

Research on Biological Assets Audit Risk and Response Strategies

Bo Liu^{1, a, *}, Jia Liu^{2, b}

¹School of Accounting, Shanxi University of Finance and Economics, Taiyuan, 030000, China

^axyzcpa@126.com, ^bjsyzliujia@163.com

*Corresponding author

Keywords: biological assets, audit risk, control countermeasures, zhangzidao incident

Abstract: an important industry in my country, agriculture is also in a leading position in the world. With the emergence of more and more agricultural listed companies, some problems have begun to emerge. Most of the products of agricultural companies are biological assets, which are very different from ordinary products. They are difficult to measure and have variability, which gives many companies financial fraud opportunities. Greenland, Yinguangxia, Lantian shares in earlier years, Huishan Dairy and Zhangzidao in recent years are all such agricultural companies, which also proves that such assets are easy to cause audit problems. This article first introduces the relevant theories of biological assets to understand the concepts and characteristics of the existing audit risk model theory. Then combine the two to deduce the risk of biological asset audit and analyze its causes and audit process. And this article proposes countermeasures to deal with biological asset audit risks. Finally, by way of example Zhangzidao event occurred in recent years, for example analysis of audit risk, and to summarize where the experience and the enlightenment.

1. Introduction

In the past, when CPAs audited biological assets, they only used them as ordinary assets for audit. Later, they discovered that biological assets can undergo natural growth and multiplication transformation, and the geographical environment and seasonal climate will have a great impact on it, so it is impossible to accurately determine the expected income. Certified public accountants have not explored this aspect in depth, and there is no special method for auditing such assets. Instead, they use ordinary methods for auditing, which just gives many companies the opportunity to falsify. Therefore, it is very important for CPAs to conduct special study in this area. It is also meaningful to select this topic for analysis and research.

Audit risks are common but also controllable. Scholars both at home and abroad have proposed audit risk models for a long time, and they have become more and more rigorous and scientific after being improved from generation to generation. This article combines the knowledge of biological assets and audit risk to summarize and apply, more specifically summarizes the audit risks of biological assets and puts forward specific control measures. I hope that the insights in this article can be helpful to the development of the theory and practice of biological asset auditing.

2. Theory related to biological assets

2.1 The concept of biological assets

According to the "Accounting Standards for Business Enterprises No. 5-Biological Assets", the necessary condition for biological assets is that the animal or plant is alive. These living animals and plants are divided into three categories, namely consumable biological assets, public welfare biological assets and productive biological assets.

(1) Consumable biological assets refer to agricultural products that can be sold in the future or are currently held for future harvest. They include growing field crops, vegetables, timber forests, and livestock for sale.

(2) Public welfare biological assets refer to a class of biological assets mainly for protection and environmental protection, including windbreak and sand fixation forests, soil and water conservation forests, and water conservation forests.

(3) Productive biological assets refer to biological assets held for the purpose of producing agricultural products, providing labor services, or leasing, including economic forests, firewood forests, livestock production and servant animals.

2.2 Characteristics of biological assets

Biological assets are also economic resources, so as part of the inventory, companies can also manage biological assets to achieve the purpose of obtaining profits. However, because biological assets and other ordinary assets are different in form and value conversion method, it not only has the nature of ordinary assets, but also has the special characteristics of natural proliferation of animals and plants, so it has the characteristics of ordinary assets and common assets. Different biological characteristics. It can be summarized in the following six aspects:

(1) Biological assets are biotransformable and naturally value-added. Animals and plants in biological assets all have life, and they must undergo the process of growth, development, maturity, reproduction and decline in accordance with the laws of natural science. Their survival value is also achieved by following this law of natural science, and people's Labor will also promote the conversion of biological assets to a certain extent, such as carefully planting a fruit tree and harvesting the fruit. Since biological assets can be reproduced not only naturally but also economically, biological assets will also undergo a process of continuous self-value-added as they grow.

(2) Biological assets with periodic growth. Biological assets are living animals and plants, and they must be cultivated, grown, matured, and extinct in accordance with their own special growth laws. This is called the growth cycle they have experienced. And the growth cycle of different biological assets is also different, some biological assets cycle is very long, such as saplings grow into towering big trees will take up to ten years or even hundreds of years, and some biological asset cycle is very short, as in general Agricultural products can be harvested within a year.

(3) Biological assets with diversity and regional differences. There are many types of biological materials, and there are obvious differences in all aspects. Different animals and plants have different growth environments suitable for them. The suitable temperature, light intensity, humidity, precipitation, fertile soil and other natural conditions will make them grow better. Coupled with artificial cultivation, they will definitely grow. Capacity and quantity are different from disadvantaged growth environment. This has produced obvious regional differences.

(4) Biological assets with attachments feature provides products and indivisible. Certain biological assets can provide multiple agricultural and sideline products, for example, if the tree will bear fruit. But the by-products provided by different kinds of animals or plants are quite different. Even the agricultural and sideline products produced by the same kind of animals and plants will have quantitative and qualitative differences. And biological assets are generally inseparable from their attachments. If these biological assets and attachments are stripped, they will no longer belong to the category of biological assets, such as the harvest and death of biological assets.

(5) Biological assets has dual characteristics of assets. Biological assets have both the characteristics of liquid assets and the characteristics of long-term biological assets, and can be converted into each other under certain circumstances. For example, when a cow obtains beef, it can only be used once for a one-time value transfer; but when a cow obtains milk, it can be recycled repeatedly and the value is gradually transferred, which is called a long-term biological asset.

(6) Biological assets with expected return uncertain. Biological assets will face many uncertain factors during the growth process, including the occurrence of natural disasters or man-made destruction. For example, food failure caused by floods and droughts, and water pollution caused by factory emissions are all factors that make the future economic benefits of biological assets uncertain, and there are also high risks.

3. Theory related to audit risk

3.1 Concept of audit risk

Audit risk is the possibility that a certified public accountant will make an erroneous judgment and issue an inappropriate audit opinion on the financial statements that contain significant false matters. The influencing factors of audit risk are internal risk, control risk and inspection risk. Intrinsic risk is the possibility of an error in the audited company's accounting process; control risk is the risk that the audited company's audit system cannot find and correct the error that has occurred; inspection risk is that the certified public accountant cannot find the company's existence during the audit process Possibility of error. Audit risk is composed of internal risk, control risk and inspection risk. Modern audit risk model: $\text{audit risk} = \text{internal risk} \times \text{control risk} \times \text{inspection risk}$, that is, $\text{audit risk} = \text{major misreporting risk} \times \text{inspection risk}$, this formula reflects their mutual relationship.

3.2 Audit risk characteristics

(1) Objectivity. Now that the company is getting bigger and bigger and has a lot of business, it is impossible to audit them one by one, so most of the audits now adopt sample audits, but after all, some parts cannot completely replace the whole, so there will be errors to a certain extent. Such errors Controllable but it will still exist. No matter what kind of sampling format, there will be errors. Coupled with complex business and difficult to standardize the quality of personnel, there will be risks in the audit process. Auditors will also bear the risk of making wrong conclusions to a certain extent, but these risks Sometimes it did not cause very serious consequences, nor did it cause great losses to certified public accountants. Therefore, we have found through research that although the risk cannot be completely prevented, the probability and the degree of loss of the risk can be reduced as much as possible.

(2) Universality. The final major misreports are all caused by various factors. Risks will occur at any time during the audit process, so risks are common. Wrong filling of reports, covering major issues, strong liquidity of assets, large business volume, and poor internal control capabilities will all become risk factors. The conduct of auditing activities will be accompanied by corresponding auditing risks. The final auditing risk is often caused by small mistakes in various links. Therefore, only through comprehensive control from each process can the final risk be reduced.

