

Reform of Teaching Methods in Auditing: Design of Blended Online and Offline Teaching

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ABSTRACT

In the era of "Internet plus", information technology has changed the accounting environment, and the accounting profession has undergone subversive changes. In this context, the key issues that need to be addressed in curriculum and teaching reform are how to match the course content with the knowledge, abilities, and literacy of current graduates, how to use internet platforms to innovate teaching methods, reform assessment and evaluation systems, and change students' learning habits. Implement student-centered approach. The content of auditing is relatively obscure and difficult to understand. This article aims to reform teaching methods and use a blended online and offline teaching approach, in order to make students truly the main body of the classroom, improve their participation in teaching, and cultivate their ability to think independently.

KEYWORDS

Online and offline; Blended learning; Teaching method.

1. INTRODUCTION

Audit is a very difficult course to learn, with a large number of proprietary terms from the first chapter. The book has numerous knowledge points, and the 52 knowledge points often leave students confused. In order to adapt to the new situation of higher education reform and development, as well as the new requirements of economic and social development, Anhui University of Finance and Economics proposed to build a "four in one" education system of "knowledge exploration, ability improvement, quality cultivation, and personality cultivation" in 2016. In 2018, it was the first university in the country to propose and implement the "new management" construction project and development strategy. The fundamental task is to adapt to the new needs of economic and social development in the new era, new technologies, and new changes. With students at the center, we will adjust and optimize the training goals and plans of subject and professional talents through top-level design. We will focus on cultivating students' specialized thinking, professional skills, as well as comprehensive literacy such as the Internet, big data, and artificial intelligence. In the summer of 2020, teachers from the Audit Department of the School of Accounting at Anhui University of Finance and Economics (including members of the research group) completed the preparation of all teaching materials online on the Wisdom Tree platform, including recorded course videos, exercises, papers, etc., and carried out a significant teaching reform. Different from previous single item and fragmented teaching reforms, using the Internet as a starting point, emphasizing the adoption of appropriate methods and measures to integrate various factors throughout the teaching process, innovating teaching methods, forming a synergistic effect, and improving the quality of education, teaching, and talent cultivation. Auditing, as a reform course, has been implemented for over three years now. After implementing the curriculum reform, with the help of platform data such as Wisdom Tree and Learning Platform,

process control has evidence to rely on. At the same time, with the help of the platform, the construction of a blended online and offline teaching mode is achieved, returning the classroom to students and truly achieving a student-centered classroom.

In the era of "Internet plus", information technology has changed the accounting environment, and the accounting profession is undergoing subversive changes. In this context, the key issues that need to be addressed in curriculum and teaching reform are how to match the course content with the knowledge, abilities, and literacy of current graduates, how to use internet platforms to innovate teaching methods, reform assessment and evaluation systems, and change students' learning habits. Implementing student-centered approach, making students truly the main body of the classroom, improving their participation in teaching, and cultivating their ability to think independently.

2. DESIGN OF BLENDED TEACHING

Curriculum and teaching reform should not only focus on individual reforms, but also on comprehensive "integrated" reforms, including classroom teaching, practical teaching, homework, exams, and teaching management, and should be integrated. Classroom teaching should achieve blended learning, which includes a combination of online and offline teaching, a combination of reality and virtuality, and interaction between teachers and students.

On the one hand, utilize course video resources. Watch videos before class, digest knowledge points, and learn in a targeted manner; In class, students are required to provide detailed lectures on pre class questions, solve the problems previously posted by the teacher, present them on stage, and through questioning, discussion, and practice, truly achieve a transformation from teaching oriented to learning oriented. After class, assign extended reading materials according to the taught knowledge points, and push homework to deepen the impression through practice. On the other hand, combining online and offline teaching. Online videos, animations, lecture notes, assignments, case studies, and extended reading; Offline question answering, homework review, case analysis, and fun discussion. The learning medium has shifted from traditional books and exercise books to mobile apps, and grade evaluation is divided into two parts: regular and final exams, both of which can be automatically generated by the system, allowing students to view rankings in real-time.

