



Audit of Foreign Invested Enterprises

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**LEHMANBROWN**  
雷博國際會計  
International Accountants



## Audit of Foreign Invested Enterprises

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Foreign Invested Enterprises (FIEs) refers to enterprises founded in China by foreign enterprises, economic organisations or individuals, the registered capital of which is subscribed and contributed by a foreign investor(s).

In accordance to the relevant laws and regulations, FIEs are required to hire Chinese CPAs to conduct an annual audit of the company's financial statements. The objective of an audit is to ensure that financial statements meet Chinese accounting standards, whilst also ensuring they truly and fairly reflect the company's financial position and operating results. Put simply, the function of auditing is to enhance the credibility of the financial statements.

In China, an annual audit is also called a statutory audit, which means it is mandatory by law. However, statutory audit should not be viewed as a duty imposed to FIEs by external forces. For the company itself, be it for the business, tax or internal control purposes, an audit can be very valuable and beneficial.

By the audit process, the auditors enhance the usefulness and the value of the financial statements, including:

### ■ Fairness of Financial Statements

Giving an opinion on the fairness of the financial statements is generally regarded as the main focus of the auditors. An audit serves as a “double-check” on what management believes is correct. The auditors provide unbiased opinion on financial statements and accounting treatment.

### ■ Ability of Going Concerns

The auditor will make an assessment of the company's ability as a going concern. When events or conditions have been identified which may cast significant doubt, the auditor will review managements plans for future action based on its going concern assessment and gather sufficient and appropriate audit evidence to confirm or dispel whether or not a material uncertainty exists through carrying out any procedures considered necessary.

### ■ Tax Risk and Advice

The auditor will analyse what the tax risks are and give appropriate advice to the company in order to avoid or minimize tax risks through understanding of the nature of the companies business and the tax treatment adopted by the company. Alternatively, the auditor could be in a position to provide advice on tax planning through an in-depth understanding of the companies business and the various tax laws and regulations issued by the authorities.

## ■ Internal Controls

The company should maintain a sound system of internal control to safeguard both the shareholders investment and the companies assets. In the process of audit, the auditor will conduct a review of the effectiveness of the internal control systems of financial, operational and risk management. If there are internal control deficiencies, the auditor shall communicate directly with the management in written form, such as a management letter, and provide some practical recommendations of how to address the issues identified.

## ■ Fraud

Fraud refers to intentional acts resulting in (quantitative and/or qualitative) misstatement in financial statements. Fraud, as it relates to financial statements, may be categorized into two types:

- a) Misstatements arising from fraudulent financial reporting to mislead/deceive users of financial statements; and
- b) Misstatements in financial statements arising from misappropriation of assets.

When auditors suspect that there are misstatements in the financial statements due to fraud, they would perform necessary and sufficient auditing procedures to confirm or dispel their suspicion about the existence of misstatements.

The above are matters of corporate governance as well as reporting and are all concerns for the auditor. If the auditor obtains evidence to support a view that fraud may exist or evidence confirming that a significant misstatement or operation risk does exist, he would communicate the misstatement to the appropriate level of management and to the director, if applicable. By promptly communicating these issues to management, the auditor facilitates adjustments and appropriate changes so that the financial statements will be able to meet the objective of truly and fairly reflecting the companies financial position and operating results. The auditors should maintain an attitude of professional scepticism at all times. Excellent auditors can always identify problems in time and provide practical recommendations to the company to avoid risks. Consequently, auditing serves as a valuable function rather than just helping the company in fulfilling a statutory requirement in China.

## 外商投资企业审计

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外商投资企业指外国的公司、企业、其他经济组织或者个人，依照中国法律在中国境内设立的并且资本由外国投资者投资的企业。

根据中华人民共和国（中国）的相关规定，外商投资企业需要聘用中国的注册会计师对公司的财务报表进行年度审计。目的是为了确外商投资企业的财务报表符合中国的会计准则，并且真实公允的反映公司的财务状况和经营成果。简单地说，审计的作用是提高了财务报表的可信度。

在中国，年度审计也被称为法定审计。但法定审计不仅仅是外界强加给企业的一项义务，对于企业本身无论是在经营上、税务上、财务上还是内部控制上，审计也是可以带来很多额外的附加价值。通过审计，审计人员可以提高了的财务报表用途和价值包括：