(3) Potential. Audit risk is an invisible and intangible thing, so there is a concrete concept of audit responsibility. Once the auditors are unable to restrain their behavior in their work, they will not be held accountable if they make mistakes, and the audit risk will not be reflected. This proves that the audit risk has potential in a certain period of time. If the mistakes made by the auditors in the course of performing the audit did not cause a serious loss of reputation for the economic interests, and did not bear the corresponding responsibilities, then this substantive risk is still at the potential stage. If the audit risk is not discovered and assumed, then there is no substantive significance, and there is no need for the CPA to assume responsibility.

(4) Contingency. Because of the prevalence of audit risk, the auditors will certainly encounter risk in the implementation of, this is not a risk he subjectively acceptable, but the unconscious bear the consequences of the risks, this is the chance of audit risk sex. This feature is very important, because only certified public accountants understand this feature will they artificially want to control risks. If the auditor deliberately publishes an audit conclusion that does not conform to the facts for personal gain, then this is an auditor's conscious and subjective financial fraud, which violates professional ethics and should be punished by law, so the responsibility he assumes is not our audit. risk.

(5) Controllability. Everyone knows that certified public accountants need to take responsibility for the audit results, but it has not dispelled everyone's enthusiasm to control risks, but has made people pay more attention to the importance of risks. With the development of audit theory knowledge, more and more people began to realize that audit risk can be controlled. Although there are audit risks to be borne by certified public accountants, it is acceptable to identify risks and control them within a reasonable range. Therefore, it is not necessary to fear audit risks to avoid

problems. You can take active measures to promote the development of audit theory and improve audit quality.

4. Relevant analysis of biological asset audit risk

4.1 Reasons for biological asset audit risk

(1) The particularity of inventory increases the measurement difficulty and affects the measurement accuracy.

Biological assets are constantly growing when they have life, and the growth cycle is different. The longer the growth cycle, the harder it is to determine its value. In the short term, you can also refer to historical costs or recent market prices, but when you encounter assets with a long growth period, some will take decades or even hundreds of years. Without too many reliable references, how to measure becomes a problem. Among them, it is inevitable to consider whether the environment or man-made effects on it will cause an increase or decrease in the final value. The diversity of biological assets makes different organisms have different characteristics. Even if they are all dealing with biological assets, they must be changed in the audit procedures and methods to deal with them.

Biological assets have their own growth areas because of their inseparable characteristics with attachments and their large area. It is difficult to carry out comprehensive daily monitoring and accurate inventory one by one. Most of them use sampling methods to detect the growth environment and growth level. In case of bad weather, it will also hinder the auditors from further testing. It is likely that only the surface or nearby sampling will be taken. The evidence obtained is not enough to affect the judgment. Then the audit results will be greatly discounted, on the basis of already difficult to measure Reduced accuracy.

(2) Insufficient professional knowledge of CPA and lack of analysis of corporate data

Biological assets are different from ordinary inventories. There are many kinds of living things and different growth habits. Certified public accountants are certainly not able to understand all of them, but they must also have basic distinctions and distinctions, such as growth cycle, maturity period, and general survival rate. They cannot be generalized when conducting audits. In addition, the cost composition items, measurement methods, accounting, and depreciation methods of different types of biological assets have their own characteristics. It is necessary for certified public accountants to do sufficient homework before auditing to carry out targeted work. If a certified public accountant is not even strong in basic professional knowledge, it is even more impossible to start or even make mistakes in this particular field of biological assets. In our country, when auditing assets in this area, very few experts in biological assets are invited to participate in the audit together. In many cases, the work is carried out in accordance with the method of subjective consciousness, so the professionalism is reduced.

When a certified public accountant audits an old client company, it will inertially generate a sense of trust in the information provided internally. It is difficult to find problems only by longitudinally comparing the company's data over the years. When a certified public accountant accepts a newly audited unit, there may be insufficient understanding of the industry level, whether it is appropriate for monitoring, and lack of a process of finding problems horizontally compared with the same industry. Ignoring a complete and comprehensive analysis of corporate data will miss a lot of key information and increase audit risk.

