



Audit of Foreign Invested Enterprises
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LEHMANBROWN
雷博國際會計
International Accountants



Audit of Foreign Invested Enterprises

Background

Foreign Invested Enterprises (FIE) refer 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).

According to the People's Republic of China ("PRC") Company law and relevant legislations, all Foreign Invested Enterprises ("FIEs") such as Wholly Foreign Owned Enterprises ("WFOEs") and Joint Ventures ("JVs") are required to prepare their annual financial statements, including balance sheets, income statements and cash flow statements for their annual PRC statutory audit to the Administration of Industry and Commerce ("AIC"). Representative Offices ("ROs") are also subject to annual statutory audit. An annual statutory audit can only be performed by a firm of Certified Public Accountants ("CPA Firm") registered in the People's Republic of China. FIEs can only distribute and repatriate their profits or dividends back to their home country after completion of their annual statutory audits and settlement of all relevant tax liabilities. There are some exceptions for limited transaction companies in the Free Trade Zones where an exemption can be granted by the authorities.

The Process

FIEs are governed by the Chinese Accounting Standards for Business Enterprises (ASBEs) and the Accounting Regulations for Business Enterprises (ARBEs), collectively referred to as PRC GAAP, and there are no basic differences between standards for domestic and foreign enterprises. FIEs, including their legally responsible person, shall take full responsibility for the truthfulness, legitimacy and completeness of the financial statements.

When performing the statutory audit, the CPA shall observe the Chinese Independent Auditing Standards (CIAS) promulgated by the Chinese Institute of Certified Public Accountants (CICPA). The objective of a statutory audit is for the CPA to express an opinion on whether the financial statements fairly present, in all material respects, the company's financial position as at year-end, the results of its operations and its cash flows for the year, in accordance with the requirements of both ASBEs and ARBEs.

In China, the accounting year is the calendar year, i.e. 1st January to 31st December. After completing the annual statutory audit, the annual filing process, which is also termed as "Joint Annual Inspection" is required. This process involves the submission of a statutory audit report, including but not limited to, the audited financial statements, tax examination report and foreign exchange examination report, to the various government authorities, as required under Chinese legislation. The annual filing process is required for the purpose of renewing business licenses and relevant certificates.

The filing deadlines start from May of the following year. For example, annual corporation income tax filing, (which uses audited financial figures for the financial year ending 31st December of the preceding year as the bases before making any tax adjustments),

is due by 31st May of the following year. The statutory filing deadline is indicated in an annual announcement issued by the relevant government authorities, which is normally announced after the year-end. This means that performing the statutory audit is required before the statutory filing deadline.

Below are the government annual inspections which would require the audit report or an extract of financial figures from the audit report.

- Annual CIT filing – deadline by 31st May
 - AIC Enterprise Credit Information Publicity – deadline by 30th June
 - Customs inspection – deadline by 30th June
 - Joint Annual Report – deadline by 31th August
 - State Administration for Foreign Exchange (SAFE) – deadline by 30th September
- *All dates quoted in this article are accurate as of June 2016, and may be subject to change.

The Value

For the company, 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 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 management’s plans for future action based on its going concern assessment and gather sufficient and appropriate audit evidences to confirm or dispel whether or not a material uncertainty exists through carrying out procedures considered necessary.

• Tax Risk and Advice

The auditor will analyse what the tax risks are and give appropriate advices to the company in order to avoid or minimize tax risks through understanding of the nature of the company’s 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 company’s 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 shareholder’s investment and the company’s 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 as to 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:

1. Misstatements arising from fraudulent financial reporting to mislead/deceive users of financial statements; and
2. 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 reflect the company’s 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 a valuable function other than helping the company in fulfilling a statutory requirement in China.

How LehmanBrown can support you

LehmanBrown is highly experienced and able to handle all aspects of PRC statutory audit report compliance and filing including:

- Conduct a statutory audit in accordance to Chinese Auditing Standards over the financial statements prepared under PRC GAAP.
- Prepare CIT computation, including issuing of tax report, for annual CIT filing purpose.
- Perform on-line submission using the audited financial figures to SAFE and SAIC.

In addition to issuing of the audit report in line with Chinese regulations, LehmanBrown can also deliver additional reports in accordance with other international accounting standards, such as IFRS, US GAAP or the German HGB as well as the additional management letter as required.

