

# Development Plan of Accounting Sector in China (2021-2025)

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*The Development Plan of Accounting Sector in China (2021-2025)* (hereinafter referred to as *the Plan*) is formulated to guide the accounting sector to achieve the development with a focus on quality improvement and to advance reform and development in an overall way.

## **I Development and status**

### **(1) Remarkable achievements have been made.**

During the 13th National Five-Year Plan period, the accounting sector has thoroughly followed the important instructions of President Xi Jinping of “tightly sticking to the theme of serving national construction and the priority of integrity-building”, implemented the development strategies continuously, promoted innovative management and service institutions and mechanisms, and advanced business development. All of these efforts have led to visible progress in professionalization, marketization, informatization and internationalization. In the last five years, solid progress has been achieved in integrity-building, the size and quality of the CPA team have improved, the professional standards have continuously converged with the international counterparts, the practice quality has been further regulated, and progress has been made in fostering more competitive and world-class accounting firms (hereinafter referred to as “firms”) and developing small and medium-sized practices (hereinafter referred to as “SMP”) offering specialized services. Further, the revenue of the sector has grown at a fast pace with an improved revenue structure, the service areas have been expanded, and more value has been realized in contributing to national construction. As of December 31, 2020, there were 9,800 firms (including

1,200 branches) in China, of which, 51 earned an annual revenue of over RMB 100 million Yuan. The number of individual members of the Chinese Institute of Certified Public Accountants (hereinafter referred to as the “CICPA”) reached 280,000, including 110,000 practicing members and 170,000 non-practicing members. The total revenue of the accounting sector increased from RMB 68.9 billion Yuan in 2015 to RMB 110.8 billion Yuan in 2019 with an average annual growth rate of over 10%. The number of enterprises and public institutions served by the accounting sector reached 4.2 million. During the 13th National Five-Year Plan period, the accounting sector has proactively participated in the Belt and Road Initiative and provided strong professional support for 11,000 Chinese enterprises operating in more than 200 countries and regions. The development objectives in the *Development Plan of Accounting Sector in China (2016-2020)* have been generally achieved, laying a sound foundation for the new stage of development with a focus on quality improvement.

## **(2) New circumstances for accounting sector**

At the international level, the world is undergoing major changes unprecedented in a century and economic globalization is encountering headwinds. The COVID-19 exacerbates global economic recessions. A new round of technological revolution and industrial transformation is gaining greater momentum, causing profound changes in global economic structure, industrial structure and international division of labor. All of these factors have resulted in an increasingly complex environment. At the domestic level, China is moving to a stage of development with a focus on quality improvement, during which more efforts are made for better quality, higher efficiency and more robust drivers of economic growth through reform, driving the accounting sector to promote the specialization of services and its movement towards the high end of the value chain, expand the value-added services on the basis of assurance services and enhance its development capacity

and competitiveness. In addition, the implementation of registration-based IPO system and the revised *Securities Law of the People's Republic of China* have raised new requirements of further strengthening the regulatory concept with information disclosure as the core and enhancing the capabilities of the accounting sector of providing high-quality audit services. All of these factors have posed new challenges to the accounting sector in terms of professional standards, service capabilities, service quality and regulation. A strategic vision has been set to accelerate the building of a new development paradigm with the emphasis on building a high-standard market system, speeding up the development of modern service industries and transferring some functions and public services from the government to social organizations in an orderly way, which has both optimized the professional environment and brought new development opportunities and added-value to the accounting sector. Therefore, in line with the new circumstances and requirements, and centering on new development objectives and tasks during the 14th National Five-Year Plan period, the accounting sector should steadfastly understand the new development stage, fully implement the new development philosophy and integrate itself into the new development paradigm, so as to effectively advance reform and development and contribute to the modernization of China's governance system and capacity.

As the accounting sector has made remarkable achievements, we need to be aware that its service quality, especially the audit quality, cannot fully meet the needs of the public and the high-quality economic and social development, which is specifically characterized by incompatibility of the quality of the professional talents with the needs for developing diversified services, of the progress in the informatization with the national strategy of building up the digital strengths of China, of the practice environment with the aspiration for the development with a focus on quality improvement, and of the governance of the accounting sector with the needs for professionalized

development.

The 14th National Five-Year Plan period is especially critical for the accounting sector to deal with the centennial challenges, open up new prospects and pursue the development with a focus on quality improvement. The opportunities and challenges it will face, the strengths and weaknesses it has and the necessity and urgency of its transformational development should be fully understood. On this basis, by drawing on experiences and following the law governing development, the accounting sector should take the right direction and measures to ensure that the development is always consistent with the requirements of national development.