(3) The internal control system of the audited unit is not mature enough and perfect

It is relatively late for my country to start the management of the audit system, so it is still immature in many aspects. Internal audit is the audit system in the internal environment of the enterprise. The risk of internal audit depends largely on the soundness of the system. The first level to discover and effectively control major errors in a timely manner is internal control. If the control link is weak, it is difficult to find and stop the problem in time, and it is easy to produce risks.

Moreover, with the development of society, the scale of the enterprise is getting larger and larger, and the audit objects and contents are gradually increasing, which also causes great difficulties for

internal audit. The increasing rate of oversights affects the quality of audits and aggravates audit risks. my country's laws and regulations on audit are not mature enough, the level is not high enough, and there is no stronger binding force to effectively restrict the behavior of auditors, which increases the occurrence of audit risks.

(4) CPA lacks professional ethics

Expertise in auditing can be compensated by continuous learning of knowledge in books. However, professional ethics is an intangible thing, which needs to be cultivated and improved by itself. This is also a necessary condition for ensuring the fair, just and effective audit work. A certified public accountant works in an audit firm and is hired to be sent to an enterprise for auditing. This inevitably results in money exchanges and is unmoved in the face of interest. Maintaining a fair and honest original intention is actually very difficult, especially in the face of large enterprises. Audits are more susceptible to many aspects such as emotional benefits. Excellent professional ethics is the key to objective and fair audits. If you fail to stick to your own conduct, you will definitely make mistakes and bring irreparable risks.

4.2 Audit process of biological assets

(1) Understand the situation of the audited unit and make preparations

First of all, we need to know in advance the information of the audited scope from various aspects. Understand the nature of business, scale of business and market conditions of the industry in which the company operates, and find a suitable audit method. Understand the company's daily business situation and existing business risks, identify and focus on whether it will cause major misstatements. Understand the organizational structure and internal audit of the company's situation, the timely detection of potential risks. Understand the company's business transactions and feedback from previous years' audits to conduct horizontal and vertical comparisons.

After understanding the basic situation, you can roughly know the areas of key audits, and decide whether to allocate more staff in the field of biological assets, or whether you should hire experts to help complete the work to reduce audit risks. Before formulating a reasonable biological asset audit plan, one should also understand the characteristics of biological assets, and the daily procurement, breeding, receipt, processing, and delivery processes. Assess the inherent risks of biological assets, control risks and check risks. It is also necessary to frequently read the previous year's work papers to learn from the experience to avoid the same mistakes and prevent potential problems in time.

(2) Targeted preparation of audit plan

Specific audit plan is based on the overall audit plan prepared by the audit process in order to achieve the ultimate goal of the audit required for nature, timing and scope to make the plan a detailed plan and description. It should include: ① audit objectives, audit scope and execution time, and auditors. ② Audit procedures, methods and steps of the audit. Major issues that require attention, such as the status of biological assets and situations that are likely to occur during the audit. ③Daily specific items and detailed personnel division of the audit process. ④Special instructions on the scope of biological assets, audit methods, and emergency response.

(3) Conduct substantive monitoring procedures

First go to the venue to see if all biological assets that require auditing are included in the scope, and no omissions or repeated counts are allowed. Make a random spot check again on the part that has been inventoried, check the data and record, and check whether the audit plan is strictly completed. Follow up the follow-up processing and transfer of biological assets and check the vouchers, and confirm and record the ending balance of related assets and liabilities to avoid future traceability. The certified public accountant follows the accountant of the audited unit to complete the process, check and record the data in a timely manner, and prevent the two parties from having unmatched data, both to accurately verify the total amount and to avoid financial fraud.

(4) Follow-up work and report preparation

Before the end of the inventory confirmation, check the inventory site again to confirm whether all assets have been inventoried. Summarize the information and result information in the process.

