

Research on Audit Risk Control of “New Third Board” Listed Enterprises

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Abstract: In recent years, the new third board listed companies frequently face the problem of financial data case distortion, which is often punished by audit institutions. It is not conducive to the long-term development of enterprises. In the process of operation, enterprises gradually begin to pay attention to the identification, assessment and response of audit risk, so as to ensure that enterprises pass the audit smoothly. Therefore, this paper studies the audit risks of the new third board listed companies, and then puts forward the corresponding control strategies, in order to supplement the research on audit risk management of the new third board listed companies.

1. Research Background

1.1 Literature review

At present, with the expansion of the scale of the new three-board listed enterprises, the audit risk of accounting firms has gradually increased. Song Jia through in-depth study of the audit fraud risk of the new three-board listed enterprises, and put forward corresponding control strategies for the new three-board listed enterprises audit, which is of great significance for standardizing the operation mode of enterprises (Song, 2017). Under the background of the rapid development of the new third board market, Chen Ruiqing studied the causes of the financial risks of the new third board listed companies, and combined with the actual situation of the operation of enterprises, put forward the control measures of the financial risks of enterprises, so as to promote the good operation of the new third board listed companies in China (Chen, 2016). Song Xiaomin's research found that the current relevant government agencies have strict policy restrictions on the new three-board listed enterprises. Enterprises are facing many risks in the process of auditing. By analyzing the audit risks of enterprises, this paper puts forward specific countermeasures, which will play an important role in the development of enterprises (Song, 2017). With the gradual increase in the number of listed companies on the new third board, enterprises participate in auditing work more and more frequently. Jinchengrong analyzed the audit risks faced by the new three-board listed companies, refined and summarized the causes of the risks, and put forward specific strategies for enterprises to deal with audit, which has important guiding significance for the long-term development of enterprise (Jin, 2016). Zhang Min takes small and medium-sized new three-board listed enterprises as the main research object, analyses the causes of enterprise audit risk, and provides corresponding solutions, which is conducive to remedy the deficiencies of enterprise internal control (Zhang, 2019).

1.2 Purpose of research

In order to effectively promote the rapid and orderly development of the new three-board listed enterprises, the relevant government agencies in China have provided greater help for the new three-board listed enterprises in policy, thus promoting the rapid development of the new three-board listed enterprises (Chen, 2014). However, the new three-board listed companies in the actual operation process, because the relevant system is not comprehensive, the market access threshold is relatively low. At the same time, due to the relatively short time for the establishment of the new third board market, the main body of supervision is still unclear in the process of audit implementation, some supervision methods do not have operability and feasibility, most of them adopt off-site supervision methods, unable to accurately and comprehensively complete the audit

work, resulting in relatively backward and unfavorable business management methods. In the long run. Based on this, this paper deeply studies the audit risk of the new three-board listed enterprises, and puts forward corresponding solutions, which is of great significance to enhance the ability of accounting firms to deal with audit risk and standardize the operation mode of the new three-board listed enterprises.

2. A Summary of the Theory of Auditing Enterprises Listed on the “New Third Board”

The new third board market mainly refers to the share transfer system, which is a trading place approved by the State Council of China to allow enterprises to implement share transfer. Generally speaking, the main body of the new third board service is some joint-stock companies. The general characteristics of these companies are: relatively short establishment time, good prospects for development through evaluation; large-scale companies, products have a certain influence. The new third board is conducive to enterprises in a short period of time, fast introduction of funds, access to appropriate loan projects, and thus enhance the value of enterprises in the market. Therefore, the new third board is an incubator for the company to achieve rapid transformation and upgrading. At the same time, the existence of the new third board market has a certain supervisory role for enterprises, which is conducive to standardizing the operation mode of enterprises and strengthening the level of enterprises' external information disclosure. The new third board market relatively emphasizes the relevant industrial structure within the enterprise, improves the industry management standards and methods, standardizes the operation mode of the capitalized market, and further promotes the innovative development of enterprises.