## **II Overall requirements**

### **(3) Guiding philosophies**

The accounting sector should fully understand the concept of new development stage and implement the new development philosophy. Furthermore, with serving national construction as the theme, integrity-building as the priority, reform and innovation as fundamental driving force and maintenance of market economic order and public interest as fundamental objective, the accounting sector should build a high-quality development system to support the building of the new development paradigm in China. In particular, it should push forward the professionalization, standardization, digitalization, brand-building and internationalization, give full play to its own role of financial and accounting supervision, and develop into the benchmark of high-end modern service industries according to world-class practice, so as to contribute to the building of China into a modern socialist country in all respects.

### **(4) Basic principles**

**--Insisting on theme and priority**

By adhering to the theme of serving national constructions and the priority of integrity-building, the accounting sector should constantly enhance its capabilities of serving political, economic, cultural, social and ecological progress. It should also uphold and improve the integrity-building, strengthen the education on and the publicity and guidance of integrity, enhance the public confidence and trust in its professionalism and ethics, and realize its value by playing its role in contributing to the overall national construction.

**--Insisting on public interest**

Guided by the fundamental objective of upholding the market economic order and the public interest, the accounting sector should balance its own interest and the public interest and constantly improve its service capabilities of effectively serving the society and the nation.

**--Insisting on new development philosophy**

The accounting sector should firmly implement the new development philosophy, which advocates the idea of being innovation-driven, coordinated, green, open and beneficial to all, and apply it throughout the whole development process in all respects. It should step up efforts to transform the development mode to achieve higher-quality, more efficient, healthier, more sustainable and more coordinated development.

**--Insisting on deepening reform**

The accounting sector should steadfastly advance reform, get rid of the institutional barriers that restrict the development with a focus on quality improvement, implement and strengthen the reform measures conducive to mobilizing the enthusiasm of all the stakeholders, and continue to

motivate the internal driving forces for the development.

### **--Insisting on system-based thinking**

By thinking ahead, planning the big picture, deploying strategically and advancing in a holistic manner, the accounting sector should ensure coordination in pursuing development and upholding security, adhere to the national strategy, and give full play to all the stakeholders. Further, it should solidify the foundation, foster strengths and tackle areas of weaknesses, and ensure a balance between the quality, structure, scale, speed and efficiency during the development.

## **(5) Main objectives**

### **Vision 2035**

By 2035, the accounting sector will achieve new progress that matches the comprehensive national strengths and international status of China, and develop into an advanced modern service sector with a leading status in all respects and international competitiveness. It will significantly improve its integrity, practice capabilities and quality to play a more prominent role in providing high quality information on national economy and upholding the market economic order. Specifically, the development capacity and competitiveness will be enhanced; the scale, quality and structure of the talents will be optimized, and a number of renowned, branded and publicly recognized firms with high reputation, strong competitiveness and influence will be developed; the system of professional standards and rules will become more scientific and complete; the digital transformation will be accomplished; the practice environment will be obviously improved and a fair and orderly market competition mechanism will take shape; the governance of the whole accounting sector will be significantly enhanced. By then, the accounting sector will become a highly respectable sector with obviously increased public trust, improved social value and status

as well as an enhanced global status and influence.

### **Main objectives during 14th National Five-Year Plan period**

During the 14th National Five-Year Plan period, the accounting sector will enter the new stage of development with a focus on quality improvement. Amid unprecedented opportunities and challenges, it needs urgently to transform from an extensive expansion mode focusing on the scale and speed to an intensive organic growth mode focusing on quality and efficiency, which means that it will step up efforts to facilitate the talent training to focus on quality enhancement, promote the firms to focus on developing into more competitive and world-class firms or SMPs offering specialized services, drive the services to focus on both the traditional audit and assurance services and value-added services, propel the informatization to focus on digitalization, and push the internationalization to focus on both the Chinese market and the Chinese enterprises “going global”. In line with Vision 2035 and the current development environment and conditions, the accounting sector will stick to the target-oriented and problem-oriented principles, and adhere to both the fine traditions and innovations, so as to improve the integrity, audit quality and professional capabilities and realize transformation and upgrading in the next five years as follows:

#### **--Professionalization will further improve.**

Professionalization is the essential characteristic of the accounting sector as a professional service sector. Professional spirits, with professional ethics, professional judgment and professional skepticism as the essence, lie at the core of professionalization, while the cultivation and maintenance of professional competence constitutes the foundation of professionalization. In the next five years, the level, quality and structure of the talents will be further optimized to basically

meet the requirements of serving the national construction in all respects; 180 high-caliber talents will be selected and trained; the working staff in the accounting sector will have a reasonable age structure for sustainable development, who are required to significantly improve professional capabilities with expertise and skills as the core, enhance the professional spirits with ethics, diligence and skepticism, pursuit of excellence and lifelong learning as the focus, and strengthen the professional image with upholding public interest, integrity, independence, objectivity, fairness and due diligence as the essence.

**--Standardization will further improve.**

The professional standard system, comprising of audit standards, professional ethics and quality management standards, will be improved to keep pace with the times. While converging with international standards, the professional standards need to strengthen their applicability. New concepts, technologies and methods will be drawn on to improve the practice capabilities of CPAs and enhance the practice quality and efficiency of the whole accounting sector. The professional standards must be effectively and accurately implemented to play their leading role in advancing standardization and professionalization of the accounting sector, and become an institutional guarantee for enhancing integrity.