The professionals will review whether the inventory results are true and accurate. Obtain, recover, sort, and verify the used, unused, and invalid vouchers and documents in the audit process. After all field work is completed, the audit report is prepared to summarize the audit differences and remind the audited unit to make adjustments or make appropriate disclosures. The audit opinion should be clearly expressed when preparing the audit report, and typical and major representative matters should also be reflected in the report.

5. Biological asset audit risk control countermeasures

5.1 Improve the audit system

My country has promulgated accounting standards for biological assets, which regulates the accounting standards of listed companies that use biological assets as their main products. This standard has a great positive impact on the accounting, supervision and disclosure of daily accounting behaviors. However, my country started late, and there are still many shortcomings. Many agricultural companies have used loopholes to evade disclosure of major issues, which has brought great risks to audits. Therefore, my country should further clarify and strengthen the audit system. Biological assets should be classified in more detail. For example, seedlings and matures should not be lumped together for accounting. A clearer fund composition can effectively predict potential risks. Depreciation, impairment or other expenses accrued for assets during operations will also affect the composition of funds, and it is necessary to clearly state the accounting policies and accounting methods used in the report for accurate disclosure. Because the biological assets of such companies are special, they face many risks, and cultivation technology, natural environment, etc. will have an impact, so reasonable estimates of these risks must also be disclosed.

Strengthening of external oversight can effectively improve the reliability of corporate disclosure information fidelity, so Supervision Department door to more stringent monitoring of such companies, improve audit quality companies. Many companies will want to reduce disclosure or false disclosures for whitewashing reports due to poor operating performance, which requires the regulatory authorities to keep their eyes open and focus on them, so as not to give them the opportunity to make mistakes. And there must be a standard to measure whether the company's disclosure is true and reasonable from various aspects, such as scale, asset strength, auditor type, etc., which helps to understand the more real situation and make a reasonable assessment. If you find violations of laws and regulations, you must also be severely punished. With greater punishment, companies are afraid to make mistakes. When faced with the temptation of huge interests, some people are not afraid of taking lighter punishments, so some people want to take risks and make more money. Interests are not afraid of punishment, so the increase in punishment is to keep these companies with bad intentions from the financial and psychological aspects to be always vigilant to dare not know the law and break the law.

5.2 Strengthen internal control

Good internal control comes first from a good awareness of internal control, so as to prevent in advance, control in the event, reflect on the event, and comprehensively improve the level of internal control. Not only should it be comprehensive, from leadership to employees, from departments to individuals, you must have a sense of risk control from your own, but also to grasp the key points, knowing which areas are easy to make mistakes, you must work hard in which areas. The inventory of biological assets is the place where such companies are prone to risks. Only on-site monitoring is necessary to find hidden problems and understand the real situation. Make a detailed plan before monitoring, use a targeted method to inventory the biological assets of the audited company, and predict and prevent possible risks in advance, this is the awareness that an effective internal control system needs to have.

To strengthen internal supervision and improve internal control standards, an internal supervision and evaluation system should be set up in the enterprise to strengthen the supervision of the objectiveness, fairness and comprehensiveness of the internal accounting behavior of the enterprise,

promptly find those hidden problems that are not easy to find, and correct the weak links. Make improvements and punish violations. Strengthen the effectiveness and timeliness of enterprise personnel information communication and exchange, and jointly constitute an anti-fraud mechanism, report and reward bad behaviors, and promote employee enthusiasm to participate in the internal progress system. Also pay attention to obtaining feedback and communication with external affiliates, such as vendors, suppliers, accountants, etc.

