

# 中国注册会计师执业准则

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## China Standards on Auditing, Review, Other Assurance, Related Services & Quality Control

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Developed by the Chinese Institute of Certified Public Accountants

Approved by the Ministry of Finance, PRC

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## China Standards on Auditing, Review, Other Assurance, Related Services & Quality Control

中国注册会计师协会拟订

Developed by the Chinese Institute of  
Certified Public Accountants

中华人民共和国财政部发布

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# **Notice of Ministry of Finance of P. R. C. on Promulgating China CPA Practising Standards**

Cai Kuai [2006] No. 4

To the Ministries and Commissions concerned under the State Council, Finance Departments or Finance Bureaux of the Provinces, Autonomous Regions, Centrally Governed Municipalities,

In order to regulate the conduct of public accounting by the Certified Public Accountants, enhance the quality of their services, protect the public interest, and promote the healthy development of the socialist market economy, the Chinese Institute of Certified Public Accountants ("CICPA") has developed "China General Standard on Assurance Engagements" and 21 specific Standards, and revised "China Standard on Auditing No. 1142— Consideration of Laws and Regulations in an Audit of Financial Statements" and 25 other specific Standards (hereinafter collectively referred to as "China CPA Practising Standards"). China CPA Practising Standards are now approved to be promulgated and become effective from January 1, 2007. As a result, "General Independent Auditing Standard" and related specific standards are withdrawn upon China CPA Practising Standards becoming effective.

If there are any matters concerning the implementation of China CPA Practising Standards, please contact the CICPA .

Attachment: China CPA Practising Standards

Ministry of Finance of the People's Republic of China  
February 15, 2006

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# China General Standard on Assurance Engagements

## Chapter 1 General Provisions

**Article 1** The purpose of this Standard is to establish standards for the practitioner<sup>①</sup> on conducting an assurance engagement, and define the objectives and elements of an assurance engagement and identify engagements to which China Standards on Auditing(CSAs), China Standards on Review Engagements (CSREs) and China Standards on Other Assurance Engagements (CSOAEs) apply. This Standard is in accordance with Law of the People's Republic of China on Certified Public Accountants.

**Article 2** Assurance engagements include audits and reviews of historical financial information, and assurance engagements other than audits and reviews of historical financial information.

When performing assurance engagements, such as audits and reviews of historical financial information and other assurance engagements, a practitioner should follow this Standard, and CSAs, CSREs and CSOAEs, which are based on this Standard.

**Article 3** The term“Certified Public Accountant” in this Standard refers to a person who has obtained the CPA certificate and takes practice in an accounting firm, or the firm with which he or she is associated.

The term“elements of an assurance engagement” in this Standard refers to a three party relationship, a subject matter, criteria, evidence and an assurance report.

**Article 4** When performing an assurance engagement, the practitioner should abide by the Code of Ethics for Certified Public Accountants (the Code) and China Standards on Quality Control (CSQCs).

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<sup>①</sup> It refers to the Certified Public Accountant who is a member of the Chinese Institute of Certified Public Accountants (CICPA).

## Chapter 2 Definition and Objective of an Assurance Engagement

**Article 5** “Assurance engagement” means an engagement in which a practitioner expresses a conclusion on a subject matter information designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information.

“Subject matter information” is the outcome of the evaluation and measurement of a subject matter against criteria, such as the information about the recognition, measurement, presentation and disclosure represented in the financial statements (subject matter information) resulted from applying Accounting Standards for Business Enterprises (criteria) for recognition, measurement, presentation and disclosure, to an entity’s financial position, financial performance and cash flows (subject matter).

**Article 6** Subject matter information should properly reflect the application of the criteria to the subject matter. If the subject matter information does not properly reflect the application of the criteria to the subject matter, subject matter information may be misstated, potentially to a material extent.

**Article 7** Assurance engagements can be divided into assertion-based engagements and direct reporting engagements.

In assertion-based engagements, the evaluation or measurement of the subject matter is performed by the responsible party, and the subject matter information is in the form of an assertion by the responsible party that is made available to the intended users. For example, in audit of financial statements, the financial statements (subject matter information) which result from the recognition, measurement, presentation and disclosure (evaluation or measurement) by management (responsible party), to an entity’s financial position, financial performance and cash flows (subject matter) are assertions of the responsible party. The practitioner issues an auditor’s report regarding the financial statements that are available to the intended users. These engagements are called “assertion-based engagements”.