3. EXPLANATION OF TEACHING DESIGN EXAMPLES

3.1. Arrange and share case studies in advance

Require students to conduct financial fraud and audit failure cases. Create a flipped classroom on the Wisdom Tree and ask students to upload case studies to the platform.

3.2. This course is an offline analysis and summary of online cases

Firstly, conduct a review of relevant knowledge points, analyze the components of audit risk, introduce the concepts of audit risk and its constituent elements, and introduce that audit risk refers to the possibility of a certified public accountant issuing an inappropriate audit opinion when there are significant misstatements in the financial statements. The audit risk depends on the risk of material misstatement and the risk of inspection. The risk of material misstatement refers to the possibility of significant misstatement in financial statements prior to audit. The risk of material misstatement is related to the risk of the audited entity and exists independently in the audit of financial statements. When designing audit procedures to determine whether there are significant misstatements in the overall financial statements, certified public accountants should consider the risk of significant misstatement from the levels of financial statements, various transactions, account balances, and disclosure recognition. Inspection risk refers to the risk that, if there is a certain misstatement, it may

be significant alone or in combination with other misstatements, and the registered accountant has implemented procedures to reduce audit risk to an acceptable low level without discovering such misstatement. The inspection of risks depends on the rationality of audit program design and the effectiveness of execution. The risk of material misstatement is related to the audited entity, while the risk of inspection is related to the registered accountant. Next, students are required to provide case reports. The risk of major discrepancies is related to accounting fraud. Therefore, students are required to understand financial fraud in advance, conduct case analysis, and check whether the risk is related to the failure of a certified public accountant audit. Therefore, students are required to provide audit failure cases. Based on the case reported by the students, propose inspiring thinking questions: Firstly, how to detect financial fraud? Secondly, how to avoid audit failure? Guide students to engage in group discussions in the classroom; Finally, provide feedback and select outstanding groups.

4. FINANCIAL FRAUD - KANGMEI PHARMACEUTICAL

Please introduce the matter that affects the risk of significant misstatement - a case of accounting fraud by the audited entity. The student introduced the case of Kangmei Pharmaceutical. The student's introduction is as follows: Financial Fraud - Kangmei Pharmaceutical.

4.1. Background of fraud cases

4.1.1. Overview of Kangmei Pharmaceutical

(1) Company background and business scope. Kangmei Pharmaceutical was founded in 1993 and is a company mainly engaged in biopharmaceuticals. The company's main business includes research and development, production, and sales of drugs. The company has a certain market share in both domestic and international pharmaceutical markets.

(2) Company size and market position. Kangmei Pharmaceutical is one of the largest pharmaceutical companies in China. The company has a certain level of competitiveness and market position in the domestic market.

4.1.2. Exposure and impact of fraud cases

(1) The causes and exposure process of fraud cases. The fraud case was caused by Kangmei Pharmaceutical falsely reporting profits, assets, and sales in its financial statements. The exposure process of fraud cases includes internal reporting and media investigations. After media exposure, the fraudulent behavior has attracted the attention of the public and regulatory authorities. This is a premeditated, organized, and long-term systematic financial fraud, and the amount involved is the highest in A-share history. After investigation, from 2016 to the first half of 2018, Kangmei Pharmaceutical Company falsely increased its total operating revenue by 27.515 billion yuan, accounting for more than 40% of the same period's announced operating revenue, and falsely increased its operating profit by 3.936 billion yuan, accounting for one-third of the same period's announced operating profit.

(2) The impact and consequences of fraud cases on Kangmei Pharmaceutical. The fraud case resulted in damage to Kangmei Pharmaceutical's reputation and a sharp drop in its stock price. The company faces litigation risks and regulatory penalties. Investors have reduced trust in Kangmei Pharmaceutical and are concerned about the company's future development.

4.2. The seriousness and universality of financial fraud issues

4.2.1. Definition and types of financial fraud

Financial fraud refers to the intentional falsification or reduction of financial data in a company's financial statements. Common types of financial fraud include income inflation, expense inflation, and asset inflation.