### ■ 财务报表的公正性

对财务报表是否公允发表意见被认为是审计人员的核心工作。审计是对管理层认为正确信息的复核。审计师会对财务报表及账务处理提供相对中立的观点。

### ■ 持续经营的能力

在审计的过程当中审计人员会对企业的可持续经营能力做评估。当出现让审计师对企业的持续经营产生疑虑的情形时，审计人员会根据评估的结果对管理层的未来规划进行复核，并通过执行审计程序，收集足够的审计证据来确认或者消除关于可持续经营的不确定因素。

### ■ 税务风险和建议

审计人员通过对企业业务性质的了解和税务的账务处理，分析企业的税务风险点在哪里，并提出合理的建议以规避潜在的税务风险；或者，通过对业务性质的分析和对国家颁布的税法及各项法规的透彻研究，为企业提供合理避税的建议。

## ■ 内部控制

企业应该建立完善的内部控制系统来保护股东的投资和公司的资产。在审计过程中，审计人员会对财务、经营、风险管理方面内部控制系统的有效性进行评估。如果企业存在内部控制的缺陷，审计人员将会通过书面的形式，如管理层建议书，或其他适当的方式与管理层直接沟通所存在的问题，并且提出确实可行的改善建议。

## ■ 欺诈

欺诈是指公司或管理层通过一些有意的行为造成财务报表（质上或者量上）的错报。关于财务报表的欺诈可以分为两类：

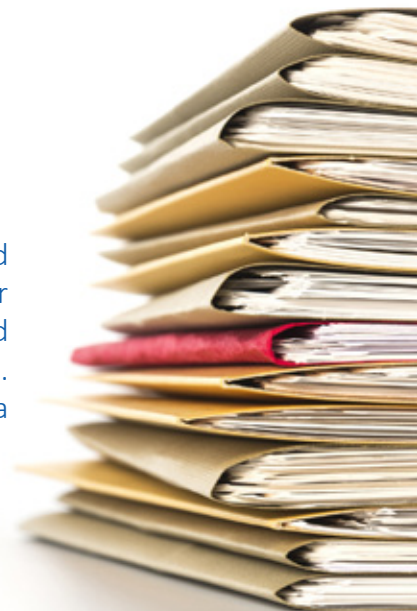
- （一）通过财务数据造假来误导或欺骗使用财务报表的人；
- （二）由资产的不合理分配引起的报表错报。

当审计人员怀疑存在财务报表欺诈行为时，他们将执行必要的审计程序来确认或者消除他们对于错报是否存在的疑虑。

上述这些与企业管理和财务报表相关的事物都是审计人员关注的。如果审计人员取得证据证明欺诈、重大错报、经营风险确实存在，他们会就财务报表错报与合适级别的管理层进行沟通交流，如果可以，也可以与董事会沟通交流。通过与管理层及时的沟通，审计人员会对财务报表做一些调整，来达到财务报表真实的、公允的反映企业的财务和经营情况的目标。审计师应该持有专业怀疑的态度，出色的审计师可以及时发现问题让企业规避风险。由此可见审计是一项非常有价值的服务，并不仅仅是为了满足中国的法律法规要求。

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## About Us

Founded in 2001, LehmanBrown is a China-focused accounting, taxation and business advisory firm, operating in Beijing, Shanghai, Hong Kong, Macau, Shenzhen, Guangzhou and Tianjin. Our firm also manages an extensive affiliate network, providing service throughout China and reach across the globe.

Combining years of international expertise with practical Chinese experience and knowledge, LehmanBrown offers expert advice and support to both local and international clients. Within the mid - tier, we are regarded as a market leader and our clients enjoy access to a combination of senior and experienced counsellors from both China and abroad.

At LehmanBrown we recognise that you are unique, that you have unique requirements and we are committed to providing individually tailored financial solutions. LehmanBrown is dedicated to providing personalised service by working closely with our clients to understand your individual business needs. This enables us to offer the most up-to-date and expert advice.

