

Study of CPA Ethics after the Deloitte Incident

Haiyu Chen

Hubei University, Hubei, China

Abstract

Professional ethics runs through the various walks of life, and its existence has proved to the status of all walks of life and its due responsibilities to society. CPAs and their accounting firms have always been called "economic inspectors" because they are responsible for auditing corporate financial statements, and they are also regarded as "gatekeepers" of true and accurate financial information to the society. However, from the Enron incident to the "LiangKang" incident, it has not only revealed that some companies are facing a credibility crisis, but the professional ethics of the accounting firms involved will also be questioned. The CPA profession will face an unprecedented crisis of trust. The reason is that it has a huge relationship with the auditor's own attitude and cognition of auditing professional ethics. By studying the professional ethics of auditors, this article mainly combines the recent incident, "Reports of Deloitte Employees", to analyze the reasons for reporting by Deloitte employees, and combines the reality to explore why some CPAs dare to violate professional ethics and practice fraud. Finally, this article will make corresponding measures are proposed to improve the professional ethics of auditors. Never underestimate the importance of professional ethics. Without professional ethics, any "Foundation" will be collapsed.

Keywords

Auditing professional ethics; Certified Public Accountant; Deloitte.

1. Introduction

1.1. Research Background and Significance

The research on the formation and development of audit professional ethics at home and abroad has mainly gone through three stages.

A. Heteronomy stage. The core of the heteronomy stage is the professional responsibility and obligation of auditing. The audit subject that belongs to social defense is also a very important aspect, and it is also a stage where the people's desire is subject to theoretical constraints. When relying on others to exercise self-discipline, it is necessary to rely on restrictive regulations to improve the quality of work, and to rely on a professional ethics to restrict individual work behaviors. At this stage, professional ethics has not yet been developed and perfected, and it belongs to the initial stage of auditing professional ethics.

B. Self-discipline stage. It is the stage of restraining oneself, a process in which the responsibilities of work change towards the morals and behaviors in the heart. At this stage, the individual's own pursuit of morality is the key content of the moral code. Every auditor has a professional conscience, and the professional conscience of every professional ethical auditor will be affirmed. Especially when completing auditing behaviors that conform to the professional conscience, auditors will have a sense of moral superiority, and at the same time they will have a certain degree of self-blame for their unethical behavior. Therefore, this self-discipline can reflect a sense of professional ethics, and it also allows auditors to evaluate themselves. At the same time, it can also make auditors have a kind of social obligation.

C. Value target stage. At this stage, we take professional goals as one factor and professional ethics as another factor. Combining the above two factors and adding external and internal values, we can achieve consistency and make this ethical reached the highest stage. If the thinking reaches this height, the audit staff will actively accept ethics and restraint mechanisms, and actively restrain their behavior. In our country, it has not yet reached the stage of value target. When our country implemented the planned economic system, it began to implement the audit system, and the auditing professional ethics continues to this day and is still at the stage of heteronomy. At the same time, under the influence of a series of audit laws and regulations promulgated and implemented by the state, the characteristics of the self-discipline stage have gradually emerged.

With the continuous deepening of China's modernization and high-quality level, science and technology have been developed day by day, economic market-oriented operations have also been accelerated, and the supervisory role of auditing has become increasingly prominent. Auditing professional ethics has a special function in society, and it has the function of adjusting and restraining personal behaviors of auditors' social relations.

Audit professional ethics plays a central role in ensuring audit quality. Only when audit staff have good professional ethics and habits, they would do their work well, they could consciously regulate according to professional ethics, and they can proceed from reality and deal with problems objectively and impartially in accordance with laws and regulations, so as to ensure the high-quality completion of audit work.

The following will analyze the importance of auditing professional ethics research:

A. Improving corporate survival value

Improving the survival value of enterprises, reducing and preventing unnecessary losses in the enterprise is the essential function of audit work. The value of audit work to prevent or reduce possible economic losses far exceeds the cost of the audit, which is conducive to the survival and development of the enterprise. This direct method is the best way to improve the efficiency and economic benefits of the enterprise.

B. Improving the internal management quality of the enterprise

With the emergence of economic globalization and the development of science and technology, the current industry-to-industry exchanges have also begun to move towards a diversified trend, which has made enterprises more and more complicated, and the relationship of authority and responsibility between departments has also become more complicated. As a result, competition among industries has intensified, and companies are fighting for the interests of markets and departments. Every industry may neglect or even sacrifice the internal control of the enterprise for economic benefit. Therefore, enterprises' governances would require auditors to be serious, to restrain the management of the enterprise, so as to make the internal control of the enterprise operate effectively.

C. Providing support for the auditors to complete the audit work successfully

The research on audit professional ethics plays an important role in guaranteeing auditors can complete their mission successfully. The prerequisite for auditors to perform their duties faithfully is to have good professional ethics beliefs and professional ethics habits. Auditors can independently make certain adjustments to the relationship between service objects of different jobs, proceed from reality, and audit in accordance with the law. Make judgments objectively and impartially to ensure work be done successfully.