4.2.2. The harm of financial fraud to enterprises and the market

Financial fraud can mislead investors and the market, undermine market fairness and transparency. Financial fraud can damage a company's reputation and credibility, leading to a lack of trust from investors. Financial fraud can have a negative impact on the operation and development of enterprises.

4.3. Kangmei Pharmaceutical's Financial Fraud Methods

4.3.1. False increase in revenue and profit

(1) Fiction and exaggeration of sales revenue. Sales revenue is fabricated out of thin air, making the company's operating revenue appear higher. By exaggerating sales revenue and misleading investors in their judgment of the company's development prospects, the high profits brought by false sales revenue can increase the company's market value and stock price.

(2) The inflation and concealment of profits. Use methods such as related party transactions and false contracts to inflate profits. Concealing the true costs and expenses to make the figures on the income statement appear higher. Utilize inflated profits to attract investors and obtain more funds and resources.

4.3.2. False disclosure of assets and liabilities

(1) The inflated value of assets and the concealment of liabilities. Exaggerate the value of intangible assets, inventory, etc. to make the total assets of the company appear higher. Concealing or transferring real liabilities to make the total amount of company liabilities appear lower. By concealing inflated assets and liabilities, the true financial condition of the company is concealed.

(2) The means and consequences of false disclosure. Use false documents, false accounting records, and other means to engage in false disclosure of financial data. False disclosure leads to misjudgment by investors, resulting in deviations in investment decisions. After false disclosure was exposed, the company's reputation was damaged, investor confidence was lost, and the stock price plummeted significantly.

4.3.3. Manipulation of cash flow

(1) Fictitious and hidden cash flows. Increase the figures on the company's cash flow statement. Conceal the true operating cash flow results in lower figures on the company's cash flow statement. Use false cash flow data to mislead investors into judging the company's cash situation.

(2) The methods and characteristics of cash flow manipulation. Using affiliated companies, false transactions, and other means to inflate or transfer cash flows. Cash flow manipulation is often combined with the manipulation of other financial indicators, making it more difficult to detect. The purpose of cash flow manipulation is to conceal the true profitability and financial condition of the company.

4.3.4. Tampering and misleading financial indicators

(1) Tampering of indicators such as profit margin and earnings quality. Tamper profit margins and other indicators to make the company's profitability appear higher. Tamper earnings quality indicators to make the company's financial situation look better. Mislead investors in the valuation and investment decisions of the company by manipulating financial indicators.

(2) The misleading financial indicators have an impact on investors. False financial indicators lead to investors misjudging the true value of the company. Investment decisions made by investors based on misleading financial indicators may bring significant risks. Misleading financial indicators by investors may lead to market instability and unfairness.

4.4. Reasons and responsibilities for Kangmei Pharmaceutical's financial fraud case

4.4.1. Internal management issues within the company

(1) The corporate governance structure and internal control are not sound. The corporate governance structure is chaotic and lacks effective internal control systems. Company executives lack effective risk awareness and internal control awareness. The company lacks supervision internally, resulting in management loopholes and institutional deficiencies.

(2) Management dereliction of duty and misconduct. The company's executives have engaged in violations, such as abuse of power, violation of guarantees, etc. The lack of effective internal risk control mechanisms by the management has led to a loss of control in the company's internal management. The senior executives of the company engage in behaviors that encroach on the company's interests and damage the company's property rights and interests.

4.4.2. External regulatory and audit issues

(1) The regulatory measures of regulatory agencies are inadequate. Regulatory agencies lack effective regulatory measures and inadequate supervision. There is a shortage of personnel in regulatory agencies, resulting in insufficient regulatory efforts. The regulatory standards of regulatory agencies are not unified, and there are loopholes and loopholes.

(2) The dereliction of duty and deficiencies of audit institutions. There is a problem of inconsistent audit standards among audit institutions, leading to lax auditing. Auditors lack professional competence and are unable to detect the company's financial fraud. There is a conflict of interest among audit institutions, resulting in distorted audit results.