5.3 Improve the ability and quality of auditors

High-quality certified public accountants often deal better with the problems that arise in the audit process, and also let the audited company know its professionalism, thereby reducing the idea of trying to take a risky attempt. First of all, accountants should have the consciousness of lifelong learning, law and competition. This is what it means to learn endlessly. Policies and systems are constantly being reformed and improved, professional knowledge is constantly being expanded and perfected, and legal knowledge is also constantly popularized and strengthened. If you stop learning, you will fail to keep up with the development in this field or even be eliminated, you will make serious mistakes when you don't know enough about the law and you don't know it, which will bring great harm to individuals, families and enterprises. Accounting institutions can strengthen the assessment of the professional knowledge and ability of certified public accountants and regularly select outstanding talents, help accounting personnel to fill in vacancies and update knowledge, and keep learning enthusiasm and activeness at all times.

High quality is not only about professional ability, but also more importantly about moral quality. Frequent social frauds and corruption in society recently stem from unethical thinking, which affects the growth and progress of individuals and corrupts the social atmosphere. Therefore, the ideological and moral construction of accountants should be a long-term work, and it must be carried out in an organized and planned manner to daily learning. Enterprises and accounting institutions should establish ethical assessment standards to help certified public accountants to establish a correct moral outlook, curb bad work styles, and regularly educate and train to remind certified public accountants of their own responsibilities to prevent any moment of unethical ideas.

6. Analysis of Zhangzi Island Incident

6.1 Introduction of Zhangzidao Company

Zhangzidao Group Co., Ltd. became a joint stock company from the People's Commune of 1958 after continuous mergers and rectifications. It was listed on the Shenzhen Stock Exchange on September 28, 2006, and became the first 100-yuan stock in the history of Chinese agriculture. Since 2007, it has been continuously recognized and praised by various outsiders.

The group has also been committed to scientific and technological innovation, and jointly established an industry-university-research integrated innovation platform with scientists at home and abroad. It has obvious advantages in breeding technology, breeding area, variety development, and international certification.

Many large and medium-sized cities in my country can already purchase products from Zhangzi Island, and the products of Zhangzi Island are exported to many overseas developed countries and regions, and are also popular with local consumers. In order to keep pace with internationalization, actively participate in global competition, and establish a good image of Chinese aquatic products in the world, the group established subsidiaries in the United States and Hong Kong in 2008.

Zhangzidao Group is a leading enterprise in the industrialization of agriculture in China. Its main products are sea scallops such as scallops, sea cucumbers, abalones, sea urchins, and conch. It is the only national scallop farm in China and the first-class domestic The breeding bases for sea cucumbers, abalones and other precious species also belong to this group; the group is located in the world's recognized growth zone for marine treasures-39 degrees north latitude, becoming the largest breeding base for marine treasures in China; and has 6 aquatic deep processing bases , With the largest sea urchin and tuna processing plant in China, with a total annual processing capacity of over

20,000 tons. In the field of aquaculture, the annual total output accounts for the vast majority of the national total output, which shows the group's leading position in domestic agricultural and aquatic products.

6.2 Review of the events of audit failure

On the evening of October 30, 2014, Zhangzidao disclosed the third quarterly report.

The report caused an uproar in the market. The company claimed that the northern Yellow Sea area was hit by unusual cold water masses, which caused the company's 1.0564 million mu of marine pastures to be free from huge disasters. The company carried out biological asset write-off on the book cost of scallops of about 750 million yuan, and withdrew about 280 million inventory depreciation reserves, which were included in asset impairment losses. Affected by this incident, the company's performance in the first three quarters of 2014 changed dramatically, from a profit of 48.45 million yuan in the first half of the year to a loss of more than 8 billion yuan. It is expected that a large loss for the whole year will become a "black swan" event. The follow-up announcement gives experts that the fluctuation of water temperature has a huge adverse effect on production and reproduction. In December, the government and personal financial remedies were carried out, and it was ensured that the correction decisions will be strictly implemented, internal control will be strengthened, and the level of risk control and problem disclosure will be improved.

It is a pity that the good times are not long. At the end of January 2018, the company was carrying out the end-of-year stocking of scallops.

During the inventory, the inventory of bottom-shrimped scallops in some sea areas was again found to be abnormal. The company revised its estimated net profit in 2017 to be RMB 90 million to RMB 110 million to a loss of RMB 530 million to RMB 720 million. This time the company forfeited about 580 million book scallops with a book cost to give up harvesting, write-off processing, and about 120 million scallops with scallops to account for the stock price decline. After another four days of recounting, the final loss was determined to be about 630 million yuan, all of which were included in 2017 profit and loss, which is equivalent to nearly 8 times the net profit of Zhangzidao in 2016, which is 1% of the full year forecast in the 2017 three quarterly report. Profits of around RMB 100 million vary greatly.

6.3 Analysis of abnormal financial indicators of the company

(1) Inventory turnover rate is too high

Inventory turnover rate is one of the important indicators reflecting the operation of the enterprise, and is the ratio of cost of sales to average inventory. Generally speaking, the higher the inventory turnover rate, the lower the inventory occupancy rate, the stronger the liquidity, and the stronger the liquidity of the enterprise. As the protagonist of the Zhangzi Island incident, it takes about 2 years to grow and harvest scallops. According to data, from 2013 to 2017, the inventory turnover rate increased from 0.8 to 1.84 year by year, which shows that the inventory cycle is getting shorter and shorter. This may indicate that Zhangzidao Group has a situation where the cost of sales is too high or its own biological assets are low.

(2) The operating cost is too high and the cost margin is too low

Cost-to-profit ratio is the ratio of surplus value to all prepaid capital. The higher the indicator, the less money the company consumes when making profits, which can control costs and make better profits. The higher the indicator, the less cost the company uses to make profits, and the better the profitability. According to the data, from 2013 to 2017, the operating costs were 2.54221 million yuan, 328.405 million yuan, 303.726 million yuan, 308.423 million yuan, and 333.865 million yuan. The operating costs basically increased every year. From 2013 to 2017, the operating profit was 80.81 million yuan, -620.7 million yuan, -30.796 million yuan, 20.44 million yuan, and -122.11 million yuan. The overall fluctuation was large and most of them were negative cost profit margins. The sharp contrast between the two not only shows that the company's profitability is poor, but also sees a low level of cost control and insufficient management capabilities.

(3) Sales gross margin is too low

Gross profit margin is the percentage of gross profit and operating income, which reflects the more value generated by a commodity after production and processing. The more effective value-added, the higher the gross profit, the higher the gross profit rate, reflecting the stronger profitability of the enterprise. As the main characteristic product of the company, the scallops from Yiyi gradually decreased from 39.71% to 21.72% from 2013 to 2017. Factors that affect gross profit margins also include R&D technology, brand effects, market competition, etc. The shrimp scallops have enabled the Group to focus on nurturing and promoting special products for development, so the year-on-year decline in profitability data is clearly unacceptable and convincing.

6.4 Existing audit problems of the company

(1) The company's internal environmental control is not in place

According to the corporate structure, as the chairman and president of Zhangzidao Group, Wu Houguang only covered the sky by himself, holding most of the rights and unable to achieve reasonable power checks and balances. The media are often exposed bad news within the company in 2012, Wu Hougang younger brother was found adulterated corruption in the procurement of seed, was inside at the dismissal of management, staff and other related cases are subject to legal sanctions. In 2015, former employees of the Zhangzidao Group took the initiative to expose internal governance chaos. In 2016, some important employees also resigned. Excessive personal power, public affairs do not allow relatives to avoid suspicion, internal governance is chaotic, and personnel changes are large, which will bring huge risks to audit.

(2) Insufficient audit evidence during inventory check

There are audit standards in my country that strictly indicate that sufficient and appropriate audit evidence must be obtained before an audit opinion can be issued to form an audit report. In the face of complex biological assets, more manpower, material resources and time should be devoted to audit to reduce audit risk. However, according to Chairman Wu Hougang, when the audit was conducted in 2014, due to severe weather, the original one-month audit was only announced in three days. Dahua Accounting Office failed to evaluate the audit risk in accordance with the audit procedures and then re-audited or implemented alternative procedures to obtain evidence, and issued an unqualified opinion report. In the audit process, the area for auditing is less than one-thousandth of the business scope of the enterprise, and there is no relevant expert to follow. Inexperienced accountants cannot scientifically inventory submarine products, so inaccurate audit evidence cannot be made accurately. judgment.

(3) The CPA's audit work has poor independence

There are regulations in our country for certified accountants engaged in auditing to rotate regularly. If an auditor serves a company for five consecutive years, it is considered illegal. From Zhangzidao Group's financial audit report, it can be found that there are many familiar figures of certified public accountants who have issued audit opinions, and even there seem to be deliberate changes every four years. It can be speculated that they are also avoided by knowing the five-year rotation system. Although several accountants belong to different accounting firms, but looking back on the development of Dahua Certified Public Accountants, I found that several accounting firms have been merged into Dahua Certified Public Accountants successively. In essence, it is still related to Dahua Certified Public Accountants, which makes the independence of auditors work meaningless. Although familiar accountants will know more about the company, they will work more smoothly, and can greatly save costs, but from a fair point of view, too much contact with the audited unit is easy to risk being tempted by interests, resulting in audit risk. Make a wrong judgment.

6.5 Enlightenment from the Zhangzidao incident

(1) Strengthen the supervision of internal control construction

A good corporate internal control environment can not only effectively prevent the occurrence of financial fraud, but also help the company's healthy, orderly and stable development. For certified public accountants, it also laid a good audit foundation. In the face of enterprises with greater audit

risk, in addition to the need for CPAs to strengthen supervision of the enterprise, there must also be a strict sense of supervision within the enterprise, which can both reduce their own risks and lay a solid foundation for audit work.

(2) Pay attention to the monitoring of biological assets

As the main product of agricultural listed companies, biological assets are not only related to the fate of enterprises but also the responsibilities of certified public accountants and accounting firms during audits. As the focus of the audit work, the monitoring procedures must be rigorous and objective. When formulating the plan, it is necessary to fully consider the possible risks and prepare for the response in advance. During the process, it must also select accountants and experts who understand this aspect to follow and complete. Only by obtaining more scientific and effective evidence can we reduce the risk.

(3) Improve and comply with the audit system

Enticed by money and interest relations, whether a certified public accountant can guarantee his integrity plays an important role in audit work. my country's certified public accountants mainly restrict their behaviors by laws and regulations, and the industry supervision carries out their own management, but there are still many major financial frauds, and the outside world will also have some distrust of certified public accountants. In order to maintain the good image and audit environment of certified public accountants in my country, the government should further supervise the capabilities and qualities of certified public accountants, reward certified public accountants with excellent performance, and severely punish certified public accountants for violations. To help certified public accountants improve their qualified business work ability, and reduce risks for audit work from their own perspectives.

7. Conclusion

The Zhangzidao incident is just one case, and it cannot fully represent the entire agricultural listed company whose main product is biological assets, but the experience and lessons learned from it are worth learning from. The audit problems of agricultural listed companies have increasingly attracted the attention of certified public accountants, and gradually become a key difficulty in the field of audit. I hope that the countermeasures proposed in this paper, such as improving the audit system, strengthening internal control, and improving the quality of auditors, can effectively alleviate audit risks. Occurrence and provide some ideas for future research. It is also hoped that scholars and certified public accountants can conduct more in-depth research in this area, improve audit theory knowledge, and promote the smooth development of audit work.

References

- [1] Analysis on the role of internal audit in internal control [J]. Zhou Jing. Tax payment. 2019(08)
- [2] Talking about internal control and internal audit of enterprises[J]. Wang Qiao, He Yilin. Times Finance. 2018(21)
- [3] Group internal audit and internal control case [J]. Huang Chunling. China Agricultural Accounting. 2018(03)