



What do Audits Do?

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LEHMANBROWN
雷博國際會計
International Accountants

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What do Audits Do?

Most people may know about “accountants”, but don’t know what an “audit” is. On many occasions people have asked “what is an audit?”, others ask more specific questions like “is an audit used to examine the accounts or books of a business?”, or “is an audit for recalculating the earnings of a company?”, and LehmanBrown has always happily answered those queries. People have asked many questions, and LehmanBrown will answer what an audit is and does while looking at different types of audits and their benefits.

What Is Audit?

Audits are impartial reviews of financial accounts. When businesses are audited, they are being reviewed by the impartial auditor, whose responsibility is to examine all financial statements to make sure that all financial records are fair, accurate and true. An auditor can be an employee of the business or outsourced by a Certified Public Accountant (CPA) firm.

Category of Audit in China

External Audit

External Audits guarantee that all the necessary laws, regulations and policies are being applied in the financial statements of the business while following the strict accounting standards.

External auditors must come from CPA firms as they are all obliged by law to hold a CPA qualification to conduct fair, accurate and true audit reports. As a rule, businesses should outsource auditors as they won’t be subjected to bias when reviewing the business’ financial records.

Businesses who conduct an external audit effectively receive assurances that their operations are not at risk legally and confirm that the internal controls are working correctly. If there are issues, competent auditors will provide practical solutions to make sure the business is following the proper laws and regulations.

Internal Audit

An Internal Audit is used to analyze and evaluate the internal structures and procedures of a business affecting the efficiency of their operations and risk management capabilities. While it is possible to have an employee of the business conduct the internal audit, here too is recommended to outsource the auditor to remove any bias and or to have an external second opinion.

Typically internal audits are used to offer the managers, directors and stakeholders an overview of the businesses internal controls and how they can improve on them to reduce risks such as fraud or compliance with the law. Such audits can also be focused on a particular aspect of the business which managers are unsure of how to tackle practical solutions for them.

Government Audit

Government audits refer to inspection, examination and supervision over the State authorities, administrative institutions and state-owned enterprises in the implementation of government budgetary income, expenditure and accounting materials following relevant laws and regulations. In addition to special audit institutions (such as the National Audit Office), the government audit institutions also include financial, tax, customs, the people's bank or professional banks and other professional audit institutions.

Common Questions Regarding External Audits

Why is an External Audit Report Required?

1. All the public listed firms have to get their accounts audited by an independent auditor before they declare their results for any quarter.
2. For the Industry and Commerce Annual Inspection, some companies must provide a financial audit report. For example, companies which:
 - With losses and a long history;
 - Are Financial, Securities and Futures Companies; and
 - Are limited liability, joint stock limited, or foreign-invested companies.
3. When there are significant economic activities in the enterprises, such as restructuring, mergers and acquisitions, liquidation, and so on, the company must provide a financial audit report to the related government department.
4. There are also some other conditions required audit report, for public bidding, financing, internal control management, etc.

What are the Responsibilities of an Independent Auditor?

1. Auditors need to count the inventories and fixed asset;
2. Visit the production workshop and construction site;
3. Have interviews with the main customers, suppliers and lawyer of the client;
4. Inspect large amounts of material, such as vouchers, invoices, account book, contract or agreement, any certificates and so on;
5. Fulfil all the operation process of the client; and
6. Recalculate a lot of data and investigate any significant fluctuations with their professional knowledge.

Key Takeaways

Audits are a means of removing misleading financial reporting, and for giving decision-makers peace of mind. An audit exam can uncover problems that the businesses were not aware of. Generally, internal and external audits are the primary tools which business can use.

Auditors put enormous effort in their accounting work which is mixed in with all kinds of investigative work and must explain their findings in addition to examining and preparing financial documentation and write reports. LehmanBrown is one of them and specializes in assurance services (improving the quality or context of information for decision-makers) or risk management (determining the probability of a misstatement on financial documentation) or internal controls (improving the compliance and effectiveness of adopted rules, procedures, and policies).

To answer more questions or to enquire about what audit is needed for your business, please send your enquiry to

enquiries@lehmanbrown.com.



About Us

LehmanBrown is a licensed China-focused accounting, taxation and business advisory firm, operating dedicated offices in Beijing, Tianjin, Shanghai, Shenzhen, Guangzhou, Hong Kong and Macau, and with an extensive affiliate network throughout China and in over 100 countries worldwide.

LehmanBrown combines years of international expertise with practical China experience and knowledge, offering expert advice and support to both local and international clients. We are committed to providing individually tailored financial and business solutions for each of our clients, recognizing that each client is different. Through offering “whole of life” services, LehmanBrown offers clients assistance throughout every step of their business life cycle, from pre-conception to afterlife. LehmanBrown is registered with the PCAOB in the US and is able to conduct SEC work, as well as being accredited by accounting bodies in the UK and Australia.

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雷博国际会计是一家具有专业资质，主要从事有关中国范围内会计、税务和财务咨询服务公司。雷博在北京、天津、上海、深圳、广州、香港和澳门设有专门办事机构，并且在全国范围和世界超过 100 个国家建立了广泛的联合专业服务网络。

综合多年的国际经验以及对中国市场的深刻理解和洞察，我们致力于为本地区及国际客户提供高质量的专业服务和支撑。我们了解每位客户都是独一无二的，承诺为每一位客户量身打造适合自身的财务和商业解决方案。从前期策划到市场退出，雷博通过提供“全生命周期”服务，为客户在不同商业生命周期的每一个阶段提供协助。雷博在美国公众公司会计监督委员会（PCAOB）已注册，有资质开展美国证监会（SEC）相关工作，同时在英国和澳大利亚也得到会计方面的专业认证。

Professional Services

Audit & Assurance External Audit

[China Statutory Audit](#)

US GAAP Audit

IFRS Audit

Hong Kong Statutory Audit

[Internal Audit](#)

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[Special Purpose Audit](#)

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Chop Custodian Services

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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

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Workforce Downsizing Advisory

Labour Tribunal Assistance & Advisory

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[Corporate Legal Advisory](#)

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[Other Legal Services](#)

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

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