Research on Internal Control of Small and Medium-sized Enterprises – Luckin Coffee Inc., a Case Study

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Abstract: How to make your personal finances soar and become rich quickly is probably such a chance that everyone is thinking about and tries to snatch, while it is indeed a win-win situation for companies and shareholders to raise their share prices. On the other hand, a reasonable and legal approach is particularly important to avoid illegal activities and fraud. Based on the fraud triangle theory, the paper adopts a combination of qualitative and quantitative research methods, analyses the causes of corporate fraud from the perspective of management accounting by analysing the financial fraud case of Luckin Coffee Inc. The paper is an exploratory case study and the researchers have conducted secondary research based on secondary data and literate. The paper aims to give a deep analysis on fraudulent means such as inflated operating income, inflated costs and expenses, and related party transactions through the specific case study of Luckin Coffee Inc. Despite reforms to the penalties for financial fraud, cases are still emerging, and the amounts involved are not insignificant, so, it is worth to find out what factors attract companies to take the risk. Finally, countermeasures and suggestions are put forward in terms of improving the internal control system of listed companies, the system of independent directors, and strengthening the supervision of third-party auditors. Suggestions are made to the judicial department and social supervision department, aiming to provide insights and references for the prevention and control of financial fraud of listed companies, so as to promote the healthy and orderly development of the capital market.
Keywords: Internal control, Financial fraud, Fraud triangle theory, Luckin Coffee Inc., Small and medium-sized enterprises, Stock prices

1 Introduction

In recent years, with the rapid development of China's market economy, a lot of companies have made the first pot of gold in the capital market with the help of the new business model of mobile Internet, but also exposed a series of problems such as accounting information distortion, low operational efficiency and even forged financial statements. Financial fraud refers to a series of frauds against laws, regulations and financial standards in order to embezzle assets or prepare false financial reports. Financial frauds include but are not limited to whitewashing financial statements, embezzling assets, and untrue information disclosure. As far as Enron, world com, Lantian shares, as near as Wanfu Shengke, Kangmei pharmaceutical and other financial fraud cases [1], the false financial information will make stakeholders make inappropriate judgments and decisions about market economic activities and interfere with investors' participation in capital market activities.

As a professional coffee retail operator under China's new business model, Luckin Coffee Inc. was founded in Xiamen, Fujian Province in June 2017 and listed on the NASDAQ in May 2019, therefore becoming the fastest listed company among Chinese coffee brands. In January 2020, Muddy Waters Research issued a short report, pointing out that Luckin Coffee Inc. has begun to fabricate financial and operational data since the third quarter of 2019. In April of the same year, Luckin Coffee Inc. issued an announcement admitting financial fraud. Taking this as an example, according to its financial statements, business operation mode and internal control mechanism of the company, this paper is structured as follows: background and significance of the study, relevant theories, causes of fraud, means of fraud, impact of fraud, countermeasures and recommendations. The paper uses the fraud triangle theory [2] to analyse the internal causes of fraud, provide experience for other listed companies, and put forward reasonable suggestions for the capital market supervision department to avoid the recurrence of similar events.

2 Literature Review

With the rapid development of China's market economy, some listed companies use financial fraud means, which not only damages the healthy development of the market economy, but also damages the interests of investors. In April 2020, Luckin Coffee Inc. listed overseas at the fastest speed under the new retail business model, which is a new O2O (online-to-offline) fast consumption retail business model. The combination of online and offline sales method includes the sales of coffee via internet; customers can online book the products through the Luckin Coffee Inc. APP and then go to the store to pick it up or wait by the store for delivery [1]. The new retail model draws potential customers from online channels to make purchases in physical stores. Customers are identified through emails and internet advertisement and targeting potential customers with the online ordering app they enter the shop and complete the actual purchase in the shop. The model includes in-store pick-up of items purchased online earlier or placing orders while queuing and being in the physical store. Similar possibilities and apps are also available for fast food restaurants for example. However, in the end, Luckin Coffee Inc. was involved in a public opinion whirlpool with fake sales of 2.2 billion yuan.

Financial fraud has attracted widespread attention from many scholars because of its pernicious effects on society and economic markets, among others. According to the overall situation of one company in 2015 that was subject to administrative punishment for financial fraud published by CSRC in July 2019, Wang W. [3] identified the risk of fraud by using the US Auditing Standards No. 99 based on fraud triangle and put forward targeted suggestions. Wang X. [4] takes Kangmei Pharmaceutical as the research object, analyses the causes of financial fraud of Kangmei Pharmaceutical and its falsification methods through GONE theory, and proposes countermeasures to prevent financial fraud of listed companies based on the motives and methods.

The study of financial fraud often requires an inquiry into the reasons behind it. According to Li and Mao [2], the disclosure of various financial indicators is the basis for measuring the development status of enterprises. In order to stabilize the share price, comply with the listing conditions and attract financing funds, enterprises are willing to try to cash in on their interests through financial fraud. According to Zeng [5], the means of financial fraud include inflating business revenue, inflating revenue from other products, inflating costs and expenses, and connected transactions. Among them, the inflated costs and expenses can achieve the result of matching the inflated revenue and diverting the inflated costs and expenses to the loss-making shops, for example erasing the loss-making financial figures and ensuring that the shops have funds to continue their operations.

