

Audit Law of the PRC

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Adopted at the Ninth Session of the Standing Committee of the Eighth National People's Congress on August 31, 1994; amended for the first time in accordance with the Decision on Amending the Audit Law of the People's Republic of China adopted at the 20th Session of the Standing Committee of the Tenth National People's Congress on February 28, 2006; amended for the second time in accordance with the Decision on Amending the Audit Law of the People's Republic of China adopted at the 31st Session of the Standing Committee of the Thirteenth National People's Congress on October 23, 2021
Effective: January 1, 2022 (2021 Amendment)

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Chapter I — General Provisions

Article 1 — This Law is enacted for the purposes of strengthening the audit supervision of the State, maintaining the fiscal and economic order of the State, improving the efficiency in the use of public funds, promoting the building of a clean government, and safeguarding the sound development of the national economy and society.

Article 2 — The State shall implement an audit supervision system. The State Council and the local people's governments at or above the county level shall establish audit institutions. The audit institutions shall, in accordance with the law, audit and supervise the authenticity, legality, and efficiency of the fiscal revenues and expenditures of the various departments of the State Council, the local people's governments at various levels and their departments, state-owned financial institutions, enterprises and public institutions, and other entities subject to auditing in accordance with this Law. Audit institutions shall, in accordance with the provisions of the preceding paragraph, conduct audit supervision, and put forward audit reports and make audit decisions in accordance with the law.

Article 3 — Audit institutions shall conduct audit supervision in accordance with the functions and powers and procedures prescribed by law. Audit institutions shall, in accordance with the provisions of laws and regulations and the relevant provisions of the State, conduct audit evaluations on fiscal revenues and expenditures or financial revenues and expenditures and make audit decisions within the scope of their statutory functions and powers.

Article 4 — The State Council and the local people's governments at or above the county level shall annually present to the standing committees of the people's congresses at the corresponding levels audit work reports and audit reports on the implementation of budgets and other fiscal revenues and expenditures. The standing committees of the people's congresses at or above the county level may adopt resolutions on the audit work reports and hold the people's governments at the corresponding levels accountable.

Article 5 — Audit institutions shall independently exercise their power of audit supervision in accordance with the law and shall not be subject to interference by any administrative organ, public organization, or individual.

Article 6 — Audit institutions and audit personnel shall, in handling audit matters, be objective and fair, seek truth from facts, be clean and self-disciplined, and keep secrets.

Chapter II — Audit Institutions and Audit Personnel

Article 7 — The State Council shall establish the National Audit Office, which shall be in charge of the audit work nationwide under the leadership of the Premier of the State Council. The Auditor-General shall be the chief executive of the National Audit Office.

Article 8 — The people's governments of provinces, autonomous regions, municipalities directly under the Central Government, cities divided into districts, autonomous prefectures, counties, autonomous counties, cities not divided into districts, and municipal districts shall establish audit institutions, which shall be responsible for the audit work within their respective administrative regions under the leadership of the governors of the provinces, autonomous regions, chairpersons of the autonomous regions, mayors, prefectural heads, heads of counties, and district heads, as well as under the leadership of the audit institutions at the next higher level.

Article 9 — Local audit institutions at various levels shall be accountable to and report on their work to the people's governments at the corresponding levels and to the audit institutions at the next higher level, and audit work shall be directed primarily by the audit institutions at the next higher level.

Article 10 — Audit institutions may, based on work needs and with the approval of the people's governments at the corresponding levels, establish dispatched audit offices within their respective jurisdictions. Dispatched audit offices shall carry out audit work in accordance with the authorization of the audit institutions.

Article 11 — The funds necessary for audit institutions to perform their functions shall be included in the government budget and guaranteed by the people's governments at the corresponding levels.

Article 12 — Audit personnel shall possess professional knowledge and competence commensurate with their audit work. Audit institutions may, based on work needs, engage professionals with expertise relevant to audit matters to participate in audit work.

Article 13 — Where an audit personnel has an interest in the entity being audited or the audit matters, he or she shall recuse himself or herself.

Article 14 — Audit institutions shall establish an internal audit supervision mechanism to strengthen supervision over the audit personnel's compliance with laws and administrative regulations and their performance of duties. Audit institutions shall disclose the results of their internal audit supervision.

Article 15 — Audit personnel shall, in accordance with the law, keep confidential the state secrets and trade secrets that they become aware of in the course of performing their duties. The audit institutions shall inform the entities being audited of the contents of the audit and the audit discipline through public notices and other means.

