Reflections on Chinese CPA Audit Fee

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Abstract. The continuous occurrence in recent years at home and abroad engaged in financial fraud scandal makes audit CPA questioned and concern in all sectors of society, and the influence factors of CPA audit quality has a lot of, from the perspective of the CPA audit fees, audit fees in China CPA in the analysis of the problems, and put forward to solve the problem the views on how to take effective measures.

Introduction

Known as the "don't take economic police" national salary of Certified Public Accountants (hereinafter referred to as CPAs) is a modern enterprise system in today's "two rights separation" as a symbol, in order to alleviate the emerged owners and operators of the situation of information asymmetry. CPA to a neutral third party independent identity for the financial information of the enterprise, in accordance with certain procedures, the specific methods for the examination and evaluation of financial information, and comment on its authenticity. Due to more and more attention on the financial information of the public, CPA, Industry quality has become the focus of attention of all aspects of society.

The practice quality of CPA, CPA is in the process of the quality audit opinion published and issued audit opinion accuracy. Although China's CPA rapid development and has achieved certain results, but it is undeniable that the current problems and the impact of China's CPA development is the service quality is not CPA high, the "economic police" failed to perform well duties. According to the 2001 Audit Office of China listed companies annual accounting statement audit qualification of 16 furniture firms to complete the audit quality inspection, audit report in 32 tested, there are 14 firms issued 23 A serious misrepresentation of the audit report, financial accounting information fraud involving 7 billion 134 million yuan, involving 41 CPA, to the end of 2001, there are more than and 110 firms and more than 120 CPA by the deadline for rectification, criticism, compulsory training. In addition, according to statistics, from January 1, 1998 to June 30, 2002 4 and a half years, the country subject to administrative penalties the CPA has 687 people, accounting firms by administrative punishment 1073 times; civil liability of CPA has 1 people, the amount of 10 thousand yuan compensation, civil liability of Certified Public Accountants By 28, the amount of compensation 8 millions 640 thousand yuan; the criminal penalties of CPA which is 22 people, criminal detention of 15 people, 5 people were sentenced to imprisonment; 47 people, was forced to take measures including: 29 people were released on bail, administrative or criminal detention of 13 people. All this shows that the practice: the quality of CPA in China has been questioned by the society; CPA in China is facing a serious crisis of confidence.
There are many factors affecting CPA the quality of practice, such as the CPA practice environment, occupation ethics and independence of CPA, CPA's professional competence and so on, this article from the CPA audit fee, carries on the discussion to the charges in China CPA.

**Problem in Our Country's CPA Charge**

**Imbalance of the Principal-agent Relationship and the Defective Appointment System**

China's current "who commissioned, who pay" independent audit payment by the client commissioned CPA and CPA audit of the audited entity, but often the audit costs to the audit body, the parties to the rights and obligations of independent audit in imbalance. Although China's state-owned enterprises ownership and operation have the appropriate separation, but due to lack of personality on behalf of the owner, the owner is also difficult to form a strong constraint, which leads to the audit client and business agent to be made one emergence of the phenomenon, and the CPA audit system arrangement, the contrary In the rules of the market economy cycle, namely the CPA and pay the money entrusted by the audit of their financial information. It is customer oriented, or to the public interests, is a difficult problem in the CPA industry. On the one hand, both the legal and moral requirements, occupation moral requirements or CPA. CPA must be honest, objective, honest, and trustworthy, to keep the "face" of CPA. On the other hand, in the institutional arrangements for the "belly" priority, because the accounting firm is non funding needs, self financing, self development organization, to survive and develop, only to go to the market get off Households, if can not find the customer or the customer is not satisfied, then you will starve. Although from the principle that CPA is a two-way choice between the customer and the relationship, but in the current accounting firms in China CPA industry generally small scale, weak competitiveness between firms in order to fierce competition and contend for customers, so that at present resorted to various means, in China's current accounting information serious distortion and the enterprise management have strong motivations of the environment, when customers pay their audit commissioned CPA and CPA facing unfair customer requirements, or adhere to the principle, abide by the occupation morals, not to refuse the customer Reasonable request and issue the audit report is consistent with the fact, which is facing the risk of losing customers and customers fired they’re hungry, or give up the occupation’s morality and independence, not succumb to the legitimate demands of customers, against the audit report inconsistent with the facts, in order to keep the customers and business, but lost is honesty. In this case, the independence of CPA will practice great harm, if things go on like this, one will lead to more CPA and give up the principle of firm to compete for customers, issued false audit reports, even in the sharing of information rent and management; on the other hand, adhere to the principle of The CPA and the firm will have been excluded and blow that cannot survive, survival and development, resulting in the CPA industry "bad money drives out good money" phenomenon. The imbalance principal-agent relationship and employment system have defects undermine the independence of the CPA, directly reduce the quality of audit practice value and CPA.

**Audit Fee is Low, the Lack of Uniform Standards of Audit Fees**

The audit fee is a sensitive and the auditing quality of CPA has a direct impact on the factors. According to the current CPA standard audit fees by the provincial finance department in conjunction with the price management departments, time charges and fees, the current status of
the CPA rate of audit fees China is not a unified national CPA standard of audit fees, differences between regions. The development of CPA; the standard of audit fees and CPA system in China is relatively mature compared to Britain, the United States and other countries, charging standard is obviously low, even so, it is difficult to audit according to CPA These standards receive audit remuneration, can be said that China's CPA industry fees are more chaotic, and to a certain extent, affect the independence of CPA and professional ethics [1].

Effect of the situation of chaos and low charges in China CPA audit of the CPA practice is reflected in the following two aspects: first, will initiate and exacerbate the vicious competition of CPA industry to reduce the audit fees as a means of further deterioration of the CPA practice environment, the self CPA and firm in the low audit fees under pressure any reduction of audit procedures to damage the audit quality to reduce audit costs; second, currently on illegal CPA and punishment firms is mainly due to cancellation of the audit qualification, CPA industry to implement the market access system, the low audit fees will reduce industry "rent", which will reducing the opportunity costs of CPA and firm violations, equivalent to indirectly reduce the penalties for violations of the CPA and the firm, which will weaken the CPA and the firm's independence and professional ethics to some extent.

The Disclosure of Audit fees is Not Sufficient, Transparency is Not High

After the silver metal and a number of listed companies broke the fraud scandal, many investors on the CPA industry has shown more questions and concerns, the audit fee is one of them. Therefore, China Commission in December 24, 2001 released "the information disclosure question no. sixth, payment of compensation and disclosure of accounting firms" of listed companies the disclosure of payments to the content and form of accounting firms for the first time in the specific provisions in the annual report. To April 30, 2002, in the 1147 annual report of the 1003 listed companies to disclose the 2001 annual audit fees, which Only 159 listed companies and 138 clear disclosure of the annual report, the report of the audit fee, there are 566 listed companies to make disclosure to pay for the travel expenses. The quality of disclosure is not ideal, mainly in two aspects: first, the disclosure of information is not clear. Some messy to disclose according to the appointment of the accounting firm, some it is not divided by year and accounting firms to disclose; some disclosure is the actual payment of remuneration, and some disclosure is to cope with reward. Second, according to the provisions of the principle of many disclosure. Especially many listed companies in the audit fee disclosure is still not standardized, especially when the audit fees have greatly changed Dynamic and replacement of firms and CPA is particularly prominent, such as non disclosure of audit fees to pay interim dismissal, or the audit fees, travel expenses, consulting fees are mixed together without disclosure, disclosure of accounting firm changes; the payment procedures were not disclosed. Most listed companies like this, not to mention the general business is not as good as the standard [2].

The practice of audit fees related to the quality of inadequate disclosure and transparency is not high and CPA is quite related. If the enterprise released is inconsistent with the actual situation of financial information and audit hired CPA, only two results: one is to give up the occupation moral CPA due to meet the needs of enterprises, and access to the corresponding audit fee, if CPA can help enterprises to make the financial information fraud work to make it more professional, CPA will receive extra pay enterprise, such as payment beyond the normal standard of audit fee, or the enterprise financial consulting, tax planning, tax agency and other non audit services to CPA and Firm, reach a "win-win" result; the two is if CPA does not meet
the unreasonable requirements, so not obedient and CPA firms will be fired by the CPA firm and obedient instead of its work. And all of this will be through the audit fees of more or less reflected by social speculation and doubt, so reduce the information related to the audit fee transparency has become the most effective and feasible way [3].

