



几种现行国际审计原理

麦克劳

中英对照

SOME AUDIT PRINCIPLES CURRENTLY USED IN INTERNATIONAL PRACTICE

By Roderick Kingman Macleod,
Coopers & Lybrand Representative in China.
With Chinese Translation

上海市会计学会

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序 言

两年前，上海会计师事务所给了我一个极大的荣誉：邀请我在该所的会议上作了一系列四个演讲。现在他们将这些演讲印成这本书来出版，更倍增了对我的荣誉。

读者们将认识到这四份简短的报告只是对这一题目作肤浅的介绍，虽然有它的局限性，我希望对于两类的读者或有所帮助：一部分只是想在审计方面得到一些简单的介绍，如它的目的为何，如何来做；另一部分是他们已经能将这个作为起点来应用，即来作为决定他们需要作进一步研究的骨架。

从计划这些演讲后的短短两年中，中国发生了很多的事情！在这些短时期里有着很多的发展和很多的变化。首先是国务院已公布成立审计长。其次是由于增加了对外商业关系显示了需要审计师来监查这些活动的几个方面。例如：税法规定中外合资企业申报税款的财务报表必须附有审计师的报告。

这些发展标志着中国经济发展计划的某种目的出现，是可以用来审计的术语来适用的。虽然不是我所叙述的一切西方原理和实务都对那些目的有用，无疑地在其他方面将有所发展。如何来适应和决定何者可用，何者不可用，以及如何来弥补缺口，是一个鞭策和创造性的工作。我希望从事这项工作的人将认为这本书是有些作用的。

麦克劳

1982年11月

PREFACE

Two years ago, the Shanghai Certified Public Accountants gave me a very great honor; an invitation to give a series of four lectures at meetings of the Office. Now they have doubled and redoubled the honor by deciding to publish the lectures in this book.

Readers will recognize that these four short reports can only give a superficial introduction to the subject. As limited as they are, I hope that they will be of some use to two groups of readers: some who want only a brief introduction to auditing, what it is for, and how it is done; and some others who can use it as a starting point, a framework for deciding what else they might want to investigate further.

So much has happened in China in the short two years since these lectures were planned ! There has been so much development, so much change, in so short a time. For one thing, it has been announced that the State Council has ordered the establishment of a State Audit Agency. For another thing, increasing business relations with foreigners have shown the need for auditors to monitor some aspects of those activities. For example: the tax laws governing joint ventures require that financial statements filed with tax returns be accompanied by an auditors' report.

Those developments indicate the emergence of certain

objectives of China's economic development plans which can be served by the technology of auditing. Not all of the Western principles and practices that I have described will be useful in serving those objectives, and no doubt others will have to be developed. The task of making the adaptation, of deciding what to use and what not to use, and of filling in the gaps, will be a challenging and creative one. I hope those who work on it will find this book of some use.

Roderick K. Macleod

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MANAGEMENT USES OF AUDITS

The purpose of this paper is to describe the needs of management which can be met in whole or in part by various kinds of audits, and to describe how audits are organized and executed to satisfy those needs. "Management" refers to persons who have the responsibility for the performance of an organizational unit, which in most cases is the production unit or service-delivery unit, but which may include any higher level of management responsible for groups of smaller units.

There are three broad categories of uses to which audits are put:

1. Audits to lend credibility to management's assertions: an independent auditor "attests" to the reasonableness of the assertions to add credibility to them, so this category has come to be called the "attest function".
2. Audits to verify compliance with management's policies: and so called the "compliance function".
3. Audits to investigate actual or suspected problems: to find out what is wrong, the extent of the problem, and sometimes how to fix it. This is called the "investigatory function."

Please note that the third category is only one of the three: many people in all countries, including China, believe all audits

are "investigatory." They are not: in fact we believe that the first two categories are more useful in more different ways than the third.

As in every other human activity, real-life audits do not fall neatly into those categories. They are useful for the purpose of discussion and understanding, but real audits often serve two or even all three of the functions, with varying degrees of emphasis on each. After describing the kinds of audits and their uses, we will describe how the audit work can be planned and tests selected from among the available techniques so as to achieve the audit objective efficiently and effectively. In this paper we will not describe in detail how these techniques are executed.

The Attest Function

There are many occasions for management to prepare a statement containing assertions which will only serve its purpose if it is believed, beyond question, by others who are not close enough to the enterprise to be able to make their own check on it. Since management has its own self-interest involved in any statement it prepares, there is an unavoidable possibility of "bias"—whether consciously "painting the best picture", or unconsciously reflecting support of management's sincere decisions.