In direct reporting engagements, the practitioner either directly performs the evaluation or measurement of the subject matter, or obtains a representation from the responsible party that has performed the evaluation or measurement that is not available to the intended users. The subject matter information is provided to the intended users in the assurance report. For example, in an assurance engagement regarding internal control, the practitioner may not be able to obtain the evaluation report (assertions of the responsible party) on the effectiveness of internal control from management (responsible party), or the report is not available to the intended users although the practitioner is able to obtain it. The practitioner issues an assurance report by directly evaluating the effectiveness of internal control (subject matter). The

information about the effectiveness of internal control (subject matter information) is only available to the intended users in the assurance report. These engagements are called “direct reporting engagements”.

**Article 8** The level of assurance for an assurance engagement is divided into reasonable assurance and limited assurance.

The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the practitioner’s conclusion. For example, in an audit of historical financial information, practitioners are required to reduce the audit risk to an acceptably low level, provide high level assurance (reasonable assurance) regarding the audited historical financial information, and express the conclusion in the positive form in the auditor’s report. These engagements are called “reasonable assurance engagements”.

The objective of a limited assurance engagement is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement as the basis for a negative form of expression of the practitioner’s conclusion. For example, in a review of historical financial information, practitioners are required to reduce the review risk to an acceptable level in the circumstances of the engagement (higher than the acceptably low level in audits of historical financial information), provide assurance lower than the high level assurance (limited assurance) regarding the reviewed historical financial information, and express the conclusion in the negative form in the review report. These engagements are called “limited assurance engagements”.

## Chapter 3 Engagement Acceptance

**Article 9** Before accepting an assurance engagement, the practitioner should obtain preliminary knowledge of the engagement circumstances.

Engagement circumstances include the terms of the engagement, the characteristics of the subject matter, the criteria to be used, the needs of the intended users, relevant characteristics of the responsible party and its environment, and events, transactions, conditions and practices that may have a significant effect on the engagement.

**Article 10** After obtaining preliminary knowledge of the engagement circumstances, the practitioner may accept the engagement as an assurance engagement only when relevant ethical requirements, such as independence and professional competence, are satisfied and the engagement to be accepted exhibits all of the following characteristics:

- (a) The subject matter is appropriate;
- (b) The criteria to be used are suitable and are available to the intended users;

- (c) The practitioner has access to sufficient appropriate evidence to support the practitioner's conclusion;
- (d) The practitioner's conclusion is expressed in a written report, and the expression style is appropriate with respect to the assurance level; and
- (e) The practitioner is satisfied that there is a rational purpose for the engagement. The engagement does not have a rational purpose if there is a significant limitation on the scope of the practitioner's work or the engaging party intends to associate the name of the practitioner with the subject matter in an inappropriate manner.

**Article 11** When a potential engagement cannot be accepted as an assurance engagement because it does not exhibit all the characteristics in Article 10, the practitioner may request the engaging party to identify it as a non-assurance engagement (a related service engagement such as agreed-upon procedure, compilation, consulting, tax service engagement) to meet the needs of intended users.

**Article 12** If the original criteria of an assurance engagement were not suitable, the practitioner may consider the engagement as a new assurance engagement when it meets one of the following conditions:

- (a) The engaging party can identify an aspect of the original subject matter for which those criteria are suitable, and the practitioner could perform an assurance engagement with respect to that aspect as a subject matter in its own right. But the practitioner should make it clear in the assurance report that the report does not relate to the original subject matter in its entirety; or
- (b) Alternative criteria suitable for the original subject matter can be selected or developed.

**Article 13** For an accepted assurance engagement, the practitioner should not change that engagement to a non-assurance engagement, or from a reasonable assurance engagement to a limited assurance engagement without reasonable justification.

When a change in circumstances has affected the intended users' requirements, or a misunderstanding of the nature of the engagement occurs, the practitioner may agree with the change in the engagement upon request by the engaging party. If such a change is made, the practitioner should not disregard evidence that was obtained prior to the change.

## Chapter 4 Three Party Relationship of an Assurance Engagement

**Article 14** Assurance engagements involve three separate parties: a practitioner, a responsible party and intended users.

The responsible party and the intended users may be from different entities or the same entity.

**Article 15** A practitioner may accept all kinds of assurance engagements that are in accordance with the requirements of Article 10.