Financial fraud cases often have a motive behind them. According to Liu [6], the motives can be divided into the following four points: 1. Lagging legislation of legal supervision mechanism and insufficient punishment. 2. Deficiencies in internal corporate governance structure. 3. Imperfect internal control system and lack of effectiveness of external supervision mechanism. 4. Low professional ethical level and professional quality of financial personnel of listed companies.

According to Qi and Wang [7], regulators around the world are not strong enough because of high supervision cost and imperfect supervision system, which provides a "hotbed" for the illegal acts of financial fraud of listed companies.

While legal oversight is important, internal governance is the sharpest blade to kill financial fraud in the first place. According to Li M. [8], independent directors have a positive effect on reducing fraudulent financial reporting. However, the introduction of the independent director system alone, without the control and accountability system for independent directors, cannot substantially improve the quality of financial reporting.

In addition, Zhang [9] has found that there is a close relationship between financial fraud and the design and implementation of internal control. Qi and Tian [10] selected 2,195 listed companies in Shanghai and Shenzhen during 2007-2008 as the research subjects. They created a new conceptual model of the factors affecting internal control deficiencies and used Logit regression as the benchmark for analysis. Li and Wen [11] analysed the influence of the control environment, risk assessment, control activities, information, communication and supervision on the business performance of listed companies in the internal control quality. It has been found that the quality of internal control has a positive influence on business performance and strengthening the quality management of internal control is beneficial to improving the company's business performance.

Financial fraud is often accompanied by a failed audit system. Huang [12] argues that the causes of financial fraud include not only the lack of Internal Control Mechanism but also the causal factors of imperfect auditing. He has also proposed that a sound corporate governance mechanism is the basis of high-quality accounting information, where the financial fraud of listed companies from the governance mechanism must have defects. Wu [13] argues that audit planning can effectively identify risks arising from financial fraud and internal control deficiencies, especially in the context of big data, where reasonable mining of data has a very important role to play in guiding efficient audit activities.

With the booming audit profession in China, audit failures carried out on companies are constantly emerging. Regarding the causes of audit failure Tackett et al. [14] pointed out that the main reasons include unconscious human error, audit fraud, auditors being influenced by financial interests, and auditors being influenced by personal relationships with clients. Su and Zhong [15], on the other hand, suggest three main reasons for audit failure by combining the Chinese securities market. The first situation is when the management is the auditee and also the audit client puts the auditor in a dilemma. Secondly, the more serious situation is when auditors are financially dependent on their important clients, thus the auditor becomes less independent in the course of auditing.

There are plenty of papers about the case of fraud at Luckin Coffee Inc., the most important financial, economic as well as mainstream media and journals are discussing the topic. Securities and Exchange Commission (SEC) has announced a paper about the punishment imposed on Luckin Coffee Inc. [16]. Well-known famous news portals like Financial Times, CNBC, Bloomberg are reporting up-to-date news around Luckin Coffee Inc. [17, 18]. It proves to be a hot topic and the sources are widely available. This paper will analyze the motives and manner of the fraud case of Luckin Coffee Inc. based on the existing literature and data applying the fraud triangle theory. Finally, conclusions will be drawn on the case and some warnings will be given to other short-time listed companies.

3 Research Design

3.1 Research methods

3.1.1 Fraud Triangle theory

Fraud Triangle theory was developed by Albrecht, founder of the American Institute of Certified Fraud Examiners, who believes that corporate fraud consists of three elements: **Pressure**, **Opportunity** and **Rationalisation**, and that a company will engage in fraud when all three elements are met simultaneously [19].

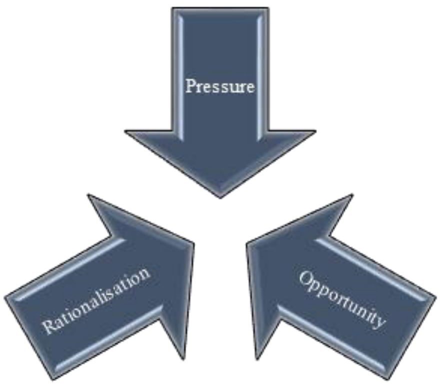

Figure 1

The Fraud Triangle

3.1.2 GONE Theory

The term GONE is an acronym for **Greed**, **Opportunity**, **Need** and **Exposure**. The four factors essentially indicate the four conditions for fraud to occur [20], for example when fraudsters are greedy and are in great need of money etc, they will commit fraud on condition that they have the opportunity and believe that they will not be discovered afterwards. These factors also put forward countermeasures to prevent financial fraud of listed companies based on the causes and ways.

Figure 2

GONE Theory

3.1.3 Related Theories

The right research methods can give us twice the result with half the effort, better reflect the characteristics of the data, more clearly analyse the fluctuations caused by the data and explain the causes in conjunction with relevant professional theories.

(1) *Documentary research*: Firstly, information is obtained through a survey of Chinese and foreign literature so as to gain a comprehensive and correct understanding of the issue to be studied. The information found will be collated, analysed and summarised. On this basis, the analysis of the financial fