

Principles for Preparation of Transparency Reports by Audit Firms

2021.12

1. The transparency report shall provide information that is fact-based, not potentially misleading and not oriented toward marketing or selling services.
2. An audit firm shall prepare the transparency report in accordance with this principles. The transparency report shall include at least the following:
 - (a) The history and overview of the audit firm, including the headcounts of partners and auditors.
 - (b) A description of the business overview, legal and ownership structure of the audit firm and its affiliated entities. Affiliated entities hereby refer to the subsidiaries and associates in accordance with the definitions of IFRS.
 - (c) Where the audit firm is a member of a network:
 - (i) A description of the network and the legal and structural arrangements in the network;
 - (ii) The name of the member firm, the countries in which the member firm operates, its registered office, central administration or principal place of business;
 - (iii) A description of the principal obligation, rights and governance structure between the member firm and the network where it belongs to;
 - (d) A description of the governance and management structures of the audit firm, including job responsibility, the types of decisions they take, how its governance structures and management operate, the names and job titles of the members of its governance and management board, how they are elected or appointed and their tenures, etc.
 - (e) A description of risk management and quality control system of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning. Where the audit firm is a member of a

network shall further disclose the risk management and quality control and support received from the network, including whether the member firm adopt the network's audit methodology, the result of the quality assurance reviews conducted by the network and the compliance of policy of the network.

- (f) Information concerning the audit quality of the audit firm (also see attachment).
 - (g) A statement concerning the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted.
 - (h) Information concerning the basis for the partners' remuneration in the audit firm.
 - (i) A description of the audit firm's policy concerning the rotation of audit partners.
 - (j) The proportion of revenues from audit services and non-audit services to the revenues from public and non-public companies respectively received by the audit firm and its affiliated entities.
3. An audit firm is encouraged to disclose information concerning the improvement of audit quality in the transparency report, such as the plans or initiatives taken to foster professional skepticism or audit quality; or information concerning the enhancement of independence or the quality of decision making, such as the diversity within management level; or information concerning the audit profession, such as the types of industries or sectors, the number or the name list of the public companies audited by the audit firm in the previous year.
4. An audit firm shall publish the transparency report on its website and shall keep it remain available on that website for at least five years from the day of its publication on the website. An audit firm is allowed to update its published transparency report. In such a case, the audit firm shall notify its authority and keep the original version of the

report remain available on the website.

Attachment: Information Concerning the Audit Quality

An audit firm shall prepare a transparency report in accordance with “The AQI Disclosure Framework and Template” and related guidance, and disclose the data of the latest year (the inspection result for the most recent inspection)

Dimension	AQI	Relevance
Profession	Audit Experience	Whether auditors possess enough audit experience.
	Training Hours	Whether auditors receive enough training.
	Attrition Rate	Whether the firm maintains sufficient human resources
	Professional Support	Whether the firm is equipped with sufficient experts, including CAAT specialists and financial appraisers.
Quality Control	Workload	Whether partners are loaded with excessive engagements or work overtime.
	EQCR	Whether EQC reviewers spend sufficient time on engagement.
	Quality Supporting Capacity	Whether the firm is equipped with sufficient resources to support audit teams.
Monitoring	External Inspection Results & Enforcement	Whether the firm’s compliance with quality control system and engagement is satisfactory.
	Number of Official Improvement Letters Issued by Authority	