One way—in Europe and America we believe the best way—to reassure "users" of the statement that it is objective and unbiased is to employ an independent expert to examine it and

“attest” that it “presents fairly” the information it contains. (We use the term “presents fairly” to emphasize that no statement can be precisely accurate, and that “fair” presentation is adequate for all practical purposes.) That independent attestation “lends credibility” to management’s self-interested statement.

There are many different kinds of independent experts involved in attestation. While the subject of this paper is auditors, it should be recognized that auditors are not the only ones involved in the attest function. Engineers, appraisers, lawyers, doctors, and scientists may perform the function within their special fields of competence. For example, engineers may attest to estimates of oil or mineral reserves, or appraisers may attest to estimated values of anything from diamonds to real estate.

The value of the attestation—how much “credibility” it lends, is directly based on and related to the statement users’ opinion about how objective and independent the attester is. For example, in the U.S. auditor’s reports are highly valued and relied on because of the strict standards imposed on auditors and enforced by the courts, whereas in some parts of the country real estate appraisals are not highly valued because of the feeling that “they’ll say anything management wants them to say.”

The following are the principal varieties of statements which auditors are asked to attest to:

Financial Statements. Financial statements prepared by management are used for a wide variety of purposes by Western

managements. Those purposes may have not existed or may have been unimportant in China since Liberation, and some of them still are—we will not even discuss the latter. In other cases, financial statements seem to be serving new purposes as changes take place in China's financial and management practices, and where they are useful, their usefulness should be increased by an accompanying auditor's attestation.

The first and most obvious use is as the basis for income tax assessment under the recent Joint Venture Income Tax Law and the related regulations. Those regulations require financial statements of joint ventures to be prepared and filed; they also requires that they be audited. The following question is worth examining in some detail: what is the management purpose served by these financial statements?

The answer usually given in the West is: their purpose is to comply with the law. That is a true statement, but a superficial one, because why does the law exist? The answer to that question is: to provide the tax authorities with the information on which to assess tax. That is also true, but also superficial because there are other ways to provide the necessary information: the use of audited financial statements by tax authorities is common in Europe, but other means are used in the U.S.

A better answer is: financial statements prepared by management are an orderly, efficient way of providing information to management and other interested parties. Since good business practice calls for these statements to be prepared periodically for other purposes, it is both efficient and economical to use

them as the basis for income taxation.

One of management's purposes is to pay its fair and proper tax with as little controversy or other trouble as possible—that is, to have good, orderly relations with the tax authorities. Those good relations are maintained and controversies prevented in the first instance by conscientious preparation of the financial statements. But the possibility of bias can only be minimized if the statements are attested to by an auditor. If the auditor's attestation—more commonly called a "report", or "opinion"—is respected and accepted by the tax authorities, as is the case in most of Europe, management's purpose is served as well as that of the tax authorities.

I wonder if this practice may not spread in China. We hear that some enterprises will be paying tax instead of remitting all earnings to the state. Won't they be filing financial statements, too, and won't they find an auditor's report equally useful? We hear that some enterprises will be borrowing from the Bank for various purposes. Will the Bank make its own investigations or will it find, as Banks in the West have found, that it is better for both management and the Bank to rely on audited financial statements? Those of you who have participated in discussions with Western potential business partners know how many questions they ask and how long it sometimes takes to answer them. How much time could be saved if you could hand them an audited financial statement to read for answers to many (but certainly not all) of their questions?

Attesting to Other financial assertions. There are other state-

ments about financial matters that management must make and which are more useful if attested. These are "special purpose" statements made to meet one particular need, and therefore the possible varieties are as infinite as the possible needs of management for unbiased communication with another party.

One common example is statements of royalties due. A Chinese enterprise might agree to pay a royalty for using a Western patent—perhaps $7\frac{1}{2}$ cents for every item produced. From time to time management must submit a statement showing how many items were produced, and how much is payable to the licensor. Since the Chinese management could save money if it understates production, how can the licensor, 10,000 miles away, be satisfied that the self-interest has not affected the statement? One way is to have an auditor in whose objectivity he has confidence make tests of the records and attest to the royalty statement. Many royalty agreements in the West contain requirements for periodic audits.

Another example is cost reports. In many purchases, the price cannot be completely fixed in advance, and payment must be made on the basis of cost reports. Either the quantity to be paid for (such as man-hours worked or cubic meters of earth moved) or the amount to be paid per unit (usually "cost") may be based on actual experience. The seller's statement of the actual experience will be more acceptable to the buyer if it is audited. In this type of transaction, it is more common for the seller to agree that the buyer may send auditors if it wishes to; and for the buyer to audit some, but not all of the

statement data.