D. Enhancing the credibility of the audit industry

Auditing professional ethics research has a strong role in promoting the auditing industry. Whether a company has a high reputation depends mainly on whether the company's products exported from the outside world can satisfy customers. If enterprises want to improve and maintain this high reputation, they need to improve the quality of its own products, and the

same is true for the audit services. The morality of the staff themselves has an effective guarantee for the audit quality.

E. Being conducive to improving the overall morality of the society

In all walks of life in the field of market economy in our country, the issue of improving the quality of audit work will be involved. Whether auditors can strictly abide by the professional ethics of auditing is closely related to the stability of the market economy order, and promotes the improvement of economic efficiency, cultivates an honest, clean, law-abiding and diligent society.

1.2. Literature Review

For a long time, especially the transition from a planned economy to a market economy has brought huge challenges to the CPA profession, and professional ethics problems have become more and more prominent. With the continuous development of the market economy, the improvement of the professional ethics of CPAs in accounting field is becoming more and more important. In order to realize the functions assigned to the CPA industry by society, meet the needs of the public, and reduce the asymmetry of information, relevant institutions and organizations have formulated a large number of standard clauses for the service quality of CPAs, and these clauses are concentrated in standardizing professional skills and ethics. Due to the unobservable nature of CPA service quality, it is difficult to set clear and quantitative standards to regulate the quality level of CPA service. Therefore, standardizing the practice skills of CPAs through Audit related laws and regulations in practice to ensure the effective follow-up of relevant procedures and methods in the process of CPAs' services, thereby indirectly guaranteeing the quality of CPAs' services. Due to the difference between different benefit utility functions and the asymmetry of information in the process of CPA services, adverse selection and moral hazard problems may arise. Through the regulation of practice technology can only guarantee the truthfulness of the practice process, cannot solve the negative impact of information asymmetry fundamentally. Especially in the current economic environment, the professional ethics of certified public accountants has become the primary factor affecting the quality of CPAs' services by judging from numerous case studies. In recent years, the problem of anomie of professional ethics of CPAs in our country has become more and more serious, it also has a deep influence, wide range and huge damage, which made us have a big worrying. Although it has been updated several times, there are still no fundamental changes. The reasons are complex and diverse, we can analyze from different angles. How to improve the professional ethics of CPAs by researching the current work and problems that is not only related to the development of the CPA industry, but also related to the development of the entire economy and the construction of social spiritual civilization.

"Morality" is combined by "Tao" and "Virtue" in Chinese, as a concept, it is gradually formed and developed in the long-term social material production and life practice by mankind. In ancient China, "Tao" means the regular of the things' movement or the rules that people must follow. "Virtue" means "get", which means that people know and follow the "Tao", gain from themselves internally, and apply to others externally. "Apply to others externally" is also called "get". "Analects of Confucius" says that "The virtue of a junzi is like the wind, the virtue of a villain is like the grass, and the grass must be tipped when the wind passes", this "virtue" refers to the quality of people, "repaying kindness with kindness" refers to people's behavior; "exercise government by means of one's virtue" refers to moral education and moral influence. In the history of Chinese thought, "morality" sometimes refers to people's ideological quality, level of accomplishment, evaluation of good and evil; sometimes refers to customs and moral education activities, but mainly refers to people's codes of conduct and norms in social life. In ancient Western culture, "morality" refers to customs and habits, it also includes principles, norms, qualities, and evaluation of good and evil. Morality is different from law in that it is not

mandatory. These two different types of behavior norms cooperate and complement each other in social life.

The professional ethics of Chinese certified public accountants includes two levels, one is basic principles, and the other is specific requirements. The basic principles include the CPA's fulfillment of social responsibilities, abide by the principles of independence, objectivity, and fairness, and maintain due professional care. Specific requirements include 7 aspects including independence, professional competence, confidentiality, fees, commissions and more.

Independence, objectivity, and impartiality are the creed and soul of the CPA profession's existence and development. Among them, independence is the most important. Once the CPAs lose the independence, the objectivity and fairness of the audit results will be doubted by people. Therefore, independence is a necessary condition for the CPA profession to win the trust of the investing public and the public.

The meaning of independence and its evolution. For the systematic research on the independence of CPA, Robert K. Motz and Hussein A. Sharaf published "Auditing Philosophy" in 1961. The discussion on the independence of CPA includes two aspects: the independence of the practitioner and the independence of the profession. The former includes the independence of the audit plan, the independence of the audit process and the independence of the audit report; the latter refers to the public's impression for the CPA industry. Thomas G. Higgins, who was the chairman of the Professional Ethics Committee of the American Institute of Certified Public Accountants (AICPA), further improved and generalized the concept of independence in 1962. He believed " A certified public accountant must have two Kinds of independence, substantial independence and formal independence".