To Solve the Problem of CPA Audit Fees Countermeasures

Set up the Audit Commission intermediary, change the existing Commission and payment methods. In order to overcome and solve the flaws of the CPA audit and payment system arrangement, must change the existing principal payment, to increase the independence of CPA and firm. Specifically, we should establish a audit commissioned by the intermediary, the intermediary (the best is organized by the authority of the government or industry and management) as an intermediary organization has the right to obtain the audit fee and audit of enterprise independent audit enterprise, enterprise management authorities to implement the auditor choice behavior, entrust the intermediary to auditor requirements and the public requirement entirely and also the essence and audit requirements. Specifically, on the one hand by the Intermediary uniform regularly to enterprises according to certain standards for the audit fees, and is responsible for the agency enterprise folk audit hiring and payment business, according to the scope of the audit in accordance with the nature and importance of the principle of fairness, openness, and hired CPA firm engaged in the audit work; on the other hand, by the intermediary of CPA and firm practice quality evaluation, and establish the corresponding professional quality records, according to the practice of quality classification, classification management, more importantly, the intermediary in the future to hire CPA and firm, should give full consideration to the completed audit practice quality level, practicing good quality CPA and the firm will be preferred, but for the practice of poor quality CPA and firm, it should reduce its undertaking of the audit business, until the abolition of the hire, which disappeared in the CPA industry. As a result, which can avoid the CPA and firms to compete for customers and cause disorder in the CPA industry and the vicious competition, but also can avoid the CPA and firm in order to survive and develop and have to succumb to the interests of customers needs, from the customer is responsible for becoming responsible for audit commissioned intermediary, prompting the need to ensure audit quality, otherwise it will face no survival dilemma, which will greatly enhance the CPA the practice of independence, and effectively improve the quality of the work, and ensure that CPA can shoot two hawks with one arrow [4].

Standard CPA Audit Fees, the Development of a Reasonable Standard of Audit fees

According to the status of the CPA audit fees in China, we should develop a unified national CPA standard of audit fees, by the Ministry of finance, the AICPA, price departments and other relevant departments jointly formulated an authority CPA audit fees standard, combined with the actual situation in various regions, the provisions on the lower limit of audit fees, across the CPA according to the audit standards, charges in the upper and lower limits of the range in the standard, it must be stressed that the actual audit fees shall not be lower than the standard, so as to control and eliminate to reduce audit fees by way of vicious competition, to compete for customers, and to alleviate the CPA audit in a certain extent The charges are low. In addition, in the formulation of standards, consideration should be given to the status quo of China's CPA audit fee, combined with the development of CPA industry in China and the tendency of China's accession to the "WTO" after the opening of the accounting market situation, China should
increase the CPA industry standard audit fees, which can guarantee CPA and firm the legitimate rights and interests, so that it can do to the duty of diligence in the audit process, and to improve its industry rents by increasing audit fees, able to increase the illegal cost and enhance the economic strength and CPA of civil liability, and improve their independence, so as to improve the quality of practice.

To Strengthen the Supervision of Audit fees, Improve the Transparency of Audit Fees

In view of the status quo, the importance of audit fees and transparency of China's CPA audit fee transparency is not high so we must take effective measures to improve the transparency of the CPA audit fee. Specifically, first of all, we should formulate laws and regulations to standardize the audit fees and related information disclosure, the disclosure of audit fees and related information as van enterprise obligations any enterprise shall not, with any excuse to disclose audit fees, the provisions of the disclosure of audit fees, especially for major changes in the mid CPA dismissal of audit fees, audit fees and other sensitive information services and the end of CPA then hired thing, must be disclosed, The disclosure of information must be comprehensive, objective, clear and true, and not according to the requirements of relevant information disclosure of enterprise how to punish clearly defined; secondly, strengthen the disclosure of information disclosure of audit fees of the inspection and supervision of enterprises, for those without justifiable reasons not to disclose relevant information according to the requirements of enterprises in strict accordance with the relevant provisions be punished, in order to improve the transparency of audit fees; in addition, the Institute of certified public accountants at all levels can also establish business charge reporting system, constraints and supervision of all licensed CPA and firm, so that the audit fee is more transparent and standardized.

In conclusion, the author believes that the current CPA audit fees in China's defective employment system is low and the lack of uniform standards of audit fees and audit fees low transparency of information disclosure and other issues affecting the quality of practice, China's CPA to a considerable extent, in this regard, should adopt corresponding measures, such as change reasonable appointment system, the formulation of the national audit fees, audit fees and other related information to improve transparency, standardize our CPA audit fees, and improve the independence and quality of practice of CPA audit in China, so that China's CPA industry to play a greater role in the economic construction of our country.

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