Forecasts and Projections. An important part of any feasibility study is the forecast (or projection) of the financial results to be expected. (The difference between the terms is that a forecast implies a judgment that the results are likely to occur, while a projection is a computation of the financial implications of a plan without any judgment of the likelihood of occurrence.) Whichever is intended, it is necessarily based on many factors including many judgments by the preparer. The user can, and often wishes to, make his own projection to check that of the preparer. Where he does not do so, the preparer may have the projection audited so as to add credibility to it.

Another example is—"Preemptive Audits" of Contracts, a field which may be of more interest in China in the future than during this period of readjustment, when there are fewer large contracts with foreigners.

A contract for construction or delivery of high-technology products is a form of statement by the seller containing many explicit and implicit assertions: for example that product meeting certain specifications will be delivered at a certain time, that the most efficient and least costly methods will be used, that there will be no hidden problems or dangers in the product, etc. Each of those overall assertions is composed of many—sometimes hundreds—of specific assertions. Methods to be used, for example, include not only direct production methods, but the following planning and scheduling practices: procurement methods and timing; financing methods and costs; insurance

methods and costs; equipment types and their effect on material, labor and maintenance costs; numbers and qualifications of supervisory personnel; type and timing of quality control tests; and many other factors.

A buyer of such a contract should make sure that the seller has the specific means of fulfilling all those promises—even very sophisticated buyers in the U.S. have been badly disappointed by contractors' failure to carry out express and—especially—implied contract terms. And there have been many more instances where failure to plan fully in advance of performance has led to costly delays, out-of-balance conditions (such as too many workers for the available materials or equipment) or improper work requiring rework.

How does a buyer check on the validity of the assertions? Preferably, the buyer should have a staff of engineers and accountants responsible for the negotiation and execution of the contract who, themselves, verify all of the assertions in the contract. However, sometimes the buyer cannot do that. There may not be sufficient staff available, or they may have other duties; or distance or language barriers may be obstacles.

In that event, the buyer can employ an auditor to attest to the validity of the assertions by examining and testing the underlying plans, procedures manuals, and other documents. This is a time consuming process, and a highly specialized one. Only a few auditors have the necessary knowledge of this kind of complex construction or production activity, plus the knowledge of how to design effective audit procedures.

This type of audit is very new and still in its evolving stages. It has no generally accepted name, but we call it "preemptive auditing" because it gives the buyer a chance to "preempt" some of the contractors decisions, if the buyer disagrees with them before the work is started and both parties are committed.

The principle of the attest function. Note an underlying principle of the attest function: it is for the purpose of lending credibility to a statement that is presumed to be correct. There is no assumption of any wrong-doing, in fact the opposite is assumed. While the auditor assumes that the statement to be examined is correct, he must gather his own independent evidence so as to have a basis for his own, independantly arrived at, opinion to that effect.

Since the auditor's attestation is sought by management for its own purposes, the auditor is welcomed and all possible assistance is given to him so as to expedite his work and hold down the cost. When differences of opinion arise as to any of the assertions included in the statement—as they must arise from time to time—the auditor and management work together in a spirit of harmony and cooperation to find the best way to "present fairly" the matter being questioned.

This principle affects the structure of the audit plan, what tests are done, and how they are evaluated. Those subjects will be taken up in a later section.

The Compliance Function

How does management make sure that its policies are being

complied with?

One of management's principal duties—some would say the most important duty—is to establish policies for all members of the enterprise to follow in the common effort to achieve enterprise objectives. The workers and supervisors, even though motivated by all possible dedication and enthusiasm, may misunderstand or forget, or may encounter conditions which make it impossible to follow certain policies. In a few instances, people may become lazy, or dishonest, or may think they know better—with the result that they shortcut or disobey policies.

We are told that Chinese enterprises customarily rely on the enthusiasm of the workers to indentify and report deviations from policy. That is certainly an indispensable element of enterprise success, and it should be cultivated for many reasons. But how much time do workers have to observe the work of others? And how much time should they take? And even if they have time, how can one worker understand the specialized details of technical policy governing a worker in another job?

In the US and Europe, it is thought better to rely on trained specialist auditors, employing sophisticated audit techniques according to a systematic plan—thereby giving management positive assurance of compliance. Good workers know the possibility of honest error or inability to comply due to conditions beyond their control, and so they are the first to want such conditions corrected. They also want bad workers discouraged, exposed, or corrected. Therefore the compliance audit function is accepted, even welcomed.