Article 16 — Audit personnel who are subjected to retaliation or persecution for performing their duties in accordance with the law shall be protected. The principal responsible person of an audit institution may not be removed or replaced at will without justifiable reasons during his or her term of office. The removal or replacement of the principal responsible person of a local audit institution shall be subject to the consent of the audit institution at the next higher level.

Chapter III — Duties of Audit Institutions

Article 17 — Audit institutions shall audit and supervise the following matters of the departments (including directly subordinate entities) of the people's governments at the corresponding levels and the governments at lower levels, and, where the audit institutions at higher levels so authorize, of governments at the corresponding levels: (1) budget implementation, final accounts, and other fiscal revenues and expenditures; (2) management and use of government funds; (3) management and use of state-owned assets; (4) management and use of state-owned resources; and (5) other matters required by laws and administrative regulations to be audited by audit institutions.

Article 18 — The National Audit Office shall, under the leadership of the Premier of the State Council, audit and supervise the implementation of the central budget, final accounts, and other fiscal revenues and expenditures, and submit audit reports on the results of the audit to the Premier of the State Council. Local audit institutions at various levels shall, under the leadership of the governors of provinces, autonomous regions, chairpersons of autonomous regions, mayors, prefectural heads, heads of counties, and district heads, and under the leadership of the audit institutions at the next higher level, audit and supervise the implementation of the budgets, final accounts, and other fiscal revenues and expenditures at the corresponding levels, and submit audit reports on the results of the audit to the people's governments at the corresponding levels and to the audit institutions at the next higher level.

Article 19 — The National Audit Office shall audit and supervise the financial revenues and expenditures of the central banks. Audit institutions shall audit and supervise the assets, liabilities, profits, and losses of state-owned financial institutions.

Article 20 — Audit institutions shall audit and supervise the financial revenues and expenditures of state institutions and other entities using public funds.

Article 21 — Audit institutions shall audit and supervise the financial revenues and expenditures of state-owned enterprises and public institutions.

Article 22 — With respect to construction projects in which government investment or government investment predominates, audit institutions shall audit and supervise the implementation of the budgets and final accounts.

Article 23 — Audit institutions shall audit and supervise the financial revenues and expenditures of social security funds, public housing provident funds, donations, and other public funds managed by government departments and other entities entrusted by the government.

Article 24 — Audit institutions shall audit and supervise the financial revenues and expenditures of projects for which aid or loans have been provided by international organizations or foreign governments.

Article 25 — Audit institutions shall, in accordance with the provisions of the State, audit and supervise the economic accountability of the principal responsible persons of state organs and other entities subject to auditing in accordance with this Law during their terms of office for the performance of their economic responsibilities.

Article 26 — In addition to the audit matters specified in this Law, audit institutions shall, in accordance with the provisions of this Law and relevant laws and administrative regulations, audit and supervise the matters required by other laws and administrative regulations to be audited by audit institutions.

Article 27 — Audit institutions shall have the power to conduct special audit investigations into specific matters relating to fiscal revenues and expenditures in the financial and economic activities of the State, and report the results of the investigations to the people's governments at the corresponding levels and to the audit institutions at the next higher level.

Article 28 — Audit institutions may, in accordance with the provisions of the State, entrust social audit institutions to audit the matters specified in Articles 20 and 21 of this Law. Where an audit institution entrusts a social audit institution to conduct an audit, it shall sign an entrustment agreement with the social audit institution in accordance with the law. The social audit institution shall submit an audit report to the audit institution, and the audit institution may conduct spot checks on the audit report.

Article 29 — Audit institutions shall determine their audit jurisdiction based on the financial or fiscal affiliation of the entities being audited or the management relationship over state-owned assets and resources. Where a dispute arises over audit jurisdiction between audit institutions, the dispute shall be determined by the audit institution superior to both disputing audit institutions. The audit institutions at higher levels may authorize audit institutions at lower levels to audit the matters within their audit jurisdiction as specified in the first paragraph, and may directly audit the major matters within the audit jurisdiction of audit institutions at lower levels. However, audit institutions shall avoid unnecessary repetitive audits.

Article 30 — Entities that are subject to auditing in accordance with the law shall, in accordance with the relevant provisions of the State and this Law, establish and improve internal audit systems; their internal audit work shall receive professional guidance and supervision from the audit institutions.

Article 31 — Where a social audit institution audits an entity that is subject to auditing in accordance with the law, the audit institution shall have the power to conduct spot checks on the audit reports issued by the social audit institution in accordance with the provisions of the State Council.