4.4.3. Accountability and Handling of Persons Responsible for Counterfeiting Cases

(1) The accountability and punishment of senior management personnel in the company. The senior management of Kangmei Pharmaceutical should bear the main responsibility, and criminal and civil compensation responsibilities need to be pursued. It is necessary to impose penalties such as asset freezing, fines, and sentencing on senior management personnel of Kangmei Pharmaceutical. Senior management personnel of Kangmei Pharmaceutical should be prohibited from holding management positions in the company.

(2) Accountability and rectification of regulatory and auditing agencies. Regulatory authorities should rectify the situation of inadequate supervision and hold relevant regulatory personnel accountable. Audit institutions should rectify dereliction of duty and hold relevant auditors accountable. Regulatory and auditing agencies should strengthen their own management and improve their level of supervision and auditing.

4.5. Inspiration and lessons learned from Kangmei Pharmaceutical's financial fraud cases

4.5.1. Strengthening internal control and corporate governance

(1) Establish a sound corporate governance structure and processes. Improve the corporate governance structure, ensure the rationality of power allocation and operation mechanisms, establish effective decision-making levels and processes, and ensure the compliance and transparency of

decision-making. Strengthen supervision and restraint of senior management personnel in the company to prevent abuse of power and corrupt behavior.

(2) Strengthen internal control and risk management. Establish a sound internal control system, including internal audit, risk management, and compliance management, to strengthen the monitoring of the collection, processing, and reporting process of financial data, ensure the accuracy and completeness of data, strengthen the identification and evaluation of internal risks, and take corresponding measures to prevent and control risks.

4.5.2. Improving regulatory systems and strengthening regulatory efforts

(1) Enhance the functions and capabilities of regulatory agencies. Strengthen personnel training and professional capacity building for regulatory agencies, and improve their ability to identify and handle financial fraud. Increase the enforcement efforts of regulatory agencies, and increase the crackdown and punishment on financial fraud. Establish a sound collaborative mechanism among regulatory agencies, strengthen information sharing and cooperation, and improve the effectiveness of supervision.

(2) Increase disclosure requirements for company financial information. Strengthen the disclosure requirements for financial information of listed companies, including financial reports, audit reports, and internal control reports. Improve the accuracy and timeliness of disclosure, and avoid information asymmetry and misleading disclosure. Increase external auditing and verification of the company's financial information to enhance the credibility and transparency of information disclosure.

4.5.3. Strengthening the Independence and Responsibility of Audit Institutions

(1) Measures to ensure the independence of audit institutions. Establish an independent regulatory mechanism for audit institutions to ensure their independence and neutrality. Strengthen the personnel management and rotation system of audit institutions to reduce potential conflicts of interest and dependence. Improve the professional level and technical capabilities of audit institutions, and enhance the quality and accuracy of audits.

(2) Strengthen the supervision and assessment of audit institutions. Increase the supervision and frequency of audit institutions, and increase the sampling and supervision of audit work. Establish clear responsibilities and accountability mechanisms for audit institutions, and hold them accountable for their dereliction of duty in financial fraud incidents. Strengthen the assessment and evaluation of audit institutions, and improve their work quality and sense of responsibility.

5. MATTERS THAT AFFECT INSPECTION RISKS - AUDIT FAILURE CASES

The specific manifestations of Ruihua's audit failure are as follows:

5.1. Weak risk management awareness

Ruihua Institute has a relatively weak awareness of risk management, focusing too much on quantity and results, which actually lowers the threshold for business cooperation. In the audit process, there is a lack of necessary risk identification procedures, which increases the risks faced in future work. Prior to the audit, Ruihua did not have sufficient understanding of the industry and internal management of Soling Co., Ltd., and relied solely on its past experience in auditing high-tech enterprises, resulting in frequent penalties from the China Securities Regulatory Commission. At the same time, it has also been pointed out by the China Securities Regulatory Commission that there are situations where the execution of detailed testing is not sufficient and the audit work draft is incomplete. For example, when verifying the outbound orders and corresponding waybills of Soling Group's goods, abnormal company lists were not found in a timely manner, and there were two types

