Innovation Equity Crowdfunding Audit System—Based on the Perspective of Collaborative Innovation

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Keywords: Equity Crowdfunding, Auditing System, Collaborative Innovation, Trust Relationship.

Abstract. The implementation of equity crowdfunding audit system is an important part of implementing the requirements of government accounting reform and establishing and perfecting the auditing mechanism of government financial reports. Based on the existing auditing system under multiple entrusting relationships, all aspects are effectively restrained. As for the equity crowdfunding auditing, it is necessary to use multiple entrusting relationships and to supervise the auditing of certified public accountants. On the basis of coordinating the interests and relationships of all parties, the paper proposes a collaborative innovation auditing system, on the basis of which, Building a Cooperative Innovation Audit System.

1. Introduction

Equity crowdfunding refers to the project sponsors through the crowdfunding platform built on the Internet to prepare the establishment of the company or business information to investors, to arouse investor interest and participation, and the establishment of equity financing innovation model. Put simply, equity crowdfunding is a financing that companies sell their shares to investors through an open auction on a web-based platform. Equity crowdfunding audit refers to the CPA audit, internal audit agency or personnel as the main body of the equity crowdfunding platform, operating conditions, accounting data and other elements as the object, to take the relevant methods of equity crowdfunding risk assessment, performance appraisal, System regulation and normative behavior so as to optimize the allocation of resources on the basis of normalization of the financing market so as to enhance public economic benefits and rights and interests.

As a rising star in the financing market, the importance of crowdfunding in the economic development of our country has been increasing day by day. The definition of community crowdfunding in the society has also been changing. The regulatory system still needs to be improved. On December 18, 2014, the Securities Association of China released the Measures for the Management of Private Crowdfunded Financing marking the formal inclusion of crowdfunding in equity regulation\(^1\). In August 2015, the CSRC issued a "Circular on Special Inspection of Institutions that Conduct Equity Financing Activities through the Internet", and set forth new rules on the scope of establishment of ownership of crowdfunds and the ways in which they are set up\(^1\). This paper puts forward the idea of building a syndicated innovation audit system of equity crowdfunding, attempts to rationalize the relationship between equity crowdfunding audit, multiple trust relationships and synergistic innovation audit system and seeks for a feasible entry point for the reform of the audit system in China.

2. The status of the crowdfunding audit and existing problems

2.1 Crowdfunding audit status quo

The concept of equity crowdfunding audit was first proposed by the 2016 Financial Yearbook in the Financial Times. In his opinion, while the Internet financial development scene is excellent, the
problems of insufficient information disclosure are gradually highlighted. Equity crowdfunding is both an opportunity and a challenge. Earlier this year, Jingdong Financial Private Equity Crowdfunding Platform "Dongjia" clearly put forward an annual report auditing to the project parties[1], which provided a precedent for solving the existing problems in equity crowdfunding, which meant that the equity crowdfunding audit system Establishment should be put on the agenda.

In foreign countries, the development of equity crowdfunding audit is also not perfect. Fan believes that France and New Zealand focus primarily on the regulation of intermediaries, while OSC Ontario Canada covers the entire contents of equity crowdfunding, including issuers, intermediaries and investors, while the UK has opted for a third type of regulation Model, the equity crowdfunding confined to mature investors and specific types of investors[2]. In terms of legislation, the United States introduced the "Startup Promotion Act" to regulate equity financing. France adopted the "equity financing platform" as a new advisory body through the Participatory Financing Regulation and was supervised by the Financial Market Authority[3]. Italy passed the "Growth Act 2.0", making Italy the first country in the world to legalize crowdfunding.[4] Although all countries are exploring ways to improve the regulation of equity crowdfunding, there is still a long way to go before the establishment of the auditing system of equity crowdfunding.

2.2 Equity crowdfunding audit of the existing problems

First, the interests of all stakeholders in the equity crowdfunding are not balanced. It is difficult to clarify the division of labor between the parties involved in the audit. Equity crowdfunding includes issuers, intermediaries and investors. Among them, the issuer to obtain direct benefits, bear a greater risk; intermediary agencies to obtain indirect benefits, bear a lesser risk; the public is the most important investor, access to smaller interests, to take part in the risk [5]. However, for equity crowdfunding audit, all parties failed to fulfill corresponding responsibilities, such as the authenticity of the information of the issuer and the degree of information disclosure of the intermediary institutions, it is difficult to achieve the ideal state. Investor protection is in a vacancy.

Second, the gradual implementation of the equity crowdfunding corresponding supervision laws, but the audit system failed to establish, regulatory responsibilities failed to implement, regulatory action is not specific enough. Crowdfunding of shares is suspected of public offering, however, without the SFC's approval [6]. Regulatory loopholes still exist, the urgent need to establish an equity crowdfunding audit system.

Third, the relationship between the commissioners is not clear. Issuers, intermediaries, investors there is a commissioned relationship, but the relationship is not clear enough, it is difficult to regulate. Difficult to guarantee the rights and interests of investors, the lack of third-party escrow fund system [7].

