



## **Joint Statement by the Chairman of the Chinese Auditing Standards Board and the Chairman of the International Auditing and Assurance Standards Board**

(November 10, 2010)

The Chinese Auditing Standards Board (CASB) and the International Auditing and Assurance Standards Board (IAASB) have held a meeting to discuss convergence of auditing standards. The meeting was instigated by Vice-Minister of Chinese Ministry of Finance and Chairman of the CASB Dr. Wang Jun, and promoted by International Federation of Accountants (IFAC) Chief Executive Mr. Ian Ball and CICPA Secretary-General Dr. Yugui Chen. IAASB Chairman Prof. Arnold Schilder, IAASB Deputy Chair Diana Hillier, IAASB Executive Director, Professional Standards Mr. James Sylph and CICPA Deputy Secretary-General Dr. Zhiguo Yang participated in the meeting.

Both parties agree that the joint statement signed in December 2005 is a milestone. It pointed out that establishing and improving a single set of high quality global auditing standards is a logical response to the trend of economic globalization, which plays a key role in reducing the risk of decision-making by investors for efficient capital allocation, as well as in promoting economic development and maintaining financial stability all over the world. International convergence of auditing standards is the right direction, the importance of which has been manifested during the global financial crisis, and achieving it is a strategic objective for IAASB and standards-setting organizations of various jurisdictions.

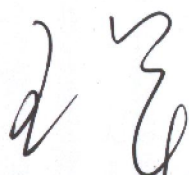
As the largest developing country in the world, China firmly supports the efforts of IFAC and IAASB to promote international convergence of auditing standards. The fundamental principle of drafting the Chinese auditing standards is to continuously improve the auditing standards, as well as achieve continuous and comprehensive convergence with international auditing standards in line with the development of Chinese market economy and the overall trend of economic globalization and international convergence.

In recent years, IAASB has launched and been carrying out the Clarity Project to enhance the clarity of International Standards on Auditing (ISAs), which involves the application of new drafting conventions to all ISAs and substantial revisions of a number of ISAs. On February 27, 2009, the Clarity Project reached its completion with the Public Interest Oversight Board (PIOB)'s approval. Auditors worldwide will now have access to 36 newly updated and clarified ISAs and a clarified International Standard on Quality Control (ISQC). Since the requirements of the new ISAs have been clarified and their quality has been significantly improved, the CASB applauds the milestone achievement made by IAASB.

In accordance with the principle of continuous and comprehensive convergence, the CASB has completed the revision of Chinese Standards on Auditing (CSAs), and achieved full convergence with the clarified ISAs. The revised CSAs have been officially released in November 2010, and will be effective for audits of financial statements for period beginning on or after January 1, 2011. The IAASB applauds and expresses admiration for the great efforts and the enormous progress that China is making towards international convergence, which demonstrates the extraordinary abilities of the Chinese government and Chinese accountancy profession to make the decision and to organize to implement it, and may serve as a model for developing countries and transitional economies.

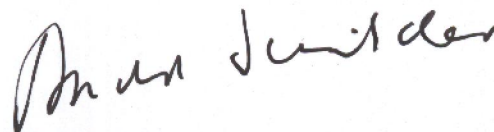
During the process of international convergence, the CASB made limited additions it considered necessary and maintained some standards dealing with matters that are not specially covered in ISAs to reflect China's unique circumstances and business requirements, such as standards for the verification of capital contributions and communication between predecessor and successor auditors. The IAASB recognizes that such additional requirements may be necessary and are acceptable where they do not conflict with ISAs.

In view of the success of this joint meeting, the CASB and the IAASB have agreed to continue to meet periodically and strengthen communication and cooperation between the two parties.



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Wang Jun  
Chairman  
Chinese Auditing Standards Board



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Arnold Schilder  
Chairman  
International Auditing and Assurance Standards Board