In recent years, there has been a new trend in countries with developed market economies such as the United States and Canada, that is, emphasizing and strengthening the teaching and research of management ethics, and even infiltrating ethical thoughts into various fields, such as Accounting. Both "Financial Accounting" published by Irvine Publishing Company (1989 fourth edition) and "Basic Accounting Principles" published in 1994 put ethical issues in a very prominent position, and both pointed out in the preface: ethics is the most basic accounting principle. Because the market economy is first embodied as a competitive economy, the rule of competition is open, fair and justice, it can regulate the behavior of competitors; the market economy is also embodied as a legal economy, which controls competitors through legislation and enforcement of various market behaviors. The market economy is also embodied as an ethical economy, which emphasizes benevolence, righteousness, manners, wisdom and credit, and builds friendly relations with each other through obligations, conscience, honor, ethics, and personality to ensure that the behavior of members of society is legal and reasonable. As the market economy develops from a low level to a high level, from immaturity to maturity, in accounting activities, accounting ethics are becoming more and more important and playing an essential role. Otherwise, the operation of the market economy will be extremely irregular, have an unfair competition, and will loss of direction, which may evolve into officer-trader economy, false and deceiving economy and monopoly economy by bribery. Since accounting is a job that provides information to all aspects of the country, society and enterprises, its "integrity" level is particularly important.

1.3. Research Method

This article describes the basic concepts of auditing professional ethics, the ethics that auditors should abide by, and the methods to improve the ethics of auditors. Discussed from internal and external factors, subjective and objective reasons, from the perspectives of accounting and auditing, and from the perspectives of auditing units and audited units to analyze the lack of professional ethics of auditors in China. By studying the close relationship between the professional ethics of auditing and the CPA industry, clarify the specific connotation of the

professional ethics of the CPA industry, and put forward opinions and suggestions on the construction of the professional ethical standard of CPAs. At the same time, this article combines the latest issue of audit professional ethics- "Deloitte's employee reporting event". By analyzing the rationality of the reporting reasons to explore why auditors dare to violate professional ethics, so as to provide suggestions for improving auditors' professional ethics.

2. Case Reproduction

On the evening of February 3, 2021, Deloitte Touche Tohmatsu Limited, one of the Four Giant Accounting Firms, revealed a scandal. An employee (hereinafter referred to as YW) of the audit team of its Beijing branch sent a 55-page PPT file to the company's email, who reported that has experienced various violations during the four years of working at Deloitte, involving many listed companies, including Sinotrans Limited(601598.SH), RYB Education(RYB.N), Beijing BoQi Environmental Solutions Technology Company Ltd(2377.HK), LG CNS China Co, Ltd, etc. The employee listed 10 matters involving audit violations, claiming that 7 of them were personal experiences, he claimed that seven matters were related to him, and the rests were related to his departing colleagues. Judging from the content exposed so far, it mainly involves Deloitte's "release of aircraft" during the audit process (Refers to the fact that when the auditors perform the control test and substantive test, they do not check the relevant supporting documents and directly draws a conclusion), failure to perform the audit procedures, the acceptance of gifts from the audited unit by the auditors, the inadequate situation of inventory impairment, and household consumption of shareholders of the audited entity is recorded in the company's accounts. In this regard, Deloitte claimed to public that it has received reports before this event, they have conducted a comprehensive investigation on it. Any evidences have not been found to affect the adequacy of the audit work. Therefore, the relevant audit work supports Deloitte's audit opinion. In addition to pointing out violations of audit procedures, YM also mentioned the workplace injustices he encountered, including personal assaults and falsified performance evaluations during the work. Regarding the original intention of the report, YM said: "The actions of Deloitte's management and Reputation and Risk Group(RRG) have exceeded the bottom line of audit ethics, and as an audit practitioner, I have an obligation to know all the truths of this and made it public, i think this decision is correct."

It is reported that YM is not the first time that he has participated in this event. Since 2018, YM has communicated with Deloitte's management and RRG for more than 2 years and over 30 times, he had been requiring Deloitte to properly handle the reported incident and re-evaluate the impact of the whistleblower's performance score. For the specific details of the above reports, Deloitte has not yet responded to them one by one. YM also said that the relevant report materials have been submitted to the China Securities Regulatory Commission (CSRC), United States Securities and Exchange Commission (SEC), Securities and Futures Commission (SFC) and other regulatory agencies, and proposed that if Deloitte has not made a reciprocal and fair treatment within 10 days, follow-up actions will be taken as appropriate.

Gao Li, China Securities Regulatory Commission spokesperson said that after receiving the relevant report, the relevant securities regulatory bureau has been arranged to conduct an inspection of the report. At the same time, Deloitte is also required to conduct an internal self-inspection. The follow-up situation will be further followed up. Several listed companies involved in the report said that they were "not clear about the relevant events": RYB Education did not respond; Beijing BoQi Environmental Solutions Technology Company Ltd said that there is no further information to disclose and did not contact Deloitte; Sinotrans Limited replied that they have been contacted with Deloitte as soon as possible, and will be evaluated based on Deloitte's statement on whether to make further responses.