Chapter IV — Powers of Audit Institutions

Article 32 — Audit institutions shall have the power to require the entities being audited to submit, in accordance with the provisions of the audit institutions, the budgets or plans for financial revenues and expenditures, budget implementation, final accounts, financial and accounting reports, electronic data for the management of fiscal and financial revenues and expenditures using computers, and the necessary technical documents, and other materials relating to fiscal and financial revenues and expenditures; the entities being audited shall not refuse, delay, or make false reports. The principal responsible persons of the entities being audited shall be responsible for the authenticity and completeness of the materials submitted by their entities. Audit institutions shall have the power to examine the materials submitted by the entities being audited.

Article 33 — Where an audit institution conducts an audit, it shall have the power to examine the accounting vouchers, accounting books, financial and accounting reports, electronic data systems for the management of fiscal and financial revenues and expenditures, and other materials and assets relating to the fiscal and financial revenues and expenditures of the entity being audited; the entity being audited shall not refuse.

Article 34 — Where an audit institution conducts an audit, it shall have the power to conduct investigations among the relevant entities and individuals into matters relating to the audit, and obtain relevant supporting materials; the relevant entities and individuals shall support and assist the audit institution in its work, truthfully report the situation to the audit institution, and provide relevant supporting materials. Where an audit institution conducts an audit upon the authorization of an audit institution at a higher level, it shall have the power to conduct investigations among the relevant entities and individuals within the jurisdiction of the entity being audited into matters relating to the audit, and obtain relevant supporting materials.

Article 35 — Where an audit institution conducts an audit and the entity being audited fails to provide the materials relating to the audit matters, or the materials provided are untrue or incomplete, and the audit institution, after ordering the entity to provide or correct the situation, still fails to do so, the audit institution may seal up the relevant materials and the assets acquired in violation of the provisions of the State with the approval of the principal responsible person of the audit institution. Where the entity being audited conceals the relevant materials or assets that should have been sealed up in accordance with the preceding paragraph, the audit institution may seal up the relevant materials and assets with the approval of the principal responsible person of the audit institution.

Article 36 — Where an audit institution conducts an audit, it shall have the power to, in accordance with the law, inquire about the accounts of the entity being audited with financial institutions. Where there is evidence that the entity being audited has transferred deposits in its accounts in violation of the provisions of the State, the audit institution may apply to the people's court for freezing such deposits with the approval of the principal responsible person of the audit institution. Where the entity being audited transfers, conceals, or illicitly disposes of assets obtained in violation of the State's provisions in order to evade the supervision of the audit institution, the audit institution shall have the power to stop such acts; where necessary, the audit institution may, with the approval of the principal responsible person of the audit institution, seal up or freeze the relevant assets.

Article 37 — Where an audit institution, in the course of its audit, discovers that the entity being audited has violated the provisions of this Law or other laws or administrative regulations, the audit institution may, within the scope of its statutory functions and powers, take the following measures in accordance with the law: (1) order the entity to turn over the revenues that should have been turned over; (2) order the entity to return the encroached state-owned assets; (3) order the entity to return the illegally obtained gains; (4) order the entity to deal with the relevant matters in accordance with the relevant provisions of the State; and (5) impose sanctions in accordance with the law or make suggestions for sanctions. Where an audit institution, in the course of its audit, discovers that the entity being audited has violated the provisions of this Law or other laws or administrative regulations, and such violation constitutes a crime, the audit institution shall refer the case to the judicial authorities for criminal liability.

Article 38 — Audit institutions may report the results of their audits to the relevant government departments or publish such results. When publishing the results of an audit, the audit institution shall keep confidential the state secrets and trade secrets in accordance with the law, and comply with the provisions of laws and administrative regulations and the relevant provisions of the State Council.

Chapter V — Audit Procedures

Article 39 — Audit institutions shall form audit teams based on the audit matters specified in the annual audit project plan and shall, three days before the implementation of the audit, serve audit notices on the entities being audited; where special circumstances exist, the audit institutions may directly conduct the audit with

the audit notices. The entities being audited shall cooperate with the work of the audit institutions and provide the necessary working conditions. Where audit institutions intend to improve the efficiency of their audit work, they may carry out audit work through methods such as big data analysis.

Article 40 — Audit personnel shall conduct audits and obtain supporting materials through methods such as examining accounting vouchers, accounting books, financial and accounting reports, consulting documents and materials relating to the audit matters, inspecting cash, negotiable securities, and physical objects, and conducting inquiries among the relevant entities and individuals, and recording the audit process in an audit working paper. Where audit personnel conduct inquiries among the relevant entities and individuals, the inquiries shall be recorded, and the records shall be signed or sealed by the persons being inquired after verification. Where audit personnel believe it necessary, they may request the entity being audited to provide the relevant meeting minutes, decisions, and other materials.