**--Digital transformation will make new breakthroughs.**

The standardized, digitalized, internet-based and intelligent development will be greatly enhanced with obvious progress being made in digitalizing the profession management and service and developing a digital accounting sector. The system of data standards needs to be improved with enhanced data resource collection and strengthened application of big data analysis. Cyber-security and technical framework of information systems should reach a new high level.



The collaborative OA system at institutes of CPAs at all levels will be constructed, which should run in higher management efficiency and have better knowledge sharing capabilities. The profession management and service will be constantly optimized to promote networked management, informatized service and standardized procedures. The integrity information monitoring system needs to be enhanced, and interconnectivity among information systems should be greatly improved. Big firms are encouraged to advance intelligent upgrading in an orderly way, while SMPs should popularize informatization products in audit practice and internal management fields. External information procedures will be digitalized. Firms need to improve audit quality and efficiency with informatized methods.

**--Brand-building will make new achievements.**

An incentive mechanism for brand-building efforts of firms will be well established to cultivate a culture of gaining good reputation through brand-building and effectively promote practice quality with brand-building. With scientific and effective mechanisms for incentivizing, managing and evaluating brand-building efforts, about ten branded firms with high-quality practice, good reputation, sound service capabilities, strong international competitiveness and influence will be fostered, and a batch of SMPs with strong competitiveness and good reputation in regional or segment markets will be developed.

**--Internationalization will make new progress.**

Professional standards will continue to converge with international standards dynamically, during which the interaction principle should be fully implemented. More efforts need to be made to participate in the decision-making of international rule-making and governance of international accountancy organizations so that the accounting sector will gain a greater participation and voice

in governance of global accounting sector and international standard-setting. A group of internationalized talents with proficient foreign language skills, sound cross-cultural communication and cooperation capabilities and skilled international accounting and auditing practice shall be trained. Firms are promoted to accelerate to build international networks and improve the influence of Chinese firms and their capabilities of allocating global resources, so as to provide high quality services to Chinese companies “going global” and the Belt and Road Initiative. New progress will be made in promoting the Chinese CPA Qualification to be globally recognized and improving the Chinese CPAs’ international influence and recognition.

### **III Continuing to strengthen integrity-building**

The accounting sector should prioritize integrity-building. To this end, it needs to enhance the integrity awareness, strengthen the integrity image, improve the integrity system and reinforce the integrity culture. Further, it will conduct regular training on integrity to effectively apply the integrity building into every link of the profession management and service, including exam, registration, CPD and quality assurance, as well as into the practice of CPAs and firms, so as to realize integrity-driven quality improvement.

#### **(6) Strengthening professional ethics**

The Code of Ethics for Chinese CPAs should continue to be revised and enhanced, which should highlight the mission of upholding public interest, tighten the independence requirements, enhance the compliance with the basic ethical principles and integrate the professional ethics into professional qualities. Firms are urged to take professional ethics as an important factor in the annual performance evaluation and promotion of employees, so as to effectively implement the Code.

#### **(7) Improving integrity system**

The integrity information monitoring system should be enhanced. Specifically, it should improve integrity record, strengthen the integrity system, and continue to publish the integrity information that records rewards and punishments, so as to strengthen the role of integrity. The integrity oath-taking activities and self-discipline conventions should be advocated to build sound integrity images. With Code of Ethics for Chinese CPAs as the core, the integrity information monitoring system as the technical support, relevant laws, regulations and guidelines as the safeguard, and integrity oath and self-discipline convention as the guidance, the integrity system will be further improved.

#### **(8) Reinforcing integrity culture**

The integrity culture-themed events should be regularly hosted to enhance awareness, confidence and self-improvement in integrity. Further, a culture with integrity as the fundamental principle, harmony as the pillar, professionalization as the priority and practical application as the focus, will be developed, which must be integrated into development of the accounting sector and effectively implemented in practice.

### **IV Promoting to improve legal system**

Under the guidance of the principle of law-based governance in all respects, the accounting sector should strengthen the rule of law and advance its own governance. To this end, it needs to improve relevant laws and regulations and enhance management systems to improve the audit quality. The legitimate rights and interests of members will be safeguarded by enhancing the awareness of the rule of law, adopting the thinking of rule of law and relying on legal guarantee to strengthen

profession management and service.