3. Research on Auditing Professional Ethics

3.1. Overview of Auditing Professional Ethics

Auditing professional, ethics is the code of conduct and guidelines that auditors must follow when engaging in auditing professional behavior. At present, the connotation of auditing professional ethics includes "a. Keeping independent and objective, integrate and diligent; b. Keeping cautious and reasonable when using professional judgments ; c. Must have a competent professional Work ability, and make it further improved, with strong interpersonal skills; d. Honesty, integrity and confidentiality must be adhered to when conducting audit work, and behaviors that damage professional judgment and seek benefits from the audited unit must be resolutely eliminated . Among them, the essence of the audit profession is independence, and it is also the basic concept of auditing. As long as you are engaged in audit work, you must follow this principle. Auditors proceed from objective facts, and their opinions expressed by themselves must be fair and reasonable. This is the independence of the audit, and it is also the independence of the essence. There is also formal independence, that is, the auditor and the audited entity must abide by the principle of "averting suspicion" and cannot have an interest relationship that impairs independence. Authority is another characteristic of audit work. Working in accordance with the statutory duty content and scope of authority and audit procedures is a requirement that auditors must keep in mind before working. Abandon the subjective factors, the audit standards set by the state should be abided by, and keep independent so as to ensure the objectivity and validity of audit evidence, as well as the proof and relevance, so that its evaluation can be objective, fair and reasonable. However, in reality, many factors affect audit work. False audit certification and false audit statements often appear. Events such as "LiangKang" incident have a great impact on audit integrity, and people generally Realize that it is urgent to improve the professional ethics of auditing.

3.2. Analyze the Rationality of the Reasons for Reporting

Who is eroding the credibility of the audit industry? The most likely reason is that the auditors themselves did not implement the audit procedures effectively, did not perform their duties diligently, and did not stay independent, leading to make inappropriate opinions, which eventually caused the audit as a whole to be questioned by the public. According to the report materials submitted by the anonymous reporter, the reasons for the report are attributed to the following four aspects.

3.2.1. "Release the Plane" Frequently

The report shows that the Enterprises Annual Audit of Sinotrans Shandong Co., Ltd. began in November 2016. Sinotrans was listed on the Hong Kong Stock Market in 2003 and listed on the Shanghai Stock Exchange in 2019. It is a listed company in both "A+H" places. YW took much effort to explain the Project manager guide them how to "release the plane". The former colleague also suggested that carrying out "release the plane" appropriately could make the work be "efficient". When performing the auditing work on Sinotrans Yantai, the project manager asked YM to send the accounting vouchers they select to the staff in Sinotrans Yantai directly so as to ask them to return the vouchers after filling in the content, and tell YM that this matter can only be done by phone, not emails or will leave evidence. "Release the plane" is a common name in the audit industry, which can be interpreted as "The auditor did not complete the work but falsely claimed that the audit procedures had been implemented." In short, it is to write what you did not do in the audit work paper. "Spot Check Vouchers" is called "Detailed Test" in the audit, that is, the auditor selects the accounting vouchers according to a certain proportion and method, and then checks whether the original vouchers attached to these accounting vouchers are consistent. In this matter, the project manager asked the auditor to tick in the "conformity" column directly without checking the original vouchers due to the lack

of manpower, time constraints, and heavy workload of the audit project. This behavior is considered to be "release the plane." "Spot Check Vouchers" is the most important part of the audit process, especially in the substantive procedures, but the project manager used to assign it to the interns to complete, and the follow-up inspection and review are very simple. The interns are inexperienced and will not receive systematic training before entering the project. They can hardly find abnormal situation when they look through the voucher, so they will tick in the "conformity" column on audit work paper. This is tantamount to being a kind of "Release the plane."

3.2.2. Serious Formalism in the Audit Process

The report email showed that it was also in January 2016. During the preliminary audit of Sinotrans Shandong, the project manager assigned YW and a colleague to Sinotrans Qingdao to Spot Check Vouchers. When performing this task, the colleague was not serious and careful, he simply scanned the vouchers, and filled in the voucher content in the audit manuscript without thinking, and quickly ended the task. At the same time, he did not focus on the content of the voucher. The colleague played on his mobile phone for almost the entire afternoon and told YW that he had done an internship at KPMG before. This situation is very common and it is difficult to find the problem. As a result, during the follow-up review process, the audit manager found that one of the work he responsible for was missed and could not report it to superiors. In addition, in 2017, during the inventory monitoring of Beijing BoQi Environmental Solutions Technology Company Ltd, many inventories had actually reached the impairment criteria, but the audit manager only sent employees to conduct a formal inventory count of the inventories and refused to make provision for impairment, resulting in a report that the inventories of the audited entity were not abnormal, which was a serious violation of audit professional ethics. The essence of the above situation is to formalize the audit process, and the form is sloppy and hasty, which is a desecration of audit ethics.

