

## FAQs

### **1. What is the practical change with the agreement with New Zealand, haven't auditors always been able to move between countries?**

Yes, auditors have always been free to move between countries, but, in most instances, there is a requirement to requalify in the jurisdiction they are transferring to. The main benefit of the Memorandum of Understanding on Reciprocal Arrangements (MOURA) and the signing of the Section 1221 (Companies Act 2006) declarations is that they remove the requirement to completely requalify.

The MOURA ensures that there is a quicker route to obtaining a license in the other party's jurisdiction. Depending on the applicants' circumstances they are required to only complete either a period of adaptation or aptitude tests in UK tax and law.

A period of adaptation will be 24 months' work experience in the UK under the supervision of an authorised supervisor. Additionally, the applicant will be required to achieve the practical audit work experience days set by an RQB to obtain an Audit Qualification.

Where an applicant is required to complete aptitudes test in UK tax and law, these are the tax and law examinations with the RQB's current Chartered Accountant qualification.

### **2. What do the Free Trade Agreements set out about pursuing these types of agreements?**

Each Free Trade Agreement (FTA) sets out different requirements in relation to the recognition of Professional Qualifications; however, in most cases it is the requirement for each jurisdiction to assess the other party's qualifications and determine if there are any compensating measures required to ensure that the applicant has sufficient skills and knowledge to competently perform the services required of them.

The UK signed an FTA with New Zealand in February 2022. Annex9A.3 Recognition of Professional Qualifications sets out that both parties should establish and operate systems for the recognition of professional qualifications obtained in the other party's jurisdiction. Therefore, the MOURA supports the FTA and both jurisdictions have introduced procedures to recognise each other's audit qualifications. The FTA allows for additional conditions to be applied to natural persons and these are set out in the MOURA and Section 1221 declarations.

### **3. Who does this apply to, will it be open to any auditor?**

For UK applicants seeking a New Zealand qualification, they will need to be member of ACCA, ICAEW, ICAI or ICAS and hold a UK Audit Qualification. If an AIA member has an Audit Qualification and decides to apply, then their qualification will be assessed at the time they apply. All applicants will be required to meet the application conditions as set by the Professional Bodies in New Zealand

For New Zealand applicants seeking Statutory Auditor status in the UK, they are required to hold an audit license to conduct FMC audits (Licensed Auditor) and complete aptitude tests in UK Tax and Law.

Additionally New Zealand applicants who meet either of the following may be eligible to apply and complete an adaptation period:

- a) Holds a CA qualification awarded by Chartered Accountants Australia and New Zealand (CAANZ) in New Zealand and passed the New Zealand variant of the Taxation paper.

Or

- b) Holds a CPA Qualification awarded by CPA Australia in New Zealand and also:
  - i. holds an accredited degree (under the joint CPA Australia and CAANZ scheme) or has completed the CPA Australia foundation papers; and
  - ii. has passed both the Advanced Auditing and Assurance elective paper and an elective paper in Taxation (New Zealand) or Advanced Taxation.

#### **4. Is there a risk that audit standards will fall in the UK?**

No, the FRC has conducted a thorough assessment of the New Zealand qualifications. We are satisfied that the New Zealand qualifications afford an assurance of professional competence in those who hold them which is equivalent to that afforded by a recognised professional qualification in the UK.

All New Zealand applicants are required to register with a Recognised Supervisory Body and therefore will be subject to the professional oversight required of all Statutory Auditors in the UK.

Potentially audit quality may increase; audit firms will be able to move staff more easily across jurisdictions ensuring that they employ the best people to conduct each audit. This means it is important to sign MOURAs with as many jurisdictions as possible where their auditors are of an equivalent professional competence.

#### **5. Are there some countries with which the FRC is more likely to sign MOURAs?**

Where there are Free Trade Agreements and good relationships with other countries then these may naturally be countries with which the FRC are more likely to reach an agreement.

However, a Free Trade Agreement is not a prerequisite to reaching an agreement. The FRC is happy to enter discussions with countries where our initial research indicates that their audit qualifications afford a similar professional competence to UK Audit Qualifications.

#### **6. Will this help to address the shortage in auditors or add to the pressure?**

Not necessarily, the net effect of movement of auditors from the UK to New Zealand and vice versa is likely to be minimal in the short term.

There is also a global shortage of auditors; however, this MOURA and future agreements will allow for easier movement of staff and being able to utilise expertise of staff on audits.

#### **7. Will the FRC add any additional checks to ensure standards remain high?**

No, it not necessary to do this. The FRC has conducted a thorough assessment of the third country qualifications and therefore once applicants (dependent on their circumstances) have completed either aptitude tests or an adaptation period then they are considered equivalent to UK holders of an Audit Qualification. If there is a material change

to the third country qualifications, then the FRC would reassess the agreement to ensure our standards remain high.

The FRC is the UK's audit regulator, and we oversee statutory audit in the UK. We issue audit and assurance standards and guidance. We monitor and enforce Public Interest Entity audit quality. We set eligibility criteria for auditors and oversee delegated regulatory tasks carried out by professional bodies. Any New Zealand applicant will be bound by the rules and regulations of the UK regime.

**8. How many agreements does the FRC expect to sign in total?**

There is no set number of agreements in total that the FRC aims to sign. The FRC is currently in discussions with several countries and in the process of assessing some third country qualifications.

The aim is to reach agreements to reduce the barriers of movement of auditors between jurisdictions where both parties are satisfied through their assessment process that the qualifications are of an equivalent professional competence.

**9. Will the FRC be giving an update on the countries it is already in discussions with and the likely progress?**

No, the FRC is in discussions with several countries but would not propose to provide an update until the likelihood of agreeing a MOURA is substantially high.

**10. Aren't you discriminating against Australians who hold the Chartered Accountant Australia and New Zealand (CAANZ) and CPA Australia (CPAA) qualifications?**

No, our MOURA is with the FMA in New Zealand. We are working on a MOURA with Australia and hope to reach an agreement very soon. In the meantime, it is appropriate that the MOURA only covers those who qualified in New Zealand. Nevertheless, we anticipate agreeing a MOURA with Australia in the coming months which would ensure Australians with CAANZ and CPAA qualifications will soon be able to benefit from an arrangement.

**11. What made you choose New Zealand. Do you have a prioritised list of countries you would like a MOURA with?**

Yes, there are some countries where our initial research has indicated that our audit qualifications are very similar and therefore it is sensible to focus on these countries first.

**12. How do I apply?**

The FRC will be issuing a detailed guidance note shortly. If you have any questions, please contact a UK RQB for more information.