**(9) Participating in and promoting to revise relevant laws and regulations**

The accounting sector should participate in and promote to accelerate the revision of *the Law of the People's Republic of China on Certified Public Accountants*. On the basis of the principle of matching the punishments with the wrongdoings, by differentiating intentional acts from negligent acts and differentiating accounting responsibilities from audit responsibilities, efforts will be made to reasonably define civil compensation liabilities for CPAs, moderately increase the costs of violating laws and regulations, explicitly articulate legal liabilities of CPAs and firms, and clearly define legal liabilities for the acts that do not cooperate with or even illegally interfere in the practice of CPAs. The accounting sector will explore to establish a scientific and reasonable mechanism to identify professional liabilities and improve management of professional insurance and professional risk funds. It is important for the accounting sector to closely track and thoroughly analyze the revisions of such laws and regulations as *Accounting Law of the People's Republic of China*, *Company Law of the People's Republic of China*, *Enterprise Bankruptcy Law of the People's Republic of China*, *Tendering and Bidding Law of the People's Republic of China*, *Law of the People's Republic of China on Partnership* and *Securities Law of the People's Republic of China* and relevant judicial interpretations, as well as to communicate and coordinate with relevant authorities in a timely manner to present its reasonable concerns and demands of the accounting sector.

**(10) Improving system of management rules**

Aiming for the high-quality development, such management rules as *Measures of Organizing and Managing National Unified CPA Examinations* and *Measures of Registration of CPAs* should be

revised. Such management specifications in the fields of talent selection and training, certification of professional qualifications and inspections of practice quality should be improved, all of which should lead to a more robust and effective system of management rules.

#### **(11) Improving professional standards and rules**

The professional standard system should keep pace with the times and be effectively implemented to play its role in regulating and leading professional services. Relevant standards should be revised, including those related to risk assessments, audit of accounting estimates, group audit, assurance on a greenhouse gas statement, special purpose audit engagements, assurance reports on a service organization's controls and agreed-upon procedures. The accounting sector needs to analyze the impacts of digital technologies on the methods, quality, efficiency and risks of the services provided by CPAs in an in-depth way, and develop and revise relevant standards and rules to improve the capabilities of CPAs for detecting and addressing frauds. It will also track the implementation of professional standards, give full play to its technical advisory role, timely respond to the practical concerns, conduct follow-up research on bank confirmation procedure, and guide firms to establish and improve quality management systems. Practice guidance and Q&A need to be enhanced to provide timely professional technical support to help firms understand and implement standards.

#### **V Improving talent training mechanism**

The accounting sector should continue to implement the Strategy of Talent Training, shift the focus to quality enhancement, improve talent training systems and mechanisms, motivate the creativity of talents, and increase the attractiveness to talents, so as to comprehensively improve their professional service capabilities and professional ethics.

### **(12) Further reforming CPA exam system**

Targeting the national demands for CPAs, in accordance with world-class practice, the basic system, the organization and management system, as well as the quality guarantee system of CPA exams should be further improved in the career-oriented, principle-based and examinee-friendly principles. Furthermore, by continuously optimizing the organization and implementation processes and revising the management rules, such as the disciplinary measures for handling non-compliance activities of candidates, the organization, management and service of CPA exams will continue to be improved on a more scientific and refined basis. The construction of the exam question pool needs to be advanced, which should initially take shape by 2025. The Chinese CPA Qualification will be promoted to the global accounting sector to enhance its international influence and recognition.

### **(13) Implementing high-caliber talent training programs in an in-depth way**

In the principles of all-round training, whole-process follow-up and shoring up professional deficiencies, the width and depth of talent training should be expanded to establish a scientific, standardized and internationalized high-caliber talent training system. The high-caliber talents shall play their due role in supporting the development of the accounting sector in turn. More high-caliber talents will be trained, in particular, internationalized, digitalized, managerial and interdisciplinary high-caliber talents need to be trained by constantly optimizing the training fields and regional coverage. To this end, efforts should be made to optimize selection and training models and systems of high-caliber talents; an informatized platform for online management of high-caliber talents will be established; communications and coordination with relevant authorities need to be strengthened to develop and improve incentive policies for high-caliber talents,

including more incentives for attracting and training those talents.

#### **(14) Continuing to strengthen continuing professional development (CPD)**

In accordance with the public demand on the knowledge structure and competence of CPAs, training on specialties and professional ethics should be enhanced. Specifically, the *Guidance on Competence of Chinese CPAs* and *Regulations on Continuing Professional Development for Chinese CPAs* will be revised to improve the CPD system; a training service system for the CICPA members needs to be constructed to allocate training resources more effectively by optimizing the positioning and division of roles of training bodies, namely institutes of CPAs at all levels, firms and training agencies, and by fully utilizing national accounting institutes as training platforms; multilevel talent training systems and mechanisms should be established; total factor training modules and courses about CPA competence that are applicable to latest developments and requirements will be set, and faculty pool will be further enhanced; the CPD system for non-practicing members should be improved to promote local institutes of CPAs (hereinafter referred to as “local institutes”) to research and improve training on non-practicing members; information and internet technologies will be employed to create online CPD platforms that meet the requirements in the new development stage.

#### **(15) Enhancing training on reserve talents**

Cooperation with universities and colleges is encouraged to strengthen the influence and attractiveness of the accounting sector; training of the faculty for core courses of CPA Major will continue to be improved; excellent students will continue to be selected to join internship programs at overseas accounting firms and the orientation training mechanism that links internship with employment will be further improved; institutes of CPAs at all levels, firms and universities

with CPA Major need to work together to construct practice-oriented teaching bases, so as to strengthen communications and exchanges between the trainers in the accounting sector and the faculty at universities.

## **VI Fostering high-quality firms**

Firms are the main players to provide professional services. The accounting sector will foster more competitive and world-class firms and develop SMPs offering specialized services. The internal governance of firms will also be improved to effectively advance their service capabilities.

### **(16) Fostering more competitive and world-class firms and developing SMPs offering specialized services**

The accounting sector should strengthen policy guidance and support to foster a number of more competitive and world-class firms and develop SMPs offering specialized services. Specifically, the Measures for Comprehensive Evaluation of Accounting Firms will be revised and built into a renowned brand with high public trust and global influence by reforming and improving the system of indicators for comprehensive evaluation, initiating classified evaluations, optimizing evaluation indicators, regulating evaluation procedures, strengthening publicity and promoting to apply the evaluation results in practice; firms are encouraged to improve their comprehensive service capabilities; the standards and guidance applicable to specialized services offered by SMPs need to be developed, while communication mechanisms on engagements of SMPs are explored; firms are supported in developing into more competitive and world-class firms or SMPs offering specialized services; the guidance and support are prioritized for SMPs and firms in less developed regions; in order to support firms in their research and development and application of new technologies, the accounting sector will coordinate with relevant authorities to establish an



incentive mechanism for firms to conduct innovative research and development and apply new technologies, including an equal treatment as those in other industries in terms of taxation and New and High-Technology Enterprise certification.

#### **(17) Deepening internal governance of firms**

The *Guidance on Internal Governance of Accounting Firms* should be revised and improved, so as to promote firms to improve their internal institution and systems and achieve substantively integrated management in the fields of human resource allocation, financial arrangements, engagement acceptance, technical standards and informatization. Evaluation indicators for the integrated management of firms should be set and incorporated into the Comprehensive Evaluation of Accounting Firms, so as to guide firms to effectively improve internal management and achieve sustainable development. Firms are promoted to establish and improve the partner (shareholder) governance mechanism that fits for the high-quality development, including the governance concept of solidarity, close collaboration, consistency of mindsets and common aspiration as well as the governance culture of integrity, cooperation, democracy and harmony within firms.

#### **(18) Strengthening quality control and risk management of firms**

In line with quality management standards, firms are encouraged to strengthen quality management system, including a performance evaluation system and a staff promotion mechanism with professional ethics and practice quality as the key criteria. Training on risk alerts is necessary to strengthen the awareness of risk management and enhance capabilities of detecting, evaluating and addressing overall risks. A system for firms to publish transparency reports is explored, so as to enhance the public trust in the accounting sector. Firms are also encouraged to optimize internal

quality management environment and establish the internal culture of upholding quality and respecting professionalism.

#### **(19) Strengthening brand-building of firms**

Firms should be encouraged to establish the brand culture, enhance brand awareness and align brand-building efforts with integrity-building, strategy implementation, culture building, talent training and business development. To this end, an incentive mechanism will be established to encourage firms to create and maintain brands, so as to use brand-building to lead and promote the improvement of practice quality; a brand management system and a brand monitoring and evaluation mechanism for firms should be established and improved. Firms are promoted to establish and improve a risk prevention mechanism, so as to create time-honored brands.

#### **VII Strengthening service market**

The accounting sector will thoroughly implement the Strategy of Expanding Non-audit Services, and shift the focus to both traditional audit and assurance services and value-added services, so as to satisfy the demand of entities at different levels for high quality development. By improving the basic system of service market, optimizing its practical environment, adhering to equal market access and orderly opening-up, an efficient, well-regulated and unified service market characterized by fair competition will be constructed to create sound external conditions for improving audit quality.

#### **(20) Actively expanding service areas**

The accounting sector should research to expand the service scope, guide and promote firms to expand non-audit services, explore new market demands, innovate services, transform service

modes and expand comprehensive service supplies, so as to ensure that the total revenue of the whole accounting sector maintains an annual growth rate of over 10%. Its traditional advantages and professional potentials in data processing and analysis need to be brought into full play to deepen the application of big data in audit practice; data analysis tools should be flexibly used or independently developed to expand data-based products and services. Firms are guided and encouraged to serve the Transformation of Government Functions, Evaluation of Fiscal Performance, Reform of State-owned Enterprises (SOEs), Reform of State-owned Asset Supervision System, Eco-Environment Protection, Rural Revitalization, Fiscal Supervision, Registration-based IPO Reform and Construction of Multi-tier Capital Market. They should support coordinated regional development strategies, such as Coordinated Development in Beijing-Tianjin-Hebei Region, Integration of Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Economic Belt, Hainan Free Trade Port, Revitalization of the Northeast, Large-Scale Development of Western Region and Rise of Central Region. They are also encouraged to participate in the upgrading of the manufacturing industry, the construction of “new infrastructure and new urbanization initiatives and major projects” and the development of new business models, so as to contribute to sustainable and green development in China. Firms need to improve their capabilities of serving new-type infrastructure development, such as 5G networks and relevant infrastructure, “big data, intelligence, mobile internet and cloud computing” facilities, strategic emerging industries of life and health, biotechnology, financial technology and new materials. Finally, they should enhance the capabilities of serving law-based government and law-based society.