3.2.3. Joint Fraud

Joint fraud in this paper refers to the improper concealment of the same problems by the auditor and the audited entity. Here the author divides joint fraud into two categories, one is temporary joint fraud, which refers to the situation where there is no consensus with the audited entity and the auditors have a temporary intention to conceal misstatements. The report shows that during the filing of the 2017 annual audit project of LG CNS China Co, Ltd (Friday, May 4, 2018), the project leader found that there was a discrepancy between the book amount and the actual amount of the company's fixed assets monitoring sheet, but asked YM to tamper with the actual discrepancy that appeared in the audit monitoring sheet, changing the actual amount to be the same as the book amount, and using "Photoshop" and "The Printer Imitation Stamp Function" to create an audit monitoring sheet with the same amount and no discrepancy.

Another category is agreed joint fraud, where the auditor and the audited entity agree in advance to conceal a misstatement or certain misstatements. The report shows that during the 2016 annual audit of RYB Education, in the process of testing the details of management expenses, it was found that its expenses included reimbursements for overseas spending by executives and the chairman's children, such as: management shopping abroad, outlet spending, learning golf, etc. The Deloitte manager and project partner identified this issue in the previous Annual Audit, but in the following IPO audit classified overhead as an accounting item that did not require detail testing, and instead performed a simple spot check. One of the reasons for the joint fraud situation was that the project partner accepted beauty cards worth tens of thousands of dollars from the audited entity and increased the audit fee on the RYB Education project in the second year, which made Deloitte cover up some problems of RYB Education. The

author believes that the above situation is a serious violation of auditing ethics and totally belongs to joint fraud.

3.2.4. Unfair Performance Evaluation

YM also revealed that after returning to Beijing from the Sinotrans Shandong site, the project manager turned black and white and also determined that YM had a bad work attitude and scored BE (1 point, the minimum score is 1, the maximum score is 5) on his performance evaluation for the Sinotrans Shandong project, and bad-mouthed him in his comments, completely distorting the facts and not recommending YM to pass the probationary period. At the same time, the project manager falsified the rating of YM from ME (3 points) to BE (1 point) in the Annual Audit project of Lumiere Studios. Even more, after other audit colleagues in the Beijing office were not promoted in October 2020, they reported that they were involved in a large project suspected of \$140 million in tax evasion to pressure to RRG, and RRG calmed the situation by reprocessing and evaluating the employee's performance, while the related audit quality issues were covered up and not announced. The issue was covered up by Deloitte and not publicly announced. Subsequently, the employee was promoted to manager in November 2020 in the audit and consulting department (AIA-Emerging Service Line). The above egregious situation goes beyond the ethical scope of the auditing profession and even begins to challenge the moral bottom line of society as a whole.

3.3. Analysis of the Reasons for the Breach of Audit Professional Ethics

From the Enron case to the "LiangKang" cases, from Arthur Andersen to Ruihua, including Deloitte, which is caught in the whistleblowing case, why auditors dare to violate professional ethics and disregard risks only for personal gains, I think there are several reasons.

3.3.1. Applicability of the "Fraud Triangle"

The "Fraud Triangle" was developed to examine the causes of corporate fraud. The theory was proposed by W. Steve Albrecht, the founder of the Association of Certified Fraud Examiners (ACFE) and the current president of the American Accounting Association, who believes that corporate fraud is generated by Pressure, Opportunity and Rationalization. Just as the three elements of heat, fuel and oxygen must be present at the same time in order to burn, the lack of any of these elements cannot really form a corporate fraud, and the theory applies to auditors as well.

The pressure element is the auditor's motivation for fraud, such as the client's demand to issue the audit report as soon as possible and reduce the necessary audit procedures for this purpose, or the audited entity will offer high rewards for the auditor to issue an unqualified opinion. The opportunity element refers to the time when audit fraud can be carried out but can be concealed from detection or can escape punishment. For example, the audited entity and the auditor jointly fraud conceal the client and the higher review body, the audit system is not sound, the penalty mechanism is weak or even lack of penalty measures. The element of excuses refers to self-rationalizing behavior after being pressured and given an opportunity, meaning that the auditor must find some reason to make the audit fraud consistent with his or her own ethics and code of conduct, whether or not this explanation itself is truly reasonable. For example, the amount of the misstatement is not material (it may be material in nature), the cost of audit execution is too high to perform the necessary audit procedures (which ultimately makes the audit quality massively degraded), etc.

In the report, the auditor dares to "release the plane" in Spotting Check Vouchers, first of all, the pressure is to complete the huge audit sample voucher work in a short period of time as well as the chaotic voucher room. Secondly, the opportunity is to reach a consensus with the audited unit. Finally they find an excuse, "release the plane behavior is very common, generally find no problem" for themselves. Made themselves on the road of fraud.