If an assurance engagement requires specialized skills and knowledge beyond those possessed by a practitioner, the practitioner may use the work of experts to help to perform the assurance engagement. In these circumstances, the practitioner should be adequately involved in the engagement and understand the work for which any expert is used, and obtain sufficient appropriate evidence to be certain that the engagement team, including the experts, collectively possesses the requisite skills and knowledge.

**Article 16** The responsible party is the organization or person(s) who:

- (a) In a direct reporting engagement, is responsible for the subject matter; or
- (b) In an assertion-based engagement, is responsible for the subject matter information, and may be responsible for the subject matter.

The responsible party may or may not be the party who engages the practitioner.

**Article 17** The practitioner ordinarily requests the responsible party to provide a written representation indicating that the responsible party has evaluated or measured the subject matter against the identified criteria, whether or not it is to be made available as an assertion to the intended users.

In a direct reporting engagement, the practitioner may not be able to obtain such a representation when the engaging party is different from the responsible party.

**Article 18** The intended users are the organization or person(s) for whom the practitioner prepares the assurance report. The responsible party can be an intended user, but not the only one. The practitioner may not be able to identify all those who will read the assurance report, particularly where possible readers are likely to have a broad range of interests in the subject matter. In such cases, the practitioner should identify the intended users in accordance with the terms of agreement with the engaging party, or with the relevant law or regulation.

Whenever practical, the assurance report should be addressed to all the intended users.

**Article 19** Whenever practical, intended users or their representatives should be involved with the practitioner and the responsible party (and the engaging party if different) in determining the requirements of the engagement.

Regardless of the involvement of others however, the practitioner should be responsible for determining the nature, timing and extent of procedures for an assurance engagement and pursue any matter the practitioner becomes aware of that leads the practitioner to question whether a material modification should be made to the subject matter information.

- Article 20** When assurance engagements are designed for specified intended users or a specific purpose, the practitioner should consider including a restriction in the assurance report that limits its use to those users or that purpose.

## Chapter 5 Subject Matter

- Article 21** The subject matter and subject matter information of an assurance engagement can take many forms, such as:

- (a) Financial performance or conditions (for example, historical or prospective financial position, financial performance and cash flows) for which the subject matter information would be the financial statements.
- (b) Non-financial performance or conditions (for example, performance of an entity) for which the subject matter information may be key indicators of efficiency or effectiveness.
- (c) Physical characteristics (for example, capacity of a facility) for which the subject matter information may be a specifications document.
- (d) Systems and processes (for example, an entity's internal control or IT system) for which the subject matter information may be an assertion about effectiveness.
- (e) Behavior (for example, compliance with regulation) for which the subject matter information may be a statement of compliance or a statement of effectiveness.

- Article 22** Subject matters have different characteristics, including the degree to which information about them is qualitative versus quantitative, objective versus subjective, historical versus prospective, and relates to a point in time or covers a period. Such characteristics affect the following:

- (a) Precision with which the subject matter can be evaluated or measured against criteria; and
- (b) The persuasiveness of available evidence.

The assurance report notes characteristics of particular relevance to the intended users.

- Article 23** An appropriate subject matter should exhibit all of the following qualifications:

- (a) Identifiable;
- (b) Capable of consistent evaluation or measurement against the identified criteria by different organizations and persons; and
- (c) Such that the information about it can be subjected to procedures for gathering sufficient appropriate evidence by the practitioner to support an appropriate assurance conclusion.

## Chapter 6 Criteria

**Article 24** Criteria are the benchmarks used to evaluate or measure the subject matter including, where relevant, benchmarks for presentation and disclosure.

Criteria can be formal, for example in the preparation of financial statements, the criteria may be Accounting Standards for Business Enterprises, and can be informal, for example entity's internally developed code of conduct or an agreed level of performance.

**Article 25** Suitable criteria are required for reasonably consistent evaluation or measurement of a subject matter within the context of the practitioner's professional judgment.

Suitable criteria should exhibit the following characteristics:

- (a) *Relevance*: relevant criteria contribute to conclusions that assist decision-making by the intended users;
- (b) *Completeness*: criteria are sufficiently complete when relevant factors that could affect the conclusions in the context of the engagement circumstances are not omitted. Complete criteria include, where relevant, benchmarks for presentation and disclosure;
- (c) *Reliability*: reliable criteria allow reasonably consistent evaluation or measurement of the subject matter when used in similar circumstances by similarly qualified practitioners;
- (d) *Neutrality*: neutral criteria contribute to conclusions that are free from bias;
- (e) *Understandability*: understandable criteria contribute to conclusions that are clear, comprehensive, and not subject to significantly different interpretations.

The evaluation or measurement of a subject matter on the basis of the practitioner's own expectations, judgments and individual experience would not constitute suitable criteria.

**Article 26** The practitioner should assess the suitability of criteria for a particular engagement by considering whether they reflect the characteristics represented in Article 25. The practitioner is required to use professional judgment so as to assess the relative importance of each characteristic to a particular engagement.

Criteria can either be those that are embodied in laws or regulations, or issued by authorized or recognized bodies of experts that follow a transparent due process, or be those specifically developed for the purpose of the engagement. Whether criteria are authorized or specifically developed affects the work that the practitioner carries out to assess their suitability for a particular engagement.

**Article 27** Criteria should be available to the intended users to allow them to understand how the sub-

ject matter has been evaluated or measured. Criteria are made available to the intended users in the following ways:

- (a) Publicly;
- (b) Through inclusion in a clear manner in the presentation of the subject matter information;
- (c) Through inclusion in a clear manner in the assurance report;
- (d) By general understanding, for example the criterion for measuring time in hours or minutes.

When identified criteria are available only to specific intended users, or are relevant only to a specific purpose, use of the assurance report should be restricted to those users or for that purpose.

## Chapter 7 Evidence

### Section 1 General Requirements

**Article 28** The practitioner should plan and perform an assurance engagement with an attitude of professional skepticism and obtain sufficient appropriate evidence about whether the subject matter information is free from material misstatement.

The practitioner should document the engagement plans developed, procedures performed, relevant evidence obtained, and conclusions reached on a timely basis.

**Article 29** The practitioner should consider materiality, assurance engagement risk, and the quantity and quality of available evidence when planning and performing the assurance engagement, in particular when determining the nature, timing and extent of evidence-gathering procedures.

### Section 2 Professional Skepticism

**Article 30** An attitude of professional skepticism means that the practitioner makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that contradicts or brings into question the reliability of documents or representations by the responsible party.

**Article 31** An assurance engagement rarely involves the authentication of documentation, nor is the practitioner an expert in such authentication. However, the practitioner should consider the reliability of the information to be used as evidence, including consideration of the effectiveness of relevant controls over their preparation and maintenance.



If conditions identified during the audit cause the practitioner to believe that a document may not be authentic or that terms in a document have been modified, the practitioner investigates further, for example confirming directly with the third party or considering using the work of an expert to assess the document's authenticity.

### Section 3 Sufficiency and Appropriateness of Evidence

**Article 32** Sufficiency is the measure of the quantity of evidence, mainly related to the sample size determined by the practitioner. Appropriateness is the measure of the quality of evidence, that is, its relevance and its reliability.

The quantity of evidence needed is affected by the risk of the subject matter information being materially misstated, that is, the greater the risk, the more evidence is likely to be required. The quantity of evidence needed is also affected by the quality of such evidence, that is, the higher the quality, the less evidence may be required.

Sufficiency and appropriateness of evidence are interrelated. However, merely obtaining more evidence may not compensate for its poor quality.

**Article 33** The reliability of evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained.

The practitioner ordinarily considers the reliability of evidence according to the following principles:

- (a) Evidence obtained from independent sources outside the entity is more reliable than evidence obtained from other sources;
- (b) Evidence generated internally when the related controls are effective is more reliable than evidence generated internally when the related controls are poor;
- (c) Evidence obtained directly by the practitioner is more reliable than evidence obtained indirectly or by inference;
- (d) Evidence existing in documentary form (whether paper, electronic, or other media) is more reliable than evidence represented in oral form;
- (e) Evidence provided by original documents is more reliable than evidence provided by facsimiles or photocopies.

In assessing the reliability of evidence by applying (a) to (e) above, the practitioner should recognize that significant exceptions may exist.

**Article 34** When evidence obtained from different sources or of different nature regarding a particular assertion is consistent, evidence related to that assertion is ordinarily more persuasive.

When evidence obtained from one source or of a nature is inconsistent with that obtained from another source or of another nature, it may indicate that an individual item of evidence