

Audit Law of the People's Republic of China

(Adopted at the Ninth Meeting of the Standing Committee of the Eighth National People's Congress on August 31, 1994, and amended in accordance with the Decision on Amending the Audit Law of the People's Republic of China at the 20th meeting of the Standing Committee of the 10th National People's Congress of the People's Republic of China on February 28, 2006)

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Chapter I General Provisions

Article 1 In order to strengthen the audit supervision of the State, maintain the fiscal and economic order of the State, enhance the efficiency in using fiscal capital, promote the construction of a clean government and ensure the sound development of national economy and the society, this Law is formulated in the light of the Constitution.

Article 2 The State shall carry out an audit supervision system. Auditing organs shall be set up by the State Council and the local people's governments at or above the county level. The government revenues and expenditures of all the departments of the State Council, of the local people's governments at all levels and their departments, the financial revenues and expenditures of State-owned financial institutions, enterprises and public institutions, as well as other government revenues and expenditures and financial revenues and expenditures that should be audited in the light of this Law shall be taken the audit supervision in the light of the provisions prescribed in this Law. Auditing organs shall implement audit supervision over the authenticity, legality and effectiveness of the government revenues and expenditures or financial revenues and expenditures specified in the preceding Paragraph.

Article 3 Auditing organs shall implement audit supervision in the light of the functions and procedures prescribed in the law. An auditing organ shall make audit evaluation in accordance

with the laws and regulations on government revenues and expenditures and financial revenues and expenditures as well as other relative provisions of the State, and shall make an audit decision under its statutory authorities.

Article 4 The State Council and the local people's government at or above the county level shall annually put forward to the standing committee of the people's congress at the same level an audit work report of the auditing organ on budget implementation and other government revenues and expenditures. An audit work report shall put stress on the audit of budget implementation. When necessary, the standing committee of the people's congress may make a resolution on the audit work report. The State Council and the local people's government at or above the county level shall hand in a report to the standing committee of the people's congress at the same level about the correction of the problems found out in the audit work report and the handling results.

Article 5 Auditing organs shall independently exercise their power of audit supervision in the light of the law, and not be interfered by any administrative organ, social organization or individual.

Article 6 When conducting audit matters, auditing organs and auditors shall be objective and fair, practical and realistic, clean and devoted, and shall keep secrets to themselves.

Chapter II Auditing Organs and Auditors

Article 7 The National Audit Office shall be set up by the State Council to be responsible for the audit work all over the country under the leadership of the Premier of the State Council. The Auditor-General shall be the administrative leader of the National Audit Office.

Article 8 The auditing organs of the people's governments of the provinces, autonomous regions, municipalities directly under the Central Government, cities divided into districts, autonomous prefectures, counties, autonomous counties, cities not divided into districts, and districts under the jurisdiction of cities shall be responsible for the audit work in their respective administrative areas under the respective leadership of the governor of the provinces, chairman of the autonomous regions, mayors, head of prefectures, counties and districts, as well as under the leadership of auditing organs at the next higher levels.

Article 9 Local auditing organs at all levels shall be responsible for reporting their work to the people's governments at the same levels and the auditing organs at the next higher level, and their audit work shall be chiefly under the direction of the auditing organs at the next higher level.

Article 10 In accordance with the requirements for the work, an auditing organ may, upon the approval of the people's government at the same level, set up dispatched offices under its audit jurisdiction. The dispatched organs shall implement the audit work upon the strength of the authorization granted by the auditing organ.

Article 11 The funds necessary for auditing organs to implement their functions shall be included into the government budgets and be guaranteed by the people's government at the same level.

Article 12 Auditors shall possess the professional knowledge and ability suitable for the audit work they are engaged in.

Article 13 An auditor shall withdraw if he has interests with the entity under audit or the audited items in conducting audit matters.

Article 14 An auditor shall have the responsibility for keeping to themselves the State secrets and the business secrets of the entity being audited he has access to when carrying out his functions.

Article 15 An auditor shall be protected by law when carrying out his functions in the light of the law. No organization or individual may refuse or obstruct auditors' performance of their functions in the light of the law, or retaliate against auditors. The persons-in-charge of the auditing organs shall be appointed or dismissed in the light of statutory procedures. None of them may be dismissed or replaced at random unless they carry out illegal activities, neglect their duties, or are no longer qualified to their posts. It is necessary to solicit the opinions of the auditing organ at the next higher level before the persons in-charge of the local auditing organ at any level are appointed or dismissed,.

Chapter III Functions and Responsibilities of Auditing Organs

Article 16 The auditing organs shall carry out audit supervision over the budget implementation, final settlement of accounts as well as other government revenues and expenditures of all the other departments (including subordinate organs) at the same level and of the governments at lower levels.

Article 17 Under the leadership of the Premier of the State Council, the National Audit Office shall carry out audit supervision over the implementation of the central budget and other government revenues and expenditures, and hand in a report of audit results to the Premier. Under the respective leadership of the governor of the province, chairman of the autonomous region, mayor, head of the county and head of the district as well as the leadership of the auditing organ at the

next higher level, the local auditing organ at any level shall carry out audit supervision over the budget implementation and other government revenues and expenditures of the same level, and hand in a report of audit results to the people's government at the same level and the auditing organ at the next higher level.

Article 18 The National Audit Office shall carry out audit supervision over the financial revenues and expenditures of the Central Bank. Auditing organs shall carry out audit supervision over the assets, liabilities, profits and losses of State-owned financial institutions.

Article 19 Auditing organs shall carry out audit supervision over the financial revenues and expenditures of public institutions of the State and other public organizations using fiscal capital.

Article 20 Auditing organs shall carry out audit supervision over the assets, liabilities, profits and losses of the State-owned enterprises.

Article 21 The audit supervision over the enterprises and financial institutions in which the State-owned assets play a controlling or leading role shall be formulated by the State Council.

Article 22 Auditing organs shall carry out audit supervision over the budget implementation and final settlement of accounts relating for the construction projects invested or mainly invested by the government.

Article 23 Auditing organs shall carry out audit supervision over the financial revenues and expenditures of the social security funds, funds from public donations and other relevant funds and capital managed by the government department or by any other entity upon authorization of the government department.

Article 24 Auditing organs shall carry out audit supervision over the financial revenues and expenditures of projects with aids or loans offered by international organizations or governments of other countries.

Article 25 In accordance with the relative provision of the State, auditing organs shall carry out audit supervision over the principal responsible persons of the state organs and other entities under the audit supervision of the auditing organ for their performance of economic liabilities of government revenues and expenditures, financial revenues and expenditures, and other economic activities for their respective regions, departments or entities during their tenure of office.

Article 26 Other than the audit matters as prescribed in this Law, auditing organs shall, in the light of the provisions prescribed in this Law as well as relative laws and administrative regulations, carry out audit supervision over the matters that should be audited by auditing organs as formulated in other laws or administrative regulations.

Article 27 For particular matters relating to the State revenues and expenditures, auditing organs shall have the power to make special audit investigations to relevant regions, departments or entities, and shall hand in a report about the audit investigation results to the people's governments at the same levels and the auditing organs at the next higher levels.

Article 28 Auditing organs shall make a determination on their audit jurisdiction in the light of the subordination of fiscal and financial affairs or the State-owned asset supervisory and managerial relation of the entity under audit. If there is any dispute over audit jurisdiction between auditing organs, the auditing organ superior to both parties shall make a determination on the matter.

Auditing organs at higher levels may authorize auditing organs at lower levels to audit the matters under the audit jurisdiction of the former and specified in Paragraph 2 of Article 18 through Article 25 in this Law. Auditing organs at higher levels may directly give audits on the major matters under the jurisdiction of auditing organs at lower levels. However, unnecessary repetitive audits shall be avoided.

Article 29 The entities under audit supervision of auditing organs shall set up and perfect their internal auditing systems in the light of the relative provisions of the State. And their internal auditing work shall be professionally guided and supervised by the auditing organs.

Article 30 If an entity is subject to audit supervision of a social auditing organ, the auditing organ shall have the right to examine the relative audit reports issued by the aforesaid social auditing organ in accordance with the provisions of the State Council.

Chapter IV Limits of Power of Auditing Organs

Article 31 In accordance with the provisions of the auditing organ, the auditing organs shall have the right to order an entity under audit to submit the budget or plan on financial revenues and expenditures, budget implementation, final settlement of accounts, financial accounting reports, electronic data on government or financial revenues and expenditures stored and processed by computers and necessary computer technical documents, the information about the account opening at financial institutions, the audit reports issued by the social auditing organs as well as other materials about government or financial revenues and expenditures. The entity under audit shall not refuse or delay to submit reports or give a false report. The person in-charge of an entity under audit shall be responsible for the authenticity and integrity of the financial accounting materials offered by his/her own entity.

