



IFIAR 2019 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>Postal Address: . 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> <p>Telephone number: .FSC: 886 2 89680800 .SFB: 886 2 87735100</p> <p>Website link: .FSC:www.fsc.gov.tw .SFB: www.sfb.gov.tw</p> <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 1010 1434 1697"> <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> <ol style="list-style-type: none"> 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. 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>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>



<p>5. Inspection System</p>	<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>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <ol style="list-style-type: none"> 1. Currently, the FSC delegates the auditor oversight and audit firm inspection functions to the Accounting and Auditing Supervision Division of the Securities and Futures Bureau (SFB), which division has more than 30 staffs, most of whom have obtained CPA licenses or bachelor or above degree majoring in accounting with several years of working experience in audit firms. 2. 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>	<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> <ol style="list-style-type: none"> 1.As of the end of December 2018, the total number of registered audit firms was 2008. Among them, 66 firms undertaking audits of public companies were subject to inspection. 2. There are 2,366 public companies in Taiwan up to December 2018 (included 928 companies listed in the Taiwan Stock Exchange (TWSE), 766 companies listed in the Taipei Stock Exchange (TPEX) and 672 unlisted public companies). <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>



<p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p>	<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 organization and its composition (i.e. whether practitioners from the</p>



	<p>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 65, were adopted with reference to the ISAs.</p>
	<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>
	<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> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit</p>



	<p>profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <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>NA</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>2009~2014:</p> <ul style="list-style-type: none"> • The FSC has commenced the inspection activities since 2009. From 2009 to 2012, the FSC has done inspections on the all big-4 firms and ten medium/small size firms for the first inspection cycle. • The FSC entered into Cooperative Arrangement with the Public Company Accounting Oversight Board (PCAOB) of United States in 2011. • The FSC has conducted joint inspection on two and one of the big-4 firms with US PCAOB in 2013 and 2014 respectively. The general inspection reports (summarized report without noting detailed inspection findings of each firm) from 2009 to 2014 have been disclosed on the FSC website (also available in English). • The European Commission adopted a decision to recognize Taiwan’s auditor oversight system as equivalent to the European Union’s on June 13 2013. • The FSC joined IFIAR Enforcement Working Group (EWG) in June 2013.



2015

1. The FSC inspected four medium-size audit firms.
2. The FSC hosted the 15th IFIAR plenary meeting and the 1st Enforcement Workshop in Taipei.
3. The Statements of Assurance Engagements Standard SAES No. 1 was released. The FSC required the CPAs to issue the assurance report in CSR reports of the food industry and the CPAs shall follow the SAES No.1. The FSC also held the related outreach activities.
4. The Taiwan's Statements of Auditing Standards (TSAS) No. 57 "Forming an Opinion and Reporting on Financial Statements" was issued based on the International Standard on Auditing (ISA) 700 (Revised,2015).

2016

1. The FSC conducted joint inspections with PCAOB of 2 big- 4 audit firms and inspected 2 medium-size audit firms.
2. 5 disciplinary sanctions were taken against CPAs and the results were posted on the FSC's website.
3. April, 2016: The Taiwan's Statements of Auditing Standards (TSAS) No. 58 "Communicating Key Audit Matters in the Independent Auditor's Report" was issued, which deals with the auditor's responsibility to communicate key audit matters in the auditor's report.
4. July, 2016: The Taiwan's Statements of Auditing Standards (TSAS) No. 59 "Modifications to the Opinion in the Independent Auditor's Report" was issued, which deals with the auditor's responsibility to issue an appropriate report in circumstances when, in forming an opinion in accordance with SAS No.57, the auditor concludes that a modification to the auditor's opinion on the financial statements is necessary.
5. July, 2016: The Taiwan's Statements of Auditing Standards (TSAS) No. 60 "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent" was issued, which deals with additional communication in the auditor's report when the auditor considers it necessary to draw users' attention to a matter or matters presented or disclosed in the financial statements.
6. Nov, 2016: The Taiwan's Statements of Auditing Standards (TSAS) No. 61 "Going Concern" was issued.
7. Dec, 2016: The Taiwan's Statements of Auditing Standards (TSAS) No. 62 "Communication with those Charged with Governance" was issued, which deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements.

2017

1. The FSC conducted joint inspections with PCAOB of 1 big- 4 audit firms and inspected 1 big- 4 audit firm and 1 medium-size audit firm.



	<ol style="list-style-type: none"> 2. 13 disciplinary sanctions were taken against CPAs and the results were posted on the FSC's website. 3. March, 2017: The Taiwan's Statements of Auditing Standards (TSAS) No. 63 "Initial Audit Engagements—Opening Balances" was issued. The objectives of the auditor with respect to opening balances are to obtain sufficient appropriate audit evidence about whether opening balances contain misstatements that materially affect the current period's financial statements; and appropriate accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, or changes thereto are appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework. 4. June, 2017: The Taiwan's Statements of Auditing Standards (TSAS) No. 64 "Agreeing the Terms of Audit Engagements" was issued, which deals with the auditor's responsibilities in agreeing the terms of the audit engagement with management and, where appropriate, those charged with governance, including establishing that certain preconditions for an audit, responsibility for which rests with management and, where appropriate, those charged with governance, are present. 5. Oct, 2017: The Taiwan's Statements of Auditing Standards (TSAS) No. 65 "Review of Interim Financial Information" was issued, which states with establishing standards and providing guidance on the auditor's professional responsibilities when the auditor undertakes an engagement to review interim financial information of an audit client, and on the form and content of the report. 6. November, 2017: The Taiwan's Statements of Auditing Standards (TSAS) No. 66 "Written Representations" was issued, which deals with the auditor's responsibility to obtain written representations from management in an audit of financial statements.(1) Written representation is a written statement by management provided to the auditor to confirm certain matters or to support other audit evidence. <p>2018</p> <ol style="list-style-type: none"> 1. The FSC inspected 1 big- 4 audit firm and 3 medium-size audit firm. 2. 5 disciplinary sanctions were taken against CPAs and the results were posted on the FSC's website. 3. January, 2018: The Taiwan's Statements of Auditing Standards (TSAS) No. 67 "Related Parties" was issued, which deals with the auditor's responsibilities relating to related party relationships and transactions in an audit of financial statements. 4. July, 2018: The Taiwan's Statements of Auditing Standards (TSAS) No. 68 "Communication Deficiencies in Internal Control to Those Charged with Governance and Management" was issued, which deals with the auditor's responsibility to communicate appropriately to those charged with governance and management deficiencies in
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	<p>internal control that the auditor has identified in an audit of financial statements.</p> <ol style="list-style-type: none"><li data-bbox="528 383 1444 622">5. July, 2018: The Taiwan's Statements of Auditing Standards (TSAS) No. 69 "External Confirmation" was issued, which deals with the auditor's use of external confirmation procedures to obtain audit evidence in accordance with the requirements of SAS No. 49 and 53. The objective of the auditor, when using external confirmation procedures, is to design and perform such procedures to obtain relevant and reliable audit evidence.<li data-bbox="528 633 1444 909">6. September, 2018: The Taiwan's Statements of Auditing Standards (TSAS) No. 70 "Audit Evidence—Specific Considerations for Selected Items" was issued, which deals with specific considerations by the auditor in obtaining sufficient appropriate audit evidence, in accordance with SAS No.49 and 53; and other relevant SAS, with respect to certain aspects of inventory, litigation and claims involving the entity, and segment information in an audit of financial statements.
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