

Taiwan Independence Rules

Taiwan is still in the process of adopting the international ethics standards as published by the IFAC. Before such time, the existing ethics standards still need to be followed. The existing standards can be summarized as follows.

Taiwan Independence Rules

Professional Ethics Standards No. 10 states the following:

The standards require an accounting firm to establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel can maintain independence when providing non-assurance services to an assurance client. Care should be taken to avoid providing the following non-assurance services to an assurance client to avoid self-interest.

- 1) In the process of providing services, the firm or its personnel can approve or execute a transaction on behalf of the client.
- 2) The firm or its personnel can make major decisions for the client.
- 3) The firm or its personnel reports to the client's board of directors in the role of management.
- 4) Safe custody of the client's assets
- 5) Review the work of the client's employees and provide evaluation feedback.

- 6) Assist the client in preparing source documents to back up the existence of transactions such as preparing a purchase order or a sales order.

Professional Ethics Standards No. 10 allows an accounting firm to provide bookkeeping services to an assurance client if the following conditions can be met.

- The client has the responsibility for reviewing the accounting record.
- The firm does not participate in the client's decision-making.
- Bookkeeping work is carried out by a person within the firm that does not have audit responsibility.
- The firm and its related parties cannot provide bookkeeping services to an assurance client that is a public company.

It is interesting to note that there is no mention of payroll services or cash disbursement services in the existing ethics standards. However, if in the process of performing these services to an assurance client, the firm needs to keep safe

custody of the client's money, then this non-assurance service should be avoided. On the other hand, if the assurance client is a private entity that can manage its own cash and only outsources the processing work to the firm, then it is possible for the firm to do this work without violating Taiwan's ethics standards.

Our firm's managing partner Jay Lo is a member of the ethics committee at Taipei's CPA association. If in doubt, please contact Jay Lo for more information.

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