Article 32 Auditing organs shall, during the course of audit, be entitled to examine accounting vouchers, accounting books, financial accounting reports, the electronic data system of government or financial revenues and expenditures operated by computers as well as other materials and assets about government or financial revenues and expenditures. And the entity under audit shall not refuse to submit them.

Article 33 Auditing organs shall, when conducting audits, have the power to make investigations to relative entities or individuals concerning audit matters and obtain relative certification materials. The entities and individuals concerned shall support and assist the auditing organs in their work by providing them with truthful information and relative certification materials. Auditing organs shall have the right to inquire about the account of an entity under audit at the financial institution upon the approval of the person in-charge of the auditing organ of the people's government at or above the county level. If the auditing organ have any evidence that an entity under audit deposits public money in the name of individuals, it shall have the right to make investigations on the deposits of the entity being audited in the name of individuals at the financial institution upon the approval of the person in-charge of the auditing organ of the people's government at or above the county level.

Article 34 When being audited by an auditing organ, the entity shall not transfer, conceal, alter or destroy any of its accounting vouchers, accounting books, financial accounting reports and other materials about fiscal or financial revenues and expenditures, nor shall it transfer or conceal any of the assets it obtained violating the provisions of the State. Where an entity being audited violates the preceding Paragraph, the auditing organ shall have the right to prevent it, and, when necessary and upon approval of the person in-charge of the auditing organ of the people's government at or above the county level, the auditing organ shall have the right to seal up the relative materials and the assets violating the provisions of the State. If the auditing organ needs to freeze the relative deposits at the financial institution, it shall hand in an application to the people's court. Where an entity under audit is carrying out any act concerning government or financial revenues and expenditures violating the provisions of the State, the auditing organ shall have the right to prevent it. If it is invalid to prevent, the auditing organ shall, upon approval of the person-in-charge of the auditing organ of the people's government at or above the county level, inform the fiscal department and the competent authorities to suspend the allocation of money directly pertinent to the act of government or financial revenues and expenditures violating the provisions of the State; if the aforesaid money has been allocated, the use thereof shall be suspended. When implementing the measures as prescribed in the preceding two paragraphs, an

auditing organ shall not cause effect on the lawful business operations or production and management activities of the entity being audited.

Article 35 If any auditing organ believes that the provisions of the competent departments at any higher levels on government revenues and expenditures or financial revenues and expenditures carried out by the entity under audit in contradiction with any of the laws or administrative regulations, it shall make a suggestion to the competent departments concerned to make rectifications. If the competent departments concerned fail to make rectifications, the auditing organs shall submit the matter to the relevant organs for disposition.

Article 36 Auditing organs may notify the relative government departments of their audit results or make such results public. When circulating or making public audit results, auditing organs shall keep to themselves on the State secrets and business secrets of the entities being audited in the light of the law and complying with the relative provisions prescribed by the State Council.

Chapter V Audit Procedures

Article 37 When performing the duty of audit supervision, an auditing organ may request assistance from the administrative department of public security, supervision, public finance, taxation, customs, price or industry and commerce.

Article 38 An auditing organ shall set up an audit team in accordance with the audit matters as ascertained in the plan on audit, and shall, within 3 days before the audit implementation, send an audit notice to the entity to be audited. In the case of any special circumstance, the auditing organ may, upon approval of the people's government at the same level, directly implement the audit upon the strength of the audit notice. The entities being audited shall cooperate with the auditing organs in their work and offer necessary work conditions. Auditing organs shall improve the efficiency of their audit work.

Article 39 The auditors shall implement their audit and obtain the certification materials by auditing accounting vouchers, accounting books and financial accounting reports, consulting the documents and materials pertinent to audit matters, examining the cash, physical objects and securities, and making investigations on the entities or individuals concerned. When making investigations on entities and individuals concerned, the auditors shall show their work certificates and photocopies of audit notices.

Article 40 After an audit to the auditing matters, an audit team shall hand in an audit report to the auditing organ. Prior to handing in the audit report, the audit team shall solicit the opinions of the entity being audited. The entity being audited shall, within ten days as of the receipt of the audit

report of the audit team, hand in its opinions in written form to the audit team. The audit team shall hand in the aforesaid written opinions together with the audit report to the auditing organ.

Article 41 An auditing organ shall review the audit report handed in by the audit team in accordance with the procedures prescribed by the National Audit Office, and present an audit report of its own after concurrently studying the opinions of the entity being audited about the audit report delivered by the audit team. It shall, under its statutory jurisdiction, make a decision on audit or give its suggestions on disposition and punishment to the relevant competent authorities for an act of fiscal or financial revenues and expenditures violating the provisions of the State that deserves disposition or punishment. An auditing organ shall serve the audit report and audit decision of its own to the entity being audited and the relevant competent organ or entity. The audit decision shall go into effect as of the date of service.

