

IFIAR 2020 Member Profile – FSC

<p>1. Jurisdiction</p>	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>Chinese Taipei</p>
<p>2. Member¹</p>	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Financial Supervisory Commission (FSC) 金融監督管理委員會</p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p><u>Postal Address:</u></p> <ul style="list-style-type: none"> • FSC: 18F., No.7, Sec. 2, Xianmin Blvd., Banqiao District, New Taipei City 22041, Taiwan • Securities and Futures Bureau (SFB): 85, Sec.1, Xin-Sheng S.Rd., Da-An District, Taipei, Taiwan <p><u>Telephone number:</u></p> <ul style="list-style-type: none"> • FSC: + 886 2 89680800 • SFB: + 886 2 87735100 <p><u>Website:</u></p> <ul style="list-style-type: none"> • FSC: www.fsc.gov.tw • SFB: www.sfb.gov.tw <hr/> <p>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</p> <p>The missions for establishment and responsibility of the FSC is to establish a professional oversight system for certified public accountants (CPAs) and safeguard the quality of the profession, so as to ensure that CPAs play their proper professional role in the economic sphere. According to Article 3 of the CPA Act (2007), the FSC becomes the statutory audit regulator, empowered to investigate and punish CPA firms, for the purpose of promoting the protection of the public interest, with an ultimate goal to enhance CPA oversight and improve financial report quality.</p>

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>																	
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The FSC currently has one chairman, two vice chairpersons, and four part time commissioners show as the following table. None of them is former practitioner before joining the FSC.</p> <table border="1" data-bbox="544 1070 1433 1751"> <tr> <td>Chairperson</td> <td>Wellington L. Koo</td> <td>Former Political Deputy Former President, Taipei Bar Association; Former President, Taiwan Bar Association</td> </tr> <tr> <td rowspan="2">Vice-Chairperson</td> <td>Chuang-Chang Chang</td> <td>Chairperson, Department of Finance, National Central University Dean, School of Management, National Central University</td> </tr> <tr> <td>Tien-Mu Huang</td> <td>Former Director General, Securities and Futures Bureau (FSC)</td> </tr> <tr> <td rowspan="4">Commissioner</td> <td>Jain-Rong Su</td> <td>Minister, Ministry of Finance</td> </tr> <tr> <td>Jong-Chin Shen</td> <td>Minister, Ministry of Economic Affairs</td> </tr> <tr> <td>Ching-Shiang Tsai</td> <td>Minister, Minister of Justice</td> </tr> <tr> <td>Mei-ling Chen</td> <td>Minister, National Development Council</td> </tr> </table> <p>The FSC is a central government agency established under the Executive Yuan as the competent authority responsible for financial supervisory</p>	Chairperson	Wellington L. Koo	Former Political Deputy Former President, Taipei Bar Association; Former President, Taiwan Bar Association	Vice-Chairperson	Chuang-Chang Chang	Chairperson, Department of Finance, National Central University Dean, School of Management, National Central University	Tien-Mu Huang	Former Director General, Securities and Futures Bureau (FSC)	Commissioner	Jain-Rong Su	Minister, Ministry of Finance	Jong-Chin Shen	Minister, Ministry of Economic Affairs	Ching-Shiang Tsai	Minister, Minister of Justice	Mei-ling Chen	Minister, National Development Council
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² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p>policies and businesses, and it carries out its duties independently in accordance with the law.</p> <p>The chairperson of the FSC is a minister appointed by the President on the recommendation of the Premier. The FSC has two vice chairpersons, both appointed by the President on the recommendation of the premier, and six to 12 commissioners. The Minister of Finance, the Minister of Economic and Energy Affairs, and the Minister of Justice shall serve as ex officio commissioners, as shall FSC commissioners who had been appointed before the amendment to “Organic Act Governing the Establishment of the Financial Supervisory Commission” enters into force (until the terms of their original appointments expire after the amendment to this Act enters into force). The other commissioners shall be appointed (or retained) by the Premier from among the heads of related government agencies as well as persons with academic expertise or work experience in a relevant field, to serve in a concurrent capacity. The term of any commissioner serving as the representative of a government agency shall begin and end when his or her position at that agency begins and ends.</p>
	<p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The FSC commissioners are nominated in terms of professionalism and independence to avoid conflicts of interest pursuant to Article 9 of the “Organic Act Establishing the Financial Supervisory Commission” (the FSC Organic Act).</p>
	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p>Not applicable</p>
	<p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

	<p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>1. According to the Civil Servant Act, no current FSC commissioner or personnel is allowed to serve as a practitioner or employee of a CPA/audit firm.</p> <p>2. A two-year of cooling off period is applied for former civil servants to further serve as practitioners pursuant to Article 45 of the CPA Act. That ensures the FSC’s commissioners and employees are free from the influence of the CPA profession.</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including any inspections, committee or panel role)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The FSC funds its operation from the government budget and fees levied from supervised institutions or licensed professionals, such as banks, securities related firms, and insurance companies, etc. No funding is raised from the CPA profession.</p>
	<p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>The FSC funds its operations from the government budget and the Financial Supervisory Fund levied from supervised institutions, such as banks, securities related firms, and insurance companies. No funding is raised from the CPA profession.</p>

