
AUDIT REGULATIONS FOR FOREIGN-INVESTED BUSINESSES

Adopted by Decision No. 49 of the Cabinet on November 29, 2004

Chapter 1 General

Article 1 These Regulations are formulated to provide objective and impartial audit of foreign-invested businesses, establish a strict auditing system and order and guarantee the results of audit by law.

Article 2 Auditing is a work of impartially examining and confirming the accuracy of the accounts of foreign-invested enterprises.

Article 3 The auditing of foreign-invested businesses (the auditing) shall be done on the principle of objectivity, impartiality, legality, independence and confidentiality.

Article 4 Foreign-invested businesses (the businesses) shall have their accounts audited in respect of investment, calculation, settlement of accounts and liquidation.

The businesses shall include foreign-invested enterprises that have become corporate bodies of the DPRK and foreign enterprises that are not corporate bodies of the DPRK.

Article 5 The accounts shall be examined by the audit office of the DPRK (the audit institution).

Article 6 The legal activities relating to the audit shall be protected by the law of the State.

Article 7 The auditing shall be placed under the unified control and guidance of the central financial guidance organ.

Article 8 Audit offices, enterprises and individuals concerned shall voluntarily abide by these Regulations.

Chapter 2 Objects of Audit, Procedures and Methods

Article 9 Auditing shall be conducted in respect of investment in business, calculation, settlement of accounts, liquidation and other accounts.

Consultation services concerning the investment, calculation, settlement of accounts and liquidation, as well as advisory and supervisory services shall also be audited.

Article 10 A certificate of investment in business, calculation documents, documents of settlement of accounts and liquidation reports shall have legal validity only when they are examined by the audit office.

Article 11 Audit of investment in business shall be done on the investment in foundation, investment for changes (merger, division and increase of capital), transfer (sale and donation), deposits of the businesses with sources of income, bond, lease of fixed assets, technical know-how provided and the like.

Issuance of a certificate of investment, distribution of profit, repayment of investment and division of cleared property shall not be conducted without having the investment in business audited.

Article 12 Audit of the calculation of the business shall be done on the account recordings and calculation data.

Unless the calculation records of the business is examined, settlement of documents shall not be made.

Article 13 Audit of the settlement of the business shall be done on the quarterly and annual settlement documents concerning the results of management activities.

The quarterly settlement shall be audited by the 13th day of the first month of the following quarter and the annual settlement by February the following year.

Article 14 Audit of the liquidation shall be done on the liquidation documents concerning dissolution, bankruptcy, merger or division of a business.

Article 15 Accounts shall also be audited in respect of the documents of remittance of profits and other income derived from the management of business, and the fund distributed after the liquidation of the business, and documents concerning scrapping and transfer of fixed properties.

Article 16 Consultation services shall be provided concerning the laws and regulations on accounting, framing of the articles of association, contracts and accounting documents, calculation and payment of taxes, accounting agency affairs and training of accounting advisers and officials.

Article 17 Examination of the business shall be provided to those requesting investigation into accounting.

Article 18 Where an account is to be examined, a document requesting audit shall be submitted to the relevant institution.

The document shall contain the name of the business, object and date of audit, mode of management, categories of business, term of operation and the like.

Article 19 The audit institution shall examine an application for audit within the prescribed period of time and appoint an auditor.

Article 20 The businesses shall provide necessary conditions for auditing.

Article 21 The businesses shall pay fees for the auditing.

The fees shall be prescribed by the State price fixing institution.

Chapter 3 Capacity and Obligations of an Auditor

Article 22 Audit shall be done by a qualified auditor.

Article 23 An auditor shall be a citizen of the DPRK.

Article 24 An auditor shall be qualified only when he passes the examination for the qualification of auditors.

The examination shall be organized annually by the central non-standing jury for the qualification of auditors.

Article 25 An auditor shall be given a certificate. The certificate shall be valid for 3 years.

At the expiry of the term, the auditor shall have the term extended.

Article 26 The auditor shall discharge the following functions:

1. To audit the investment in business, calculation and settlement of accounts;
2. To participate in the liquidation concerning the dissolution and bankruptcy and examine the liquidation;
3. To participate in the coordination of disputes concerning the management of business, identification of evidences and inspection of accounts;
4. To participate in the consultations about the law and regulations on accounting, articles of association, contracts and management, and act as an accounting adviser;
5. To participate in the consultations concerning the training of accountants; and
6. To take part in other activities relating to audit.

Article 27 An auditor shall examine the accounts in accordance with the law and regulations, be impartial and objective and hold in confidence the information relating to the audit.

Article 28 An auditor may conduct on-site examination or demand necessary calculations.

Article 29 An auditor shall prepare a report on the results of the audit.

The report shall contain the object and scope of audit, opinion, date of presenting the report and name of the auditor, which shall be accompanied by audit document and other relevant materials and affixed by the seal of the audit office.

Article 30 The auditor shall be accountable for the results of the audit before the law.

Chapter 4 Organization and Operation of Audit Institutions

Article 31 An audit institution shall consist of auditors.

Article 32 An audit institution shall be organized in the cities and counties where businesses are located, or may be organized on a regional basis.

Article 33 Where an audit institution is to be organized, an application shall be filed with the relevant institution for approval.

The application shall contain the name, location and number of staff.

Article 34 Upon obtaining an approval, the audit institution shall register with the relevant institution within the prescribed time limit.

Any change in the name, location and number of staff shall be registered.

Article 35 A certain percentage of the audit fees received may be used as expenses for the management of the audit institution.

Article 36 An audit institution shall lay aside allowances after covering expenditure with its own revenue and making payments due to the State.

Article 37 An audit institution shall settle accounts on a quarterly and yearly basis. The document of quarterly settlement of accounts shall be submitted to the central financial guidance organ by the 20th day of the first month of the following quarter and the document of the annual settlement of accounts by January the following year.

Article 38 The audit reports shall, depending on the object of audit, be retained for 5 years, 10 years or permanently.

Chapter 5 Supervision and Control, Settlement of Disputes

Article 39 Auditing shall be supervised and controlled by the central financial guidance organ and the relevant institution .

The central financial guidance organ shall strengthen its supervision and control so that undesirable practices may not occur in respect of the auditing.

Article 40 An auditor may decline to do an audit in case a business misrepresents an information or demands an unjust examination.

Article 41 In case of violation of these Regulations an audit institution, enterprise or an individual shall, depending on the gravity of the offence, be liable to such sanctions as deprivation of qualification or fine. If the breach is serious, penal responsibility shall be imposed.

Article 42 Any dispute concerning audit shall be settled through consultation between the parties concerned.

In case of failure in consultation petition may be lodged with the central financial guidance organ.

Complaints and petitions concerning the auditing shall be settled within the prescribed period of time.