外商投资企业审计

背景

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《中华人民共和国公司法》及相关法规，所有的外商投资企业，如外商独资企业及外商合资企业，需准备年度财务报表交给中国工商行政管理局来进行年度法定审计，包括资产负债表、收入报表和现金流表。外资企业的代表处也须受年度法定审计。年度法定审计只能由中国注册会计师事务所来执行。只有在完成年度法定审计，缴纳完所有相关应交税款后，外资企业才能将所得的利润及分红汇回其本国。在自由贸易区的有限交易公司也有一些例外，当局可以给予豁免。

流程

中国的外资企业需遵守《中国企业会计准则》以及《中国企业会计制度》，统称为中国公认会计准则，这些标准对国内和国外企业来说没有根本的区别。外资企业，包括公司法人，应对其公司财务报表的真实性、合法性和完整性负全权责任。执行法定审计时，注册会计师应当遵守中国注册会计师协会制定的《中国注册会计师独立审计准则》。法定审计的目的在于让注册会计师遵循《中国企业会计准则》以及《中国企业会计制度》，就所有重大方面，包括公司截至年底的财务状况以及当年业务和现金流的绩效，对被审计公司财务报表的合法性和公允性表示意见。

在中国，会计年度即是日历年，如1月1日至12月31日。年度法定审计结束后，需完成年度申报流程，也称为“联合年检”。该流程根据中国法律规定，外资企业应向不同政府部门提交法定审计报告，包括但不限于财务报告、税务稽查报告和外汇审计报告。如要更新公司营业执照以及相关证件，需完成年度申报流程。

年度申报的期限从次年的五月开始。例如，公司年度所得税申报，（在做出任何纳税调整前，以截至上一年度12月31日的财政年度所使用的经审计的财务数据为基数），在次年5月31日前截止。法定申报期限在相关政府部门发行的年度公告中表明，一般在年底之后公布。这意味着在法定申报期限前必须执行法定审计。

政府进行年检时，会要求以下审计报告，或从审计报告中提取相关财务数据：

- 年度企业所得税申报 - 截至5月31日
- 在工商行政管理局公开企业信用信息 - 截至6月30日
- 海关查检 - 截至6月30日
- 联合年报 - 截至8月31日
- 中国国家外汇管理局 - 截至9月30日

* 本文中提及的日期适用于2016年6月，之后可能有相关改动

价值

对于公司来说，无论是出于企业、税务还是内部控制的目的，审计都是非常有价值 and 有益的。通过审计，审计人员可以提高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：

1. 通过财务数据造假来误导或欺骗使用财务报表的人；
2. 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。

为何选择雷博为您提供中国法定审计服务？

雷博专业团队具备丰富经验，能够进行所有中国法定审计报告以及年度申报合规处理，囊括以下几个方面：

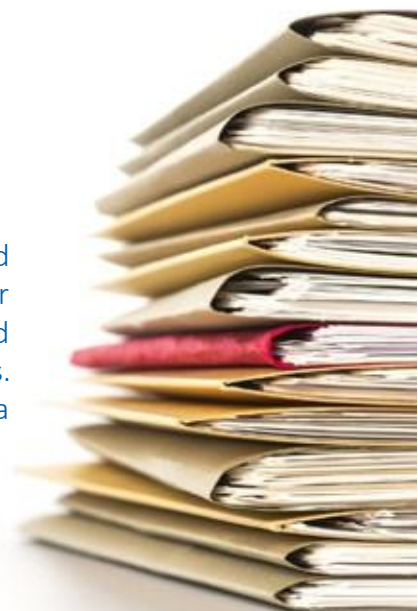
- 根据中国审计准则，对按照中国公认会计准则所准备的财务报告进行法定审计。
- 计算企业所得税以申报年度企业所得税，包括发布税务报告。
- 向国家外汇管理局以及国家工商总局在线提交经审计的财务数据。

除了依据中国法规来发布审计报告之外，雷博还能够按照别的国际会计标准来提供其他报告，例如国际财务报告准则，美国公认会计准则，或德国的《商业法典》，以及其他所需的管理建议书。

如您想了解更多有关雷博提供的中国法定审计服务，或对此有任何需求，请联系enquiries@lehmanbrown.com。

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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经验，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

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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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