5. Inspection System	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <p>The FSC auditor oversight and audit firm inspection functions are delegated to the Accounting and Auditing Supervision Division of the Securities and Futures Bureau (SFB) of the FSC - a division that has more than 30 staff members, most of whom have obtained CPA licenses or bachelor or above degrees majoring in accounting with several years of working experience in audit firms.</p> <hr/> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>Starting from 2009, audit firms that provide audit services for more than 100 public companies are subject to inspection at least once in a 3-year period. Firms that provide audit services for more than 10, but less than 100 public companies are subject to inspection at least once in a 6-year period. Other firms are subject to inspection on a risk basis.</p>
6. Audit and Financial Market	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member's oversight or mandate.</p> <p>1. As of the end of December 2019, the total number of registered audit firms was 2048. Among them, 61 firms undertaking audits of public companies were subject to inspection.</p> <p>2. There are 2,304 public companies in Taiwan up to December 2019 (included 941 companies listed in the Taiwan Stock Exchange (TWSE), 1029 companies listed in the Taipei Stock Exchange (TPEX) and 334 unlisted public companies).</p> <hr/> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</p> <p>The big 4 firms (Deloitte, KPMG, PwC, and EY) undertake more than 80% of audits of these public companies.</p>

7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p> <input checked="" type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____ </p>
	<p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p> <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight </p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>When a joint CPA firm or incorporated CPA firm applies for conducting the auditing and attesting of public companies' financial reports for the first time, it shall file the initial registration application with the FSC for approval. The application documents shall include guidance on promoting an internal culture of quality, guidance on ensuring that the firm complies with ethical requirements, determining whether the firm is able to accept or continue client relationships or specific engagements, managing the firm's human resources, ensuring that engagements are performed appropriately, ensuring that the firm's quality control system is relevant, adequate, and operating effectively. Any further alteration in registration information shall be notified to the FSC within 10 days since the alteration occurs.</p> <p>The FSC discloses at its website on an updated basis the approved list of audit firms to conduct audit services for public companies. The approved list covers the audit firm's name, address and telephone number.</p> <p>Link: http://www.sfb.gov.tw/ch/home.jsp?id=603&parentpath=0,8</p>
	<p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p> <input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight </p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other</p>

	<p>organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The Accounting Research and Development Foundation (ARDF), is the independent accounting and auditing standards setting body in Taiwan. Auditors are required to follow “the Taiwan’s Statements of Auditing Standards” (SAS) issued by the Auditing Standards Committee of the Accounting Research and Development Foundation (ARDF). The majority of Taiwan's current auditing standards, including SASs No. 1 through 72, were adopted with reference to the ISAs.</p> <hr/> <p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>According to CPA Act, the minimum education hours, subjects, sanction against violations, and any other matters related to the permanent education of auditors are regulated by the FSC. However, the National Federation of Certified Public Accountants Association of the R.O.C. (NFCPAA) is authorized by the FSC to implement professional education matters.</p> <p>To organize CPA professional education, the NFCPAA shall, pursuant to Article 60 of the CPA Act, establish a Professional Education Committee to be in charge of matters related to planning, implementation, and supervision.</p> <p>Where CPAs have not met the minimum professional education hour requirements, the NFCPAA shall report to the FSC. If the make-up hours are not completed within the time limit, the FSC will suspend professional practice against the CPA, void or revoke the CPA's practice registration.</p> <hr/> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p>
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	<p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p style="text-align: center;">N/A</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>The FSC has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation such as:</p> <ol style="list-style-type: none"> 1. Supervision of financial reports, financial forecasts, internal controls, and other financial information issued by publicly-held companies. 2. Review of the interpretations connected with the generally accepted financial accounting and audit standards. 3. Proposal of the enactment, amendments, repeal, and interpretations of the Futures Trading Act and related bylaws. 4. Proposal, planning, supervision and auditing of the administration managerial systems of futures enterprises, such as business management, internal controls, internal audits, and operation overall risk management.
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p><u>2019</u></p> <ol style="list-style-type: none"> 1. The FSC inspected three GPPC firms. 2. 15 disciplinary sanctions were taken against CPAs and the results were posted on the FSC’s website. 3. March 2019: The Taiwan’s Statements of Auditing Standards (TSAS) No. 71 “Using the Work of an Auditor’s Expert” was issued, which deals with the auditor’s responsibilities relating to the work of an individual or organization in a field of expertise other than accounting or auditing, when that work is used to assist the auditor in obtaining sufficient appropriate audit evidence. 4. August 2019: The Taiwan’s Statements of Auditing Standards (TSAS) No. 72 “Consideration of Laws and Regulations in an Audit of Financial Statements” was issued, which deals with the auditor’s responsibility to consider laws and regulations in an audit of financial statements.