The new three-board listed enterprises are similar to the operation mode of listed enterprises in some aspects. Both of them aim at financing. Of course, in the actual operation process, there are also big differences between the new three-board listed companies and listed companies. First, there are differences in their internal operation modes. Listed companies can choose to issue new stocks on the Shanghai and Shenzhen Stock Exchanges. However, the new three-board listed companies can not issue stocks there, but can only use the corresponding transfer system to achieve stock trading. Moreover, in the choice of issuing objects, listed companies can issue new shares to all the public, while the new three-board listed companies can only issue new shares to specific objects, and the freedom of issuing shares is relatively low. Secondly, there are differences in the subject of supervision. The Supervision Department of listed companies is mainly responsible for the supervision of listed companies, while the new three-board listed companies are mainly supervised by the SFC. Thirdly, there are big differences in access thresholds. In terms of market access, the threshold for listed companies is relatively high, and the threshold for new three-board listed companies is relatively low. Only if the net assets of enterprises reach more than 5 million, they can enter, and no other clear indicators are stipulated.

The auditing of enterprises listed on the new third board mainly refers to the specific auditing work carried out by institutions, which involves the economic operation of enterprises and relevant accounting information. The main purpose of institutional audit is to verify whether the enterprise has compliance and authenticity. After completing the audit task, the relevant institutions will issue corresponding audit reports to provide reference standards for the later operation of enterprises. In the auditing activities of enterprises listed on the new third board, the auditing subjects mainly include the relevant personnel of accounting firms. In the specific audit process, the audit content mainly includes enterprise economic action and accounting information. Relevant institutions issued corresponding audit qualifications, and strictly examined the new three-board listed enterprises. The main purpose is to guarantee the specific qualifications of the new three-board listed enterprises and ensure the authenticity and legitimacy of the enterprises in the process of operation. After the completion of the audit activities, the new three-board listed enterprises adjust their internal results and basic operating mode through the corresponding audit reports, which is conducive to the long-term and healthy development of enterprises.

3. Audit Risk Analysis of New Third Board Listed Enterprises

3.1 Diversity of fields makes auditing more difficult

At present, the inclusiveness of the new three-board listed companies for the industry has far exceeded that of the main board enterprises, especially some new three-board listed companies, taking into account multiple industries. However, because the new three-board listed companies have young attributes, the involvement of some industries is still in the initial stage, it is inevitable that there will be problems of remote operation, and the degree of specialization is at a low level. Under this influence, the new three-board listed companies lack professional judgment in most audit fields, and cannot understand the specific content and process involved in the audit process in advance, and then cannot make correct and professional professional judgment. Even if the relevant auditors of audit institutions have strong competence, when the audit content involves some professional but relatively novel audit content, the relevant personnel need to take into account a certain understanding ability. Under these conditions, the new three-board listed companies cannot provide professional materials for audit institutions, and the auditors cannot provide professional audit process, resulting in the corresponding audit reports can not quantify the data, which undoubtedly increases the difficulty of auditing the new three-board listed companies.

3.2 Audit workload is large

In the new three-board listed enterprises, the imbalance of business supply and demand will lead to the low cohesion of human resources in the implementation of audit business. In the busy season of audit work, audit institutions will receive a large number of audit tasks, auditors will be overwhelmed. At the same time, through the analysis of audit reports of new three-board listed companies over the years, it is found that the ownership structure of new three-board listed companies is relatively centralized, they do not have certain basic accounting ability, and some internal control measures remain on the surface, which brings greater audit risks to the audit work of enterprises. In order to effectively reduce the audit risk of the new three-board listed enterprises, enterprises need to control the internal operation mechanism comprehensively from three aspects of human, material and financial resources, and implement refined management methods, so as to facilitate the audit work of audit departments.

3.3 Insufficient executive capacity of Auditors

New third board listed companies choose to list in the new third board, mainly because the new third board market can provide more financing channels for enterprises. China provides basic land, government and fund support projects for the new third board market, and helps the new third board listed companies to accelerate their development. In addition, the new three-board listed companies hope to be able to use the new three-board market, brand, further expand the business of enterprises, and achieve long-term development of business objectives. However, in the process of the implementation of specific audit work, there are also some problems in the audit subject. Generally reflected in the auditor's lack of understanding of the new three-board listed companies, relatively busy work, leading to the relevant personnel cannot prepare for the audit work. Moreover, in the process of auditing, the relevant personnel pay too much attention to the data information of the new third board listed companies, and pay insufficient attention to some non-data data data, which is prone to audit incompleteness. In addition, the audit method adopted by auditors is relatively simple. In the process of auditing, there are few complicated procedures involved, which to some extent affects the accuracy of auditing of new three-board listed enterprises, and is not conducive to the healthy development of enterprises.

4. Audit Risk Control Strategies for Listed Enterprises of “New Third Board”

4.1 On the Basis of Risk Orientation, Focus on Promoting Enterprise Risk Awareness

In the process of operation, the enterprises listed on the new third board should adhere to the operation concept of “wind oriented”, and implement the risk oriented concept into the whole audit

work. At the same time, the new three-board listed enterprises should constantly establish and improve the internal risk control system, so as to promote each audit link to have corresponding internal control methods, to ensure that the audit risk of enterprises is within the scope of control. Moreover, relevant auditing should enhance risk awareness, and should also guide the implementation of risk throughout the audit work, maintain the subjective awareness of reducing audit risk, and ensure that audit risk in the audit work is within the scope of control.

4.2 Applying Modern Computer Technology to Assist Auditing Work

In the audit process of enterprises listed on the new third board, in order to pass the audit smoothly, enterprises usually control their internal information disclosure content, cover up some improper information or behavior of enterprises, and exaggerate favorable information before the audit. To a certain extent, it increases the work difficulty of auditors. It is not conducive to the smooth development of audit work. Therefore, the relevant audit institutions should use modern computer technology to assist in the audit work through the rational use of audit procedures, so as to improve the convenience of audit, but also to ensure the accuracy of the audit results. Comparing with traditional auditing methods, computer technology, as a new technology, has the attributes of accurate, comprehensive and convenient use. Relevant auditors should make use of computer-aided technology to promote more reliable audit information through cross-audit.

4.3 Strengthening accountability for financial data

At present, the audit responsibility of the new three-board listed companies mainly focuses on the integrity of information disclosure, and there are no comprehensive provisions for some special matters, which leads to the audit incomplete phenomenon. Therefore, the new three-board listed companies should strengthen their accountability for annual financial data disclosure. For example, for some unreasonable income data or illogical data, the new three-board listed companies should adopt strict control methods, conduct comprehensive audits on different processes, and strictly control the accuracy of data. At the same time, the new three-board listed enterprises should gradually standardize the operation mode of enterprises, incorporate the operation process of enterprises into the audit content, and standardize the relevant data of enterprises by strictly controlling the behavior and operation of relevant personnel.

4.4 Focus on improper accounting treatment in Enterprises

Enterprises applying for auditing of enterprises listed on the new third board must deal with their accounting information within a specific time frame. If the enterprise does not comply with the relevant standards, it will lead to non-standard financial data. Therefore, auditors should pay attention to the problems in the audit work. First, relevant auditors should have a thorough understanding of the enterprise's marketing model and procurement process to ensure that the workflow meets the requirements of relevant standards. Secondly, auditors should carefully check the financial data of enterprises, conduct a comprehensive audit of some bills of enterprises, and reconfirm the income of enterprises through the method of review. Thirdly, the relevant personnel should consider the rationality of the sales contract under the macroeconomic conditions, design the profit situation of the enterprise rationally, and avoid the risk of major misstatement in the audit work.

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