3. Research on equity crowdfunding

On the one hand, scholars believe that equity crowdfunding has developed rapidly and is of great importance. Yuan Kang (2013) argues that crowdfunding, as a new form of Internet finance, has a profound impact on the traditional financing model and the financial legal system [8]. Yang Dong (2014) argues that crowdfunding is an active exploration of the practice of market-based indirect financial theory and a link to the direct financial and indirect financial markets in China's economy [9]. On the other hand, scholars expressed concern over the problems that arose in the development of equity crowdfunding and the inadequate regulation. Cheng Lin (2014) argues that the main body of the equity crowdfunding and the legitimacy of the financing act are not known, and stepping on the red line of illegal fund-raising and equity crowdfunding are new-born. However, there is still no specific source of law. An Bangkun (2014) argues that the equity crowdfunding has the characteristics of openness, low cost, high efficiency and high risk of investment and financing, which is why it is difficult to regulate the long-term development of equity crowdfunding. Min Wenwen (2015) argues that the crowdfunding financing has revealed many problems and risks during its rapid development, such as how to protect the rights and interests of all parties involved, how to prevent crowdfunding from becoming illegal fundraising, and how to avoid cash frauds. We should
actively correct the existing problems of equity crowdfunding. Based on the relationship between stakeholders in equity crowdfunding, this paper proposes to set up a collaborative innovation audit system of equity crowdfunding.

4. Based on collaborative innovation build crowdfunding auditing system

4.1 Connotation
In 1971, the German physicist Haken presented the theory of synergy and studied the law of the orderly structure of time, space and function of an open system through the internal synergy when it is far away from the equilibrium or external exchange of matter or energy. Xie Xuemei believes that collaborative innovation is derived from the connection between synergy and innovation, and can be understood as the process of producing the overall synergy that enterprises cannot achieve through the coupling of innovative elements and complex nonlinearities. Peng Jisheng explores the concept of technology collaboration at the macro and micro levels.

The multiple trust relationships existing in the equity crowdfunding audit are the basis for the existence of the audit system. First, the project sponsors and intermediaries have a commission relationship, the project sponsor for the client, intermediary agencies as agents. After the sponsor completes the project, entrusts the intermediary agency to seek high-quality investors through various publicity methods. This is the first floor of the equity crowdfunding audit. Second, the project sponsor and the certified public accountant have the entrustment relationship, and the auditing client is the initiator of the project. In order to prevent any problems in the operating results, the sponsor will entrust the certified public accountant to audit the operating results. This is the second floor of the equity crowdfunding audit. Third, there is a trust relationship between intermediaries and investors. Investors are looking for intermediary structures to find appropriate investment projects and reduce the risk of funds. This is the third commissioned relationship of equity crowdfunding auditing. The multiple trust relationships existing in the crowdfunding of equity plays a foundation for the collaborative audit. However, the lack of validity and binding between the various entrusted relations in the audit process proves the necessity of collaborative audit.

4.2 Collaborative innovation of equity crowdfunding audit system

4.2.1 Operating mechanism
The "mechanism" is the sum of the rules and procedures for the virtuous circle development of the system as a whole. It is an inherent function, internal regulation and control method that are produced by the elements in complex systems and under the influence of the environment outside the system. All collaborative activities within the innovation system and the procedures and rules they follow become synergies. It is necessary to grasp the internal mechanism of auditing synergetic equity crowdfunding, and a mechanism of synergetic innovation must be formed.

First, self-organization mechanism. Equity Crowdfunding Audit Co-innovation network can be seen as a self-organizing system. Equity crowdfunding projects continued to improve the soundness and development of the audit system under the stimulus and constraints of the system environment and constantly improved the organizational structure and operation mode to form a chain reaction mechanism.

Second, the coupling mechanism. Coupling refers to the dynamic interaction between the subsystems within the system, interdependence and mutual promotion. Equity Crowdfunding Audit Collaborative innovation requires that different project audits be interrelated.

Third, coordination mechanism. The emergence of synergetic innovation effect of equity crowdfunding audit needs to have an effective coordination mechanism, including institutional synergy mechanism and market coordination mechanism.

4.2.2 System of protection
Give full play to the synergy of national auditing system on auditing of equity crowdfunding. Utilizing the leading role of state auditing, we strengthened the independent attributes of equity crowdfunding audits, perfected the function building of equity crowdfunding audits and conducted
the resource integration of equity crowdfunding audits. Taking the National Auditing System as the System Guarantee of Crowdfunding Auditing of Equity Ownership. Promote the audit system and the maturity level of audit capability. Strengthening audit quality and independence is conducive to the performance of auditing organs.

4.2.3 Audience innovation

In the audit of economic responsibility, issuers and intermediaries are added as audit targets. That the project audit and staff audit conducted in collaboration. It is necessary to establish a supervision and restriction mechanism covering relevant personnel, information, funds and other issues in the audit system, implementation, reporting process and equity crowdfunding projects, and guide internal supervision and external supervision to work synergistically.

5. Summary and inspiration

This article analyzes the construction of collaborative and innovative equity crowdfunding audit model and puts forward the following viewpoints: The multiple trust relationships exist in the audit of equity crowdfunding, which is the foundation for the existence of syndicated crowdfunding collaborative audit; the equity crowdfunding collaborative audit can We will solve the problems of unbalanced interests of all stakeholders involved in the equity crowdfunding, failure to implement regulatory responsibilities, and unclear trust relationship. However, the construction of the auditing system of equity crowdfunding that suits Chinese characteristics still deserves further exploration, and logically solves many problems of the existing crowdfunding of equity and its supervision. I hope this article can provide a new perspective for future research.

References