

A Study on Optimization Based on A Firm Letter Certification Center

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Abstract. In the present work, it's difficult to meet the high quality requirement of complex and strict audit procedures for paper-based confirmations. Found on the case of Certified Public Accountants Co. Ltd of A, this thesis analyzes the structure optimization of letter and certificate center and discusses the feasibility of studying electronization of confirmation, which provides a reference clue for improving the quality of confirmation and maintaining the reliability of confirmation's program.

1. Introduction

In the contemporary era of intelligent digital explosion, there is no doubt that the content of audit work is becoming more complex and redundant, and the requirements of authentication services are more cautious and strict because of the rapid increasing progress of the social economy that promotes the form of enterprise organization to group and market to internationalize. At present, the audit procedures used by most domestic accounting firms cannot keep up with this tremendous change, especially because the malpractice of paper-based correspondence is particularly significant. Apparently, paper-based correspondence has become one of the urgent tasks of this innovation. This paper demonstrates that will try to analyze and express the point of view through the electronic way in the confirmation procedure, which use the development context of confirmation procedures as guide to analyze the feasibility of electronic confirmation from the essence by dissecting the case of correspondence center platform implemented by firm A. Furthermore, discuss and explore whether the implementation of correspondence center platform by accounting firms can fundamentally solve the shortcomings of correspondence and optimize the future development of the confirmation system by referring to the mode of letter certification center platform.

2. Letter Certification and Letter Certification Center

In accordance with the guidance issued on propelling the work related to the digitization of letters and certificates issued by the Ministry of Finance (2020) No.13 by the Ministry of Finance, who required to strengthen the arrangements for financial and accounting supervision, actively adopt policies and measures, work together with firms, banks and enterprises, speed up the digitization of confirmation and improve the audit quality of accounting firms in a down-to-earth manner. So the author briefly discusses the case research of electronic correspondence certificate, and hopes that the development of electronic correspondence certificate procedure will be further developed.

As the most direct and effective substantive test and inspection procedure in the audit execution, the letter certificate can understand the financial information of the enterprise to the greatest extent from the external inquiry, so as to facilitate the auditors to obtain sufficient and appropriate audit evidence, help to reduce the audit risk to an acceptable level. The elementary process of confirmation is shown in figure 1. The main methods of the procedure are letter, mail, mail, etc. Through the letters of inquiry, including funds, transactions, investment, commission, litigation and other audit projects that affect financial statements and related disclosure to assist CPA to better understand the authenticity of the financial situation and reduce the risk of material misstatement caused by financial fraud.

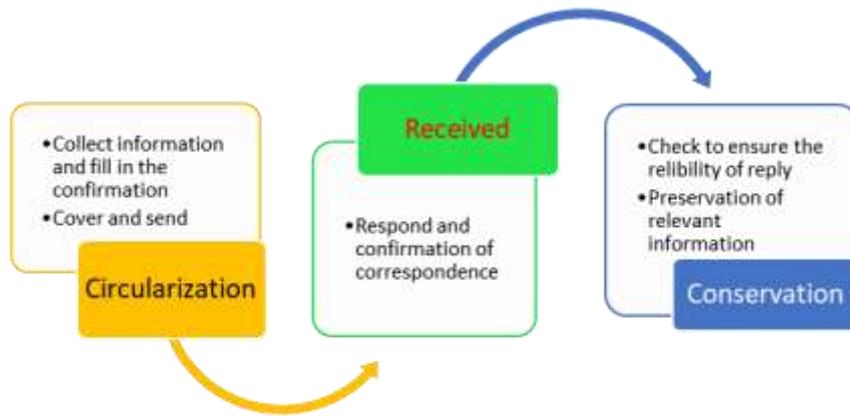


Figure 1. Proof Flow Chart.

In order to standardize the procedures, guarantee effective implementation at the level of recognition, and improve the quality of CPA's third-party audit, the Correspondence Center came into being. The letter and certificate center can be discerned like a safe and reliable confirmation system, which adopts the method approved by laws and regulations to design the letter and certificate, hands over some of the procedures of the paper-based letter and certificate to the new mode of processing on the online platform, perfect the confirmation procedure, and make the audit work more economical and efficient.

3. Analysis on the Present Situation of A's Certification Center

Founded in Shanghai in 1927, A is one of the earliest and most influential accounting firms in China. In 2020, A's accounting business revenue ranked fourth in the industry and the first domestic capital. Besides, A as a sample in technological innovation of the accounting firm is more leading and representative. A developed and put into use the letter and certificate center system in 2019, which main purpose is to assist the audit project team to test more effectively, to manage and deal with the risk of audit procedure, through the Information Technology Department by real-time tracking and updating of the Ministry of Finance issued the policy specifications of the letter certification procedures.

3.1. Operation Mode of the Certification Center

The operation mode of the letter and certificate center of the A is shown in figure 2. First, the project manager declares and builds the project on the platform. Next, the project leader fills in the amount of the report after obtaining the financial information to guarantee the accuracy of confirmation. Then the project teams have independent choice of different patterns to send letters that are dictated by actual condition: including letter Center, the project team sends, follow letter-return confirmation Center, the project team sends, letter-site by auditors themselves.....After the confirmation is returned, it is necessary to scan and register the independent QR code automatically generated by the system attached to the letter card through the platform of the letter card center, and the system can also automatically analyze the statistical data.

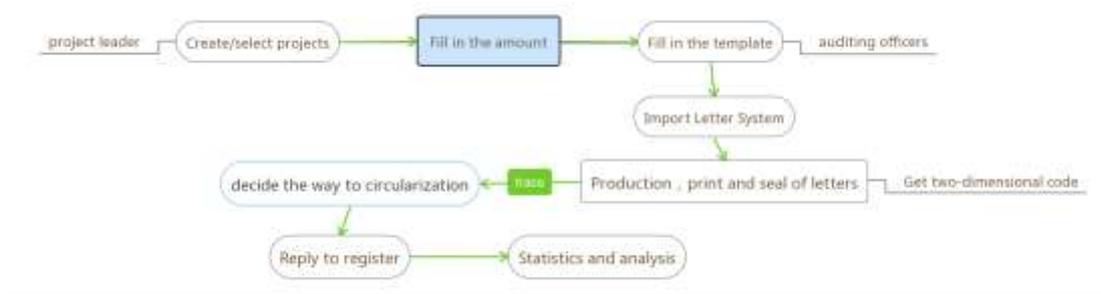


Figure 2. Process of confirmation center.

3.2. Certification Center's Advantages

The implementation of external confirmation procedures can assist us in obtaining highly credible audit evidence that is required to deal with the risk of material misstatement. According to the analysis of the letter and certificate center, it can be seen that A has many advantages and can be used for reference in the construction of the letter and certificate center. As an online electronic platform, it not only strengthens the management of audit projects, but also helps CPA to easier understand the procedures of sending and receiving confirmation, better grasp the risk control, and help the firm to standardize the confirmation and reply work.

3.2.1. Simplified Correspondence Procedures

Specifically, the letter and certificate center has multitudinous letter and certificate templates, which are convenient for the generation of various types of confirmation and greatly simplifies the workload of auditors by dealing with large quantities of business efficiently. On the basis of the A's confirmation center data statistics, A has required "major projects" in the management system to use the letter and certificate center system to process the confirmation, Until November 2020: only the business departments of Hubei Branch issued 39191 functions, of which 30407 were collected by the correspondence center, the number of letters sent by the correspondence center is 30229, and the number of letters registered by the letter and certificate center is 31211. Under the processing of the letter and certificate center, batch processing a large number of confirmations not only save labor costs, especially more timely and efficient during the annual report audit, accounting firms can save a lot of repetitive operational work that give CPA more time and energy to focus on the potential problems of risk control and financial information, in addition to improve the accuracy and credibility of audit reports.

3.3.2. Reduction of Manual Errors

As a semi-automatic letter processing system, the letter and certificate center can effectively evade the errors in manual filling and reduce the demand for secondary letters. In the system data analysis project the proportion of the return letter, so that the second letter and other situations will be self-explanatory. CPA even if not personally filled out the confirmation, also has a macro understanding of the whole process. For continuous audit projects, platform data can be utilized to compare the financial position and operating results to facilitate firms to cope with potential risks. The whole process of the confirmation is operated in the letter certificate center, and the operation of the letter certificate must be logged in by the CPA himself. This design also improves the security of the confirmation information and to a large extent avoids the possibility of the disclosure of the audit data.

4. Current Issues of the Certification Center

On the premise of carrying out the letter and certificate center of A, confirmation still has the situation that cannot be effectively implemented and lead to the letter certificate failing. It can be seen as evidence that the current structure and management of the letter certificate center still have the need to optimize and upgrade. If the domestic firm uses the letter card center platform extensively, it is required to pay attention to the deficiency of the letter and certificate center. The following is some specific analysis of confirmation center problems:

4.1. Insufficient Semi-automation of the Correspondence System

As an online semi-automatic platform, at present, the most important function of the platform is to generate and analyze the data of the reply letter in batches. However, the vast majority of operational steps still need to be completed offline by auditors and information department personnel, for example: the establishment and approval of letter items, input and upload of relevant information, analysis of return letter expression, etc. In essence, the letter and certificate center failed to realize the real intelligence of the confirmation program. And between the auditor and the letter processing department information does not completely exchange, so once in the annual audit

confirmation burst growth period, whether the project auditor or the information department members are still difficult to complete the processing of the letter card under a huge workload, the problems in the confirmation are easy to be ignored, even error, loss, repetition, confusion is inevitable, auditors have to enter the system frequently to find, record, update, modify, resulting in the low efficiency of the letter platform process.