#### **(21) Cracking down on unfair low-price competition**

The accounting sector will explore to implement the government policies for procurement of

professional services and establish an open, transparent and non-discriminatory tendering and bidding process. It will also explore to reform and improve the audit appointment mechanism by improving the current tendering and bidding system, adopting the method of competitive consultation for the procurement and effectively solving “the low-price bids”. Relevant authorities are promoted to implement the *Notice of Ministry of Finance on Boosting Fair Competition and Optimizing Business Environment for Government Procurements*, and check and abolish market access permissions that restrict market competition, such as pool and shortlist of intermediary agencies and limitations on practice areas, so as to improve the marketization and rule of law in the practice environment. The training on risks needs to be strengthened to guide firms to accept engagements in line with their capabilities. The reporting and monitoring of information on audit fees will be enhanced with a regulation emphasis on those firms whose audit fees are significantly lower than the average level. The competition being malignantly conducted with low prices or negligent of audit quality must be cracked down on with more rigorous self-disciplinary measures against firms and CPAs who accept engagements beyond their competence or at the costs of audit quality. Firms are requested to improve their pricing mechanisms which should reflect their actual workload, service risks and service quality.

## **(22) Strengthening publicity**

The accounting sector will further popularize and educate on the rule of law in the accounting sector. Specifically, a monitoring and response mechanism for major events will be established to guide positive publicity in various ways and channels, including practical features, functions and roles, value and contributions, meritorious deeds and public interest activities, so as to establish a positive public image, enhance the senses of belonging and honor among members and guide the public to understand the accounting sector; professionals from the accounting sector are

encouraged to participate in the administration and discussion of state affairs and contribute to social and economic development, so as to create an atmosphere of public opinions conducive to innovation and development.

### **VIII Enhancing internationalization**

The accounting sector will continue to implement the Strategy of Internationalization and shift the focus to both Chinese market and Chinese enterprises “going global”. In accordance with world-class practice, it will train a team of qualified practitioners, develop professional standards and construct service markets. It will also participate in the governance of the global accounting sector and gradually increase the international status and influence of Chinese accounting sector.

#### **(23) Continuing to reinforce convergence of standards**

By tracking the latest progress of international standards and considering practical demand in China, the systems of audit standards, quality management standards and professional ethics will continue to be strengthened. Dynamic convergence with international standards will be maintained and interactions with international standard-setting organizations will be enhanced, so as to make China’s conditions and voices heard during the international standard-setting process and contribute to the improvement of international standards.

#### **(24) Accelerating to explore international market**

In accordance with requirements for higher standard of openness, the accounting sector will promote the Chinese and international accounting service markets to coordinate with and reinforce each other. Specifically, more policies and measures for firms to develop international businesses will be launched to better support and guarantee the overseas development of Chinese enterprises

and provide professional services for the development of foreign-funded enterprises in China; experience of firms in internationalized development will be shared, while research on and technical assistance in international businesses should be strengthened; firms are encouraged to establish their own international accounting networks, set up overseas branches or offices, and make full use of technology and management advantages of their networks to improve international service capabilities; firms are also encouraged to join international accounting networks, make use of the resources of these networks to develop their own businesses, and participate in the governance and decision-making process of these networks. Those firms which have already joined international accounting networks are supported in continuing to give full play to their advantages of internationalized development and increase their influence in those networks.

**(25) Proactively participating in governance of global accounting sector**

Distinguished Chinese accounting professionals shall continue to be recommended to voluntarily serve in the International Federation of Accountants (IFAC) and the Confederation of Asian and Pacific Accountants (CAPA), so that the accounting sector can participate deeply in the reform and development of the global accounting sector. A more robust system for international cooperation needs to be improved to enhance wider and deeper collaborations with professional accountancy organizations in other countries and jurisdictions. High-end, high-caliber and influential international conferences will be hosted to make efficient use of international resources and learn from the global accounting sector. The international publicity mechanism needs to be improved to publicize the Chinese accounting sector in multiple channels and ways, so as to enhance its international image and influence.

## **IX Continuing to strengthen regulation**

In accordance with the requirements on streamlining administration, delegating power, improving regulation and upgrading services, in order to adapt to legal and policy environment, the accounting sector will improve integrity and audit quality with effective regulation, which should be characterized by innovative regulation concepts, improved regulation systems and mechanisms, greater regulatory efforts, expanded regulatory services, better regulatory coordination and strengthened regulatory effectiveness.

### **(26) Enriching regulatory methods**

Efforts will be made to achieve automatic risk alerting by improving the monitoring mechanism of abnormal practice of firms and exploring to establish regulatory platforms and tools based on frontier information technologies (hereinafter referred to as “IT”). The interview and inquiry system will be improved; the mechanism for handling public complaints and media questioning needs to be optimized; the information disclosure of investigations and disciplinary actions should be intensified to enhance deterrence; a comprehensive regulation mechanism that incorporates during-and-after audit regulation procedures and the credit supervision should be established by strengthening regulatory team building, enriching self-discipline measures, and improving integrity information monitoring system and CPA practice monitoring system.

### **(27) Enhancing regulation efforts**

Efforts will be made to enhance regulation on the independence of firms and CPAs and strengthen risk alerts and warning. During-and-after audit regulation will be strengthened, practice quality inspection system will be improved, and regulation on the audit of annual reports of listed companies will be enhanced. The system of “two random samplings and one timely disclosure”

(the random selection of entities to be inspected and the random selection of inspectors with a timely disclosure of the inspection status and result) needs to be optimized by linking the proportion and frequency of random samplings with the integrity and practice of firms, in particular, inspection frequency for those with poor integrity records and abnormal practice must be enhanced; firms that have significant impacts on the audit market need to be subject to an inspection period every three years. The disciplinary and appeal mechanism and its work processes should be improved and those at key positions at firms should be held to higher standard of accountability.

**(28) Expanding regulatory services**

Efforts will be made to conduct in-depth analysis of audit of annual financial reports of listed companies and timely release practice risk alerts. The regulatory results need to be fully used to make comprehensive analysis and publish typical cases. Assessment of and guidance on firms that conduct securities-related businesses will be strengthened by re-reviewing the results of practice quality inspections, consolidating periodical assistance mechanisms and improving professional technical support.

**(29) Enhancing regulatory coordination among different authorities**

The accounting sector will improve the joint regulation mechanisms and enhance coordination and interactions among various regulators. Specifically, a communication and coordination platform among regulators will be established to coordinate regulatory actions, unify regulatory standards and bring the respective advantages of those regulators into full play, so as to strengthen regulatory effectiveness; the regulatory information and results must be shared and utilized among regulators to achieve the integration and interconnectivity of various regulations, including



financial and accounting supervision, so as to effectively solve the problems of multi-party monitoring and repetitive inspections; a joint disciplinary framework for serious violation of laws and regulations and non-integrity conducts will be established, in which measures such as administrative punishments, disciplinary measures and market regulation are interconnected and the social supervision is involved.

### **X Deepening informatization**

In line with the objective of building powerful institutes of CPAs at all levels in cyberspace, the accounting sector should advance the overall plan for informatization of the firms, of the profession management and service as well as of the office work at institutes of CPAs at all levels. Efforts should also be made to push forward comprehensive strategy of standardized, digitalized, internet-based and intelligent development. The “3456” informatization project needs to be promoted for the high-quality development, meaning three tasks for fundamental informatization, four tasks for data application, five tasks for informatization of profession management and service and of the collaborative OA system at institutes of CPAs at all levels, as well as six tasks for informatization of firms.

#### **(30) Accelerating basic research on and construction of informatization**

The basic systems for informatization will be improved to enhance standardization. Centering on high concurrency, high availability, high performance and advanced nature of information systems, in line with the business logic and application scenarios, the safe, stable and advanced technical framework must be chosen to construct the information systems. Centering on the fields of audit data collection, electronic audit report, profession management and service data and electronic seal and certificate, in accordance with the principles of succession, development and innovation,

a scientific and applicable system of data standards will be established. *Cyber-security Law of the People's Republic of China* must be implemented to raise the cyber-security awareness and enhance cyber-security protection capabilities, so as to ensure the security of application systems and data assets.

### **(31) Improving data support and service capabilities**

The data governance will be strengthened to improve data quality, promote the integration and sharing of data resources and enhance data mining and application capabilities, so as to advance the digital transformation and development. Efforts will be made to facilitate sharing of governmental data resources in fiscal, banking, industrial & commercial administration, taxation and public security fields that are necessary for firms to conduct audit engagements and for institutes of CPAs at all levels to perform the profession management and service, so as to promote data as the productive factor to play its role as an innovative development engine. With the Profession Management Information System at the center, the data sharing between institutes of CPAs at all levels and firms will be explored to establish a data center of the accounting sector. Efforts need to be made to extend the application of big data in the audit practice of firms and expand data-based products and services. The capabilities of data mining, analysis and application should be improved to serve the analysis and forecast of national macroeconomic performance.