## 关于我们

雷博国际会计成立于2001年，是一家获得许可，主要从事有关中国范围内会计、税务和财务咨询服务的公司，在北京、上海、香港、澳门、深圳、广州和天津设有专门办事机构，正积极在全国范围内建立广泛的联合专业服务网络。

综合多年的国际经验和对中国市场的深刻理解和实践体验，我们向广大国内外的客户提供高质量的专业服务和意见帮助。在雷博国际会计的服务过程中，我们作为市场中的佼佼者，您将得到来自中国本土以及其它国家的高级资深专家热忱的咨询帮助。

我们深刻认识到每一位客户都是独一无二的，并都有其独特的业务需求。雷博国际会计承诺将根据客户的不同业务需求，为客户提供个性化的财务解决方案。我们的专业人员将密切与您合作，以充分了解您独特的业务需求，从而提供满足您所需要的高时效、高质量的专业服务。

## Professional Services

### Audit & Assurance

#### External Audit

China Statutory Audit

US GAAP Audit

IFRS Audit

Hong Kong Statutory Audit

#### Internal Audit

Fraud Investigation

Forensic Accounting

#### Special Purpose Audit

Foreign Currency Audit

Royalty Audit

Capital Verification Audit

### Valuation Services

#### Corporate Valuation

Damage Assessment Valuation

Intellectual Property Valuation

Asset Valuation

Special Purposes Valuation

### Corporate Finance

Debt Restructuring

Acquisition, Disposal & Financing

### Mergers & Acquisitions

Transaction Advisory

M&A Divestiture

M&A Integration

Financial Due Diligence

## Business Services

### Company Registration & Maintenance

Cash Flow Management

Chop Custodian Services

Market Entry Advisory

Updating Company Certificates

Annual Inspection & Reporting

Company Secretarial Services

Company Ownership Transferring/Corporate Restructuring

Background/Credit Checking

Company Deregistration & Bankruptcy

### HR Support Services

China Visa Services for Expatriates

Social Welfare Structures

## Outsourcing Services

### Accounting & Bookkeeping

Budgeting & Forecasting

Financial Statement Preparation

Head Office Reporting

### Financial Management

Interim Financial Management

Finance Manager Function

CFO Function

### Treasury Management

Set-up of Bank Account

### Payroll Services

Payroll Processing Setup

Expatriate Employees

Local Employees

Secondment & Temping Service

## Taxation Services

### Individual Tax Planning (IIT)

Tax Immigration & Investment Review

US & Overseas Personal Income Tax Planning & Filing

IIT Tax Payment Facilitation

Application for Individual Income Tax Refund

Expatriate Staff Individual Income Tax Staff Filing

Local Staff Individual Income Tax

### Company Taxation (CIT)

#### Tax Consulting

Corporate Tax Planning

Business Restructuring

Value Chain Review

Onshore / Offshore Investment

Transfer Pricing

#### Tax Compliance

Tax Due Diligence

Tax Deregistration

Negotiation of Tax Penalties

Tax Refund Application

Tax Representatives for Tax Audit

VAT & Customs Duty Clearance

PRC Tax Receipt Verification

VAT Application

VAT & Sales Tax Filing

Corporate Income Tax Reporting

## Specialist Accounting & Risk Management

### Internal Controls

Systems

Risk Management

Sarbanes - Oxley (SOX 404)

### GAAP, SEC & IFRS Compliance

#### US GAAP

US GAAP Financial Statement Preparation

US GAAP Conversion

#### Other GAAP

GAAP Conversion

Public Company Compliance

Financial Statement Preparation

#### IFRS

IFRS Accounting Repackaging

IFRS Financial Statement Preparation

IFRS Public Company Compliance

#### SEC

SEC Public Company Compliance

## Legal Services

### Legal Advisory

#### Labour Legal Advisory

Workforce Downsizing Advisory

Labour Tribunal Assistance & Advisory

Labour Law Review & Audits

Review & Preparation of Employment Contracts

#### Corporate Legal Advisory

Legal Due Diligence

Corporate Restructuring Advisory

Review & Preparation of Articles of Association (AoA)

Review & Preparation of JV Contracts

Review & Preparation of Repatriation Agreements

#### Other Legal Services

Dispute Mediation & Advisory

Trademark & Intellectual Property Advisory

Debt Collection Assistance

Litigation Support

# LEHMANBROWN

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## Contact Us 联系我们

For further information about how we can add value and support your individual or business needs, please contact us.

如需为个人或企业获取更多的增值服务及业务协助信息，请与我们联系。

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