Article 41 — After audit teams have implemented their audits, they shall submit audit reports to the audit institutions. Before submitting the audit report, the audit team shall seek the opinions of the entities being audited in writing. The entities being audited shall, within 10 days from the date of receipt of the audit report, submit their written opinions to the audit team; where they fail to submit their opinions within the prescribed time limit, it shall be deemed that they have no objection. The audit institutions shall, in accordance with the prescribed procedures, examine the audit reports of the audit teams, and, after taking into account the written opinions of the entities being audited, issue audit reports of the audit institutions. Where a violation of the provisions of the State relating to fiscal and financial revenues and expenditures should be dealt with or punished in accordance with the law, the audit institution shall, within the scope of its statutory functions and powers, make an audit decision, or propose to the relevant competent authorities or units a suggestion for dealing with or punishing the violation in accordance with the law.

Article 42 — Audit institutions shall serve the audit reports and audit decisions on the entities being audited and the relevant competent authorities and units. An audit decision shall take effect as of the date of service.

Article 43 — Where an audit institution intends to submit to the relevant competent authority a suggestion for dealing with or punishing the entity being audited, it shall issue a letter of suggestion for audit, specifying the facts, reasons, and legal basis of the violation, and submit it together with the relevant evidential materials to the relevant competent authority. The relevant competent authority shall handle the matter in accordance with the law and inform the audit institution of the results of the handling in writing within the prescribed time limit.

Article 44 — Where an entity being audited disagrees with an audit decision made by an audit institution on its fiscal revenues and expenditures, it may apply to the people's government at the same level or the audit institution at the next higher level for administrative reconsideration, or bring an administrative lawsuit in accordance with the law. Where an entity being audited disagrees with an audit decision made by an audit institution on its financial revenues and expenditures, it may apply to the people's government at the same level for a ruling in accordance with the law, and the ruling of the people's government shall be final. Where the entity being audited neither applies for reconsideration, brings a lawsuit, requests a ruling, nor implements the decision within the prescribed time limit, the audit institution may apply to the people's court for compulsory enforcement, or request the people's government at the same level to supervise the implementation.

Chapter VI — Legal Liability

Article 45 — Where an entity being audited, in violation of the provisions of this Law, refuses to provide or delays the provision of materials relating to the audit matters, or the materials provided are untrue or incomplete, or refuses or obstructs inspection, the audit institution shall order it to make corrections and may circulate a notice of criticism and give it a warning; where it refuses to make corrections, it shall be pursued for legal liability in accordance with the law.

Article 46 — Where an entity being audited, in violation of the provisions of this Law, transfers, conceals, or illicitly disposes of the assets obtained in violation of the provisions of the State, the audit institution, the people's government, or the relevant competent authority or unit shall, within the scope of its statutory functions and powers, have the power to stop such acts; where necessary, the audit institution may apply to the people's court for freezing the relevant assets; where the directly responsible person in charge and other directly responsible persons are subject to the discipline of the State, sanctions shall be imposed in accordance with the law.

Article 47 — Where an entity being audited, in violation of the provisions of this Law, transfers or conceals assets obtained in violation of the State's provisions, and the entity's act is relatively serious, the audit institution may impose a fine on the entity of not less than 20% but not more than 100% of the amount of the assets transferred or concealed, and impose a fine of not less than 20,000 yuan but not more than 100,000 yuan on the directly responsible person in charge and other directly responsible persons.

Article 48 — Where any entity or individual retaliates against or persecutes an audit personnel who performs his or her duties in accordance with the law, sanctions shall be imposed in accordance with the law; where a crime is constituted, criminal liability shall be pursued.

Article 49 — Where an audit personnel abuses his or her power, engages in malpractice for personal gain, or neglects his or her duties, or divulges state secrets or trade secrets that he or she becomes aware of, sanctions shall be imposed in accordance with the law; where a crime is constituted, criminal liability shall be pursued.

Chapter VII — Supplementary Provisions

Article 50 — The audit work of the People's Liberation Army shall be separately prescribed by the Central Military Commission in accordance with this Law.

Article 51 — Where entities and individuals subject to auditing violate the provisions of this Law, the audit institution may circulate a notice of criticism; where the circumstances are serious, it may publicly announce the results of the audit.

Article 52 — This Law shall apply to the audit supervision of the fiscal or financial revenues and expenditures of foreign legal persons or other organizations within the territory of the People's Republic of China. Where laws or administrative regulations provide otherwise, such provisions shall prevail.

Article 53 — This Law shall come into force on the date of promulgation. The Audit Regulations of the People's Republic of China promulgated by the State Council on November 30, 1988 shall be repealed simultaneously.

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