>There are not many places where distinctions are made for the type of audit client. The following are examples of where the ISAs (NZ) refers to a FMC HLPAs:</p> <ul style="list-style-type: none"> • Mandatory engagement quality control review required • The auditor is required to report key audit matters (KAM) (from 2016 for listed issuers and from 2018 for all other FMC HLPAs) • The auditor is required to include an other information section in the auditors’ report and is required to identify

	<p>“other information” that was not received at the date of the report, but that is expected to be received.</p> <p>Tighter auditor independence requirements also apply under PES 1 (Revised).</p>
<p>Why has this change been made (Compelling reason)</p>	<p>The IAASB has made limited distinctions in the audit requirements of listed entities. This is not a commonly used or defined term in New Zealand. Historically, New Zealand Auditing standards referred to “issuers” instead of listed entities, but this change was only necessary in very limited circumstances, as in most instances there has not been any distinction by type of audit client, on the basis that an audit is an audit.</p> <p>The New Zealand economy is somewhat unique, characterised by comparatively larger proportion of unlisted entities that would have public accountability. There are a significant number of unlisted issuers who hold large amounts of investors’ funds. These entities carry large liabilities to investors. In New Zealand, most of the registered banks, insurers, non-bank deposit takers and kiwi saver schemes are not listed, whereas in other jurisdictions many of these types of entities may be listed. Given the nature and the importance of these entities to the New Zealand economy, the NZAuASB considers that there is a compelling reason to require the most stringent audit and independence requirements to apply.</p> <p>The NZAuASB has consistently changed the term “listed entity” to FMC HLPAs in the ISAs (NZ), to capture the most significant and publicly accountable entities to the New Zealand economy, and continues to believe that it is appropriate to do so for the reporting of key audit matters.</p>