3.3.2. Lack of Independence

Audit independence means that the auditor maintains mental and substantive independence from the audited entity. It is one of the basic principles of auditing work. Spiritual independence means that auditors maintain an independent posture in performing audit work, collect evidence of audit freely and objectively from the position of objectivity and impartiality, evaluate audit evidence cautiously and reasonably in accordance with certain standards and principles, strictly abide by professional ethics, and do not succumb to pressure from any party. Substantial independence means that the auditor has an independent identity and that there are no financial ties or other connections with the audited entity that would impair independence, such as immediate family members. Independence is given a very important place in the international auditing standards as well as in the auditing standards of the developed Western countries. Chapter II of the "Lima Declaration - Guide to Audit Rules" is devoted to the issue of audit independence, providing for the functional and organizational independence of the Inter-national Organization of Supreme Audit Institutions (INTOSA), the independence of INTOSA members and officers, and the financial independence of INTOSA.

However, at present, some enterprises' auditors hold dual positions: they are both the company's financial personnel and the company's auditors, or they are linked to the interests of the audited unit in any way. Such auditors who are both judges and players are bound to fail to shoulder the mission of supervising the authenticity, legality and fairness of the company's economic activities. Under this corporate tenure malpractice, some companies even ignore national audit regulations and blatantly use the auditor's dual role to profit from their audits, of which the "Busan scandal" is a typical example. Busan's top management used their position to transfer the company's property several times, amounting to 300 million yuan. This act caused irreparable damage to the company's reputation while once again sounding the alarm to us.

Similarly, during the audit of RYB Education, it was difficult to ensure that no audit irregularities occurred because the audited entity gave Deloitte project partners tens of thousands of dollars in beauty cards and increased the audit fee on the second year of the RYB Education project, making the auditors themselves completely independent. In this case it is particularly important for enterprises to build an ethical environment for auditing, by creating a working atmosphere of honesty, fairness and objectivity in the whole enterprise, implicitly erecting a high moral wall in the minds of auditors and inspiring employees to form the auditing values of truthfulness, integrity, impartiality and fairness.

3.3.3. Lack of Civic Awareness

Auditors are in fact accountable to the principal, which involves a wide range of parties, not only the audited entity, but also any demand for audit products, such as business operators, investors, banks, government departments, tax authorities, internal employees, external suppliers and consumers, and many other stakeholders. The auditor's courage to commit fraud is also, to some extent, a reflection of a lack of civic consciousness. Society as a whole has relationships among all people, and a person with the most basic sense of citizenship will consider the social relationships involved in the consequences of any decision he or she makes before making it. If auditors consider their responsibility to stakeholders other than the audited entity before committing fraud, the chances of fraud will be reduced to some extent. Also, when auditors are aware of the strict enforcement by regulators and the high cost of breaking the law, the likelihood of fraud will be reduced again.

If Deloitte auditors had been civic-minded enough to think about the millions of parent clients behind the audit of RYB Education, to consider the rights and interests of many shareholders during the inventory monitoring of Beijing BoQi Environmental Solutions Technology Company Ltd, and to be aware of the concerns of higher governmental authorities when Spotted Check

Vouchers in Sinotrans, as well as to anticipate the huge costs of violations that would be incurred if the fraud was committed, it would have been possible to reject the fraud outright when faced with the temptation.

3.3.4. Loose Audit Quality Control

Audit quality control, as one of the most important aspects of the audit process, is related to the rise and fall of the audit business. Therefore, a good audit quality control, to a certain extent, can also stifle the occurrence of audit fraud. However, I found that the larger Accounting Firms have quality control departments, but whether quality control is strict is still to be discussed to confirm. Some smaller Accounting Firms do not even have a quality control process, or the quality control process is just like going through the motions, then when faced with audit fraud, the last net is missing to eliminate the possibility of audit fraud.

In the face of the Deloitte reporting incident, Deloitte RRG, which is part of Deloitte's quality control role, chose to cover up and did not make public the audit quality of the relevant project after a large suspected 140 million tax evasion matter in which the reported person was involved. It is unbelievable that the employee who was reported was even promoted. The whistleblower has given enough time and opportunity to Deloitte's RRG, yet Deloitte has not taken it seriously and dealt with it time and again, which shows that Deloitte Beijing is lax in audit quality control.

3.4. Audit Ethics Enhancement Methods

Through the Deloitte whistleblowing incident, we not only stop at the surprise and disdain for Deloitte for daring to do such a shoddy act, but also analyze how to reduce the possibility of auditors daring to violate professional ethics through this case.

3.4.1. Improve External Supervision of Audits

In terms of justice, on the one hand, the law deters people from engaging in unethical behavior, and on the other hand, it also provides certain regulation for the standard of ethics. In addition, based on the professional characteristics of the CPA profession, the legislature and government departments must fully incorporate the opinions of the professional bodies of the CPA profession when formulating relevant accounting policies, fully consider the obligations and rights of CPAs, reasonably set the professional responsibilities of CPAs to safeguard their legitimate rights and interests, and allow CPAs to make appropriate participation normally, which is conducive to the formation of CPAs and social circles communication and reach consensus. In terms of criminal liability, the laws of various countries have relatively detailed provisions on the criminal liability of CPAs, but in practice, in cases of serious violations by CPAs, there are generally administrative penalties and rarely criminal penalties. In fact, the main reason for the emergence of fraud cases one after another is that the current law enforcement situation still lacks deterrent effect, and the enforcement is not strong enough to warn and deter those who violate the law or violate the rules. Therefore, it is necessary to improve the legal system, strengthen enforcement procedures, confiscate illegal profits and impose fines on serious violators, and implement a lifelong joint and several liability system for CPAs who sign audit reports. In addition to this, law enforcement should be strengthened to hold violators criminally responsible according to the law, and never tolerate the evil.

3.4.2. Auditors Need to Maintain Independence

On the one hand, the size of the accounting firm can be expanded and a reasonable rotation system can be established. The tenure of CPAs also has an impact on audit independence, which can be compromised if the accounting firm's working system is not changed accordingly. Firstly, in the actual working system, the signed CPAs can be rotated system, this measure is obviously not enough, and the job positions of other auditors should also be rotated. Secondly, the system of accounting firm should be reformed, that is, changed to a limited liability partnership

accounting firm, and the working system should be reformed, so that not only a part of CPAs with high business level can be gathered, but also the audit quality can be improved and more business can be undertaken. Finally, if the partners of the firm must bear unlimited liability for their illegal acts, then it will certainly effectively curb the fraudulent acts of accounting firms. The size of the accounting firm also has a certain relationship with audit independence. In China, the number of firm sizes is high and the size is small, and the smaller the firm, the less likely it is to take a firm stand and collude with the audited entity in order to survive. Therefore, it can be taken to increase the size of the accounting firm by increasing the business.

On the other hand, Accounting Firms can be restricted from providing non-assurance services. Appropriately reducing the number of non-assurance engagements provided by CPAs can also strengthen the independence of the audit, as it reduces the connection between the accounting firm and the audited entity and reduces a certain amount of collusion of interests. If the accounting firm and the audited entity cannot be completely separated, then the possibility of joint fraud is greatly increased.

3.4.3. Enhancing the Citizenship of Auditors

Enhancing auditors' civic consciousness actually means strengthening auditors' practice quality and professional ethics. Objectivity, impartiality and independence are the requirements of society for CPAs, and practitioners with high quality are the guarantee of improving audit quality. Excellent auditors should have the following qualities. First of all, they should have good qualities of honesty, credibility and good professional ethical quality. Secondly, they also need to have a high level of professional skills and the ability to handle business, to be able to improvise in the face of new problems, to have innovative ideas, and to be able to reasonably apply professional knowledge to practice. Again, CPAs should also have strong communicative and coordination skills. Communication is an essential communication tool between people, as a business leader should not only have the ability to communicate, but also need to have strong team coordination skills. Finally, CPAs should always consider the feelings of users of audit products and always stand in the position of these users and be responsible for them to the end.

3.4.4. Strict Implementation of Quality Control Procedures

According to the audit implementation process, audit quality control is divided into three stages: pre-control, middle-control and post-control. Pre-control services for the control of the matter, that is, a good pre-trial investigation and the preparation of the audit implementation plan is to guide the audit implementation process; post-control test the results of the control of the matter, that is, the quality of writing audit reports is the test of the audit implementation process, the three control stages complement each other is indispensable.

Pre-control must be a comprehensive investigation and understanding of the basic situation and operating conditions of the audited unit, if the engagement letter is signed without adequate investigation, audit quality is difficult to ensure, and professional ethics will be difficult to comply with. As the saying goes, Grinding a chopper will not hold up the work of cutting firewood. Pre-audit investigation is the necessary preparation for the preparation of the audit implementation plan and the organization of the audit implementation work, is an irreplaceable audit procedures. Increasing the efforts of pre-audit investigation can ensure and promote the improvement of audit quality.

Middle-control should be established and improved when the audit quality control assessment system. The current system of audit quality control has been initially formed, namely, the head of the audit organization is responsible for the general manager (or chairman), the audit team leader is responsible for the head of the audit organization, the chief auditor is responsible for the audit team leader, and the assistant auditor is responsible for the chief auditor. However, since the audit quality standards are uncertain and the daily assessment work is not strict, the

audit quality control assessment system should continue to be further improved to fundamentally promote the improvement of the audit quality control level. For example, we should improve compliance with the audit implementation plan, implement the audit diary system and working meeting system, and strengthen skills training.

Post-control, in addition to review at the statement level, an audit return system should be established to conduct follow-up audits to check the adoption of audit recommendations and the implementation of audit decisions, and then take appropriate measures. Audit file management is also established to ensure the security and integrity of audit files.

4. Future Prospects

Audit is an important part of stabilizing the order of the financial market, and accounting firms have a very important role in maintaining the order of the financial market. High quality audit is an important prerequisite for building a high quality financial market. If the audit is a mere formality and fraud is widespread, then investors will not be able to identify the value of listed companies and the market will have the problem of "Bad money drives out good". Therefore, the issue of audit quality cannot be ambiguous. The significance of Deloitte being reported is definitely not limited to the report itself. Regardless of the investigation result of this incident, the Deloitte reporting incident has sounded an alarm for the quality of practice of accounting firms.

For the Deloitte employee's report, the public opinion is mixed. Some think that he is fighting for morality and is suspected of taking personal revenge. There are also praises for his courage to speak out and reveal the unspoken rules of the industry. I believe that even if YW has a selfish motive, but he can come forward, so that society pays more attention to the audit industry insider, not only to monitor the intermediaries diligence also has important significance, but also can reflect the auditors professional ethics in the road of awakening further. I sincerely hope that this incident will force the auditors to continuously optimize the audit work procedures and correct the alienated business concept of a few institutions "selling" audit opinions. In the long run, the benefits of establishing the credibility of the CPA profession outweigh the disadvantages.

References

- [1] Stark Laura, Gross Rachel, O'Brian Emily, Pullen Jesse, Babb Sarah, Bowker Geoffrey C., Star Susan Leigh, Evans John H., Fisher Jill A., Fourcade Marion, Hedgecoe Adam M., Lamont Michèle, Mamo Laura, Fishman Jennifer R., Reardon Jenny, Metcalf Jacob, Kenney Martha, Barad Karen, Robinson Mark Dennis, Stark Laura, Whooley Owen. What Is Compliance? How Audits Change Ethics and Organizational Fields[J]. *Contemporary Sociology: A Journal of Reviews*, 2021, 50(4).
- [2] Brandenburg Caitlin, Thorning Sarah, Ruthenberg Carine, Angell EL, Bryman A, Ashcroft RE, Angell EL, Dixon Woods M, Barnett A, Campbell M, Shield C, Bueno M, Brevideilli MM, Cocarelli T, Burris S, Welsh J, Butler AE, Vincent K, Bluebond Langner M, Christie DRH, Gabriel GS, Dear K, Cleaton Jones P, Coleman CH, Bouësseau M, Colnerud G, Davies SEH, Fitzgerald MH, Phillips PA, Yule E, Glasziou P, Chalmers I, Guta A, Nixon SA, Wilson MG, Hapoo SM, Halkoaho A, Lehto SM, Hunter D, Klitzman R, Appelbaum PS, Murray A, Lynch HL, Martín Arribas MC, Rodríguez Lozano I, Arias Díaz J, Maskell NA, Joes EL, Davies RJ, Nicholls SG, Hayes TP, Brehaut JC, Page SA, Nyeboer J, Scott AM, Kolstoe S, Ploem MC, van Lent M, Rongen GA, Out HJ, Whitney SN, Schneider CE, Wynn LL, Israel M, Thomson C. What are the most common reasons for return of ethics submissions? An audit of an Australian health service ethics committee[J]. *Research Ethics*, 2021, 17(3).

- [3] Mehdi Nekhili, Fahim Javed, Haithem Nagati. Audit Partner Gender, Leadership and Ethics: The Case of Earnings Management [J]. *Journal of Business Ethics*, 2021 (prepublish).
- [4] Sustainability Research; Researchers from Alexandru Ioan Cuza University Discuss Findings in Sustainability Research (An Informal Ethics Auditing in Authorized Valuation for Business Sustainability in Romania)[J]. *Ecology Environment & Conservation*, 2020.
- [5] Tugui Alexandru, Agheorghiesei Daniela Tatiana, Asandului Laura. An Informal Ethics Auditing in Authorized Valuation for Business Sustainability in Romania [J]. *Sustainability*, 2020, 12(20).
- [6] Mouna Hazgui, Marion Brivot. Debating Ethics or Risks? An Exploratory Study of Audit Partners' Peer Consultations About Ethics [J]. *Journal of Business Ethics*, 2020 (prepublish).
- [7] Carla Denny, Sue Bourne, Simon E Kolstoe. Registration audit of clinical trials given a favourable opinion by UK research ethics committees [J]. *BMJ Open*, 2019, 9(2).
- [8] Hofmann Paul B. To Minimize Risk, Ethics Audits Are as Essential as Financial Audits.[J]. *Journal of healthcare management / American College of Healthcare Executives*, 2019, 64(2).
- [9] Ali Apalı, Özge Acun. The Effect of Accounting Audit on Professional Ethics in Accounting Professionals: Burdur Province Example [J]. *Erciyes Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi*, 2018(52).
- [10] Özlem Gümrah, Baki Yılmaz. Independent Auditing and Accounting Professional Ethics: A Study on Ethical Principles Approaches of Independent Auditors[J]. *Selçuk Üniversitesi Sosyal Bilimler Meslek Yüksekokulu Dergisi*, 2018 (2).