Article 42 If an auditing organ at a higher level considers that an audit decision made by an auditing organ at a lower level has violated the relative provisions of the State, it may order the auditing organ at the lower level to make alteration or cancellation on the aforesaid decision, and may directly make a decision on alteration or cancellation when it is necessary.

Chapter VI Legal Liabilities

Article 43 If an entity under audit violating any provisions prescribed in this Law by refusing or delaying the provision of the materials about audit matters, providing untrue or incomplete materials, or refusing or impeding the inspection, it shall be ordered to make corrections, given a criticism by circulating a notice and given a warning by the auditing organ. If the entity under audit refuses to make corrections, it shall be called to account in accordance with the law.

Article 44 Where an entity being audited violating the provisions prescribed in this Law by transferring, concealing, altering or destroying any accounting vouchers, accounting accounts, financial accounting reports or other materials pertinent to government or financial revenues and expenditures, or transferring or concealing the assets obtained by violating the provisions of the State, and if the auditing organ considers that the principal and other persons held to be directly responsible should be given sanctions, the auditing organ shall give suggestions for punishment. The entity being audited or the organ at the higher level and the supervisory organ shall make a decision in a timely manner, and notify the result to the auditing organ in written form. If a crime is constituted, the entity being audited shall be called to account in accordance with the law.

Article 45 Where any other department (including subordinate entities) at the same level or the government at the lower level commits the acts against the budget or other acts of government

revenues and expenditures against the provisions of the State, the auditing organ, the people's government or the relevant competent authorities shall, under its statutory authorities and in the light of the laws and administrative regulations, take the following measures on the basis of the specific situation: (1) Ordering it to pay the money that should be turned over within the time limit; (2) Ordering it to return the occupied state-owned assets within the time limit; (3) Ordering it to refund the illegal incomes within the time limit; (4) Ordering to handle the matter in the light of the relative provisions in the unified national accounting system; and (5) Other measures.

Article 46 Where an entity being audited commits the acts of financial revenues and expenditures by violating the provisions of the State, the auditing organ, the people's government or the relevant competent authorities shall, under its statutory jurisdiction and in the light of the laws and administrative regulations, take measures prescribed in the preceding Article on the basis of the specific situation, and may impose punishments on the entity being audited in the light of law.

Article 47 The entity being audited shall carry out the decision made by the auditing organ under its statutory jurisdiction. Where the auditing organ orders an entity being audited to pay the money that should be turned over, but the entity being audited refuses to do so, the auditing organ shall circulate a notice to the relevant competent authorities, and the relevant competent authorities shall, in accordance with the laws and administrative regulations, withhold the aforesaid money or take other measures, and notify the written results to the auditing organ.

Article 48 Where an entity being audited object an audit decision on financial revenues and expenditures made by the auditing organ, it may hand in an application for administrative reconsideration or lodge an administrative lawsuit. Where an entity being audited object an audit decision on government revenues and expenditures made by the auditing organ, it may request the people's government at the same level as the auditing organ for ruling, and the ruling delivered by the people's government at the same level shall be final.

Article 49 Where the government or financial revenues and expenditures of an entity being audited violating the provisions of the State, the auditing organ considers it necessary to punish the principal and other persons held to be directly responsible, it shall give suggestions for punishment, and the entity being audited, the organ at the higher level or the supervisory organ shall make a decision in a timely manner and notify the written results to the auditing organ.

Article 50 Where the government or financial revenues and expenditures of an entity under audit violates any of the laws or administrative regulations and a crime is constituted, the entity being audited shall be subject to criminal liabilities.

Article 51 Anyone who retaliates or makes a false charge against the auditor shall be given sanctions; and shall be subject to criminal liabilities if any crime is constituted.

Article 52 Where an auditor abuses his authorities, conducts malpractice out of personal considerations, neglects his duties or divulges national secrets or business secrets he has access to, he shall be punished; and if a crime is constituted, he shall be subject to criminal liabilities.

Chapter VII Supplementary Provisions

Article 53 The provisions on audit work of Chinese People's Liberation Army shall be formulated by the Central Military Commission in the light of this Law.

Article 54 This Law shall go into effect as of January 1, 1995. The Audit Regulation of the People's Republic of China promulgated by the State Council on November 30, 1988 shall be abolished at the same time.

Promulgated by the Standing Committee of the National People's Congress on 2006-2-28