of outbound orders for the same product of the same trade customer. The registered accountant did not conduct inspection and confirmation, and there were no inspection records from the internal bill of lading department of the company. This makes the audit work unable to be effectively implemented. Secondly, audit working papers serve as the basis for certified public accountants to assess the audit process and conclusions, and should be recorded as true and complete audit evidence. However, Ruihua's audit statement pointed out that there are detailed descriptions of the corresponding audit procedures in working papers such as 6100-5 and 6100-6. When inspecting the samples, the China Securities Regulatory Commission did not find any relevant information. Therefore, it is suspected that Ruihua's detailed testing was not executed properly, relevant audit working papers were lost, and some audit procedures were not reflected in the audit working papers. Serious violation of the relevant provisions on the preservation of audit work papers in auditing standards.

5.2. Insufficient audit risk assessment

It can be seen from the audit process conducted by Ruihua on Soling Co., Ltd. that the risk assessment process for this project is relatively complex. There is significant uncertainty in whether the products developed by Soling Corporation will be accepted by the market, whether the products under development can be converted into products, whether the products developed can be sold in the market, and whether potential economic benefits can be obtained from changes in market demand. In addition, research and exploration of new businesses require significant time and cost, and auditors must closely monitor and remain vigilant in determining the audited entity's business revenue and profits. Although the operating performance of Soling Corporation is good, its actual profitability is insufficient. Surveys have shown that several senior executives of Soling Corporation have resigned one after another, which also reflects a lack of optimistic attitude towards the company's performance. The auditors did not pay too much attention to the above situation, failed to correctly identify and evaluate the allocation of resources, and did not have a clear understanding of the industry environment in which the audited entity operates when Ruihua was executing the identification and evaluation of significant misstatement risk procedures, resulting in inadequate auditing.

5.3. Inadequate execution of audit procedures

(1) The execution procedures for monetary funds were not in place. In the 2017 audit of Guangdong Soling, a subsidiary of Soling Co., Ltd., by Ruihua Institute, it was not discovered in a timely manner that its related account online banking transactions were fraudulent, nor was it immediately pointed out that there were a large number of unrecorded fund transactions and 300 million yuan loans in its account. When the certified public accountant conducted audit procedures on the company, the bank receipts used were all provided separately by Soling Co., Ltd. After investigation, it was found that some of the bank receipts provided by Soling Co., Ltd. were forged. However, the auditors did not raise any doubts about this and did not timely discover the differences between the actual accounts payable and the company's accounts payable. The execution procedures for monetary funds did not maintain sufficient rigor.

(2) The letter verification procedure was not executed properly. When Ruihua issued an inquiry letter to the relevant clients of Soling Shares, it was aware that the address of the letter was inconsistent with the client's registered office, and the contact person who sent and replied to the letter were not employees of the client. It did not take appropriate audit measures to ensure the reliability of the letter verification, and only conducted telephone confirmation with the contact person provided by Soling Shares, resulting in a serious lack of execution of the work procedure. During the period from 2016 to 2017, auditors sent inquiry letters to 13 clients, but only 5 clients provided responses and did not receive any responses from the other 8 clients. There were a large number of clients who did not respond in their business dealings, and Ruihua did not take measures to implement alternative procedures in a timely manner. In the case of abnormal bank account status of the audited entity, no letter of confirmation was implemented, and no explanation was provided in the audit manuscript.

regarding this situation. Overall, Ruihua's audit procedures for Soling Co., Ltd. are not rigorous enough. To ensure the implementation of strict audit procedures, the audit procedures for high-tech enterprises should consider the professional competence of the staff, and if necessary, seek help from experts in relevant fields.

6. SUMMARY

After the student report, the teacher provides feedback. Then organize students to move on to the next stage and have group discussions. Then ask the students to answer the discussion questions and select the best group. The use of blended online and offline teaching enables students to truly become the main body of the classroom, increases their participation in teaching, and cultivates their ability to think independently.

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