

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

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 China Ministry of Finance and Chairman of the CASB Mr. Wang Jun, and promoted by International Federation of Accountants Chief Executive Mr. Ian Ball and CICPA Secretary-General Mr. Yugui Chen. IAASB Chairman Mr. John Kellas, IAASB Deputy Chairman Mrs. Denise Esdon, IAASB Technical Director Mr. James Sylph and CICPA Deputy Secretary-General Mr. Yang Zhiguo participated in the meeting.

Both parties agree 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, and achieving it is a strategic objective of IAASB and standards-setting organizations of various jurisdictions. Both parties also recognize that international convergence takes time to happen and requires continuing communication and cooperation between IAASB and national standard setters.

The CASB states that the fundamental principle of drafting the Chinese auditing standards is to improve the Chinese auditing standards system and accelerate its convergence with the International Standards on Auditing (ISAs), in line with the development process of China's market economy and overall trend of economic globalization and international convergence.

The IAASB believes that, if national standard setters establish formal policies for international convergence this will support the convergence process and lead to the elimination of differences between their national standards and the ISAs, within a reasonable period of time.

During the past year, China has established the policy of converging its national auditing standards with the ISAs, reformed its standards system and planned a schedule for international convergence. At present, China has issued 17 exposure drafts, with another 5 exposure drafts to be issued soon. Together with the 26 existing effective standards, the Ministry of Finance and the CASB believe that these will lead to a body of Chinese auditing standards that cater to the development of the Chinese

economic system and respond to the demand for international convergence. The IAASB applauds and expresses admiration for the enormous progress that China is making towards international convergence. Such great progress and efforts serve as a model for developing countries and countries with economies in transition.

During the process, the CASB made amendments it considered necessary and maintained some standards dealing with matters that are not specifically covered in the 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.

The Ministry of Finance and the CASB intend to eliminate over time, as the environment in China changes, those differences between the Chinese auditing standards and the ISAs that still exist. In particular, there are differences in the approach to dealing with guidance which is an integral part of ISAs but which cannot be incorporated in the legal instruments containing the requirements of Chinese auditing standards; the CASB plans to include explanatory materials in interpretative guidance which will be required to be read and applied in conjunction with the standard, to ensure the completeness and effectiveness of the standard.

As a result 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.

Handwritten signature of Wang Jun in black ink, with a date stamp '2005-12' in the bottom right corner.Handwritten signature of John Kellas in black ink.

Wang Jun

Chairman

Chinese Auditing Standards Board

John Kellas

Chairman

International Auditing and Assurance Standards Board