### **(32) Promoting informatization of profession management and service as well as of OA system for institutes of CPAs at all levels**

The Profession Management Information System will be optimized, especially in priority service areas. The integrity information monitoring system, with the functions of “all-round recording, real-time monitoring and effective disclosure”, needs to be improved and join the integrity

information monitoring system and the CPA practice monitoring system to form a social supervision mechanism in the accounting sector, which should be integrated into the national social credit system. The collaborative OA system at institutes of CPAs at all levels will be built up to enhance the internal management efficiency, improve the decision-making effectiveness, and achieve document exchange and communication among institutes of CPAs at all levels. Informatization rules need to be improved to promote the interconnection and data sharing among information systems at all levels and across all fields and develop an internet-based ecology among the information systems in the accounting sector.

### **(33) Strengthening informatization of firms**

In accordance with the concept of overall coordination and classified guidance, centering on the demand of firms in governance, quality management and audit practice fields, by the means of independent research and development or procurement in the market, efforts will be made in an orderly way to promote SMPs to popularize informatization and to promote big firms to be upgraded intelligently, so as to enhance informatized governance. Based on comprehensive application of modern IT, big firms are promoted to construct intelligent audit practice platforms covering the whole audit process and develop supporting tools, so as to construct a comprehensive and integrated management system in the business management and office administration fields between the headquarters and branches. SMPs, based on their specialties, will popularize informatization products in the audit practice and internal management fields. Efforts will also be made to explore the integration and application of modern IT to foster new technologies, new products, new business forms and new service models. The advantageous resources need to be pooled to promote the digitalization of external information procedures. The path to informatization will be diversified and a technology platform for data sharing should be

constructed.

## **XI Enhancing governance of the accounting sector**

The accounting sector must further improve the democratic governance system and enhance the construction of institutes of CPAs at all levels to improve the profession management and service.

### **(34) Improving governance system**

The accounting sector should establish a governance system authorized by the law, supervised by authorities, disciplined by itself and supported by science and technologies, so as to improve its own governance system and capabilities. Efforts will be made to streamline administration and delegate power to the lower levels, so as to undertake the functions and public services that are suitable to be exercised and managed by the institutes of CPAs at all levels by means of transfer of functions, government authorization and service procurement. The democratic consultation and democratic decision-making must be adhered to, so as to give full play to the leading role of members in governance. The governance mechanism of the CICPA comprising of National Assembly of Delegates, Council, Board of Supervisors and Secretariat must be improved, so as to give full play to the decision-making and supervision roles of the Council (the Executive Council) and the Board of Supervisors. The role of specialized (professional) committees needs to be brought into full play by enriching their ways of conducting professional events.

### **(35) Enhancing Institutes of CPAs at all levels**

The institutes of CPAs at all levels should advance the reform and development of their secretariats by strengthening institution building, team building and culture building, so as to better play the role of “service, supervision, regulation and coordination”.

### **(36) Strengthening profession management and service**

The informatized member management and services will be improved to enhance membership development and optimize member registration process. Systems related to member management and services need to be established and improved. A digital platform of member services is explored to collect the information of members in a comprehensive and timely way. In view of the demand of members in different regions, of different scales and at different levels, the all-round, multi-level and multi-mode online and offline member services will be provided for precise services and targeted management. Policies on membership fees need to be standardized to increase the proportion of investment in key areas and enhance the effectiveness of expenditure. The rights protection system with strengthened enforcement will be improved to effectively safeguard members' legitimate rights and interest.

## **XII Organization and implementation**

The accounting sector must fully mobilize all positive factors and unite all the forces that can be united, so as to jointly and effectively advance high-quality development in a coordinated way.

### **(37) Strengthening organizational leadership**

The working staff in the accounting sector should make concerted efforts to implement the Plan. The enthusiasm of institutes of CPAs at all levels and of firms will be motivated to create joint efforts that all stakeholders act in a united manner.

### **(38) Enhancing overall coordination**

The institutes of CPAs at all levels should strengthen the overall planning, establish and improve

the policy and work coordination mechanisms, and promulgate and implement various policies and measures respectively. Firms, CPAs and all the working staff in the accounting sector should take the initiative to play their due role to promote the development of the accounting sector.

**(39) Enhancing accountability**

The supervision and implementation mechanisms should be established and improved to ensure the effective implementation of the tasks and measures in the Plan. The evaluations on the implementation of the Plan should be conducted in proper time, so as to ensure that all the decisions and arrangements of the State for the development of the accounting sector are effectively implemented and the reform and development measures taken by the accounting sector are carried out.

**(40) Strengthening theoretical research**

Efforts should be made to strengthen theoretical and practical research to provide theoretical and intellectual support. The role of universities and scientific research institutes as think-tanks should be fully leveraged. All the stakeholders in and outside the accounting sector should be mobilized to organize and conduct research on major problems encountered in development and remove the barriers hindering the development of the accounting sector.

On the basis of the Plan, institutes of CPAs of all provinces, autonomous regions and municipalities can develop their own plans in line with the local circumstances.

(The CICPA organized translation of the Plan into English. The Chinese text is the official version and this English text is for reference only)