4.2. Failure to Implement Certification Procedures

In recent years, numerous cases of non-standard operation of accounting firms have been punished frequently, which also indicates that the current accounting firms understated assessment to confirmation procedures. According to data from the official website of the Chinese Political Supervision Network Committee, from 2010 to March 2021, the CSRC imposed 31 political penalties on accounting firms, of which 36.25% were administrative penalties. A firm also attaches importance to the implementation of confirmation in the industry, such as 2020 when Grant Thornton was fined 1.2 million by the Securities Regulatory Commission. The main reason is that the investigation found that the improper audit procedures for revenue and sales in Taihua 14, 15 years report lead to inconsistent results. Since the audit procedure constructs the audit authentication business together, the different audit procedures complement interact in order to play a complete audit role. It is the failure of the most basic verification procedure that influences Grant Thornton to fail to find the problem of inflated revenue, which ultimately affects the correct disclosure of the financial statements and loses the fairness of the audit.

5. Suggestions on Optimization of Letter Certification Center and System

The effectiveness of the audit report cannot be determined by the accounting firm alone, the implementation of the letter and certificate procedures often requires various joint powers. For confirmation procedures can be better in line with the trend of the development of the age, to solve the existing problems, there has been a lot of thinking about the optimization of the confirmation, including accounting firm follow-up standard audit system, government increasing supervision and punishment and enhancing the degree of attention and cooperation of the audited units.....This chapter is mainly based on the perspective of accounting firms, from the current letter and certificate center innovation to consider, put forward a few ideas for the future development of letter and certificate procedures.

5.1. Optimization of Current System Procedures

To A firm's current semi-automatic letter certification system, accounting firm can further upgrade its technology through the AI +RPA (robot process automation simulation manual), such as figure 3 shown that AI artificial intelligence reach to copy, paste, click, input and other operations, assist auditors to complete the letter certification process work of "rules are fixed, high repeatability, low added value". Automatically achieve the letter template filling and import generation printing, reduce the auditor spent in the letter design generation tracking and other steps. At the same time, auditors are liberated from manual operation, avoid manual errors and omissions, and shift their focus to substantive audit procedures.



Figure 3. Process optimization diagram.

5.2. Adjustment of the Composition of Staff

Acting in accordance with the author's observation of the intern in the firm, the firm generally chooses the new intern to be responsible for the confirmation, whereas the interns lack the

knowledge of the standard procedure and the experience of controlling the quality of confirmation. It is precisely because of the low degree of attention of the accounting firm to the confirmation that leads to the vicious circle of inefficient correspondence work. And the mistakes in the confirmation procedure can only trend to multiple growth every year. Particularly, some interns "jerry-building" behavior interns result in preliminary work being a mere formality. In the end, the confirmation cannot reach the true and reliable level. So firms shall select more experienced CPA to take charge of confirmation, and confirmation procedures should be supervised and reviewed by the second independent CPA. It is also essential to obtain more efficient and high quality information by regularly training auditors in ethics and professional skills by ensuring strict implementation of confirmation procedures, while paying more attention to the potential fraud risk of the audited units under the audit.

6. Conclusion

The fundamental reason for the extremely complicated and difficult implementation of confirmation procedure is that paper-based confirmation itself has profound defects. During the development of the times, the concept of "Internet +" has been integrated with various industries, and the future development of audit procedures must be inseparable from intelligence. The government should strengthen the specific system and the standard of the audit procedure of confirmation, train the financial personnel of the company and the relevant responsible personnel of the bank, and mobilize the financial personnel to actively cooperate with the work of promoting confirmation work. Be intended to promote the establishment of an integrated information sharing platform for companies, accounting firms and banks, or set up a unified department to centrally handle letter and certificate business. Encourage the development into digitization of information such as enterprises and banks, strengthen the communication and exchange of the three parties, and gradually promote the electronic procedure of confirmation. To sum up, the establishment of the tripartite platform of "Internet +" in the future will completely transform paper letter certificate into digital letter certificate, which is a bold attempt to effectively reduce the cost and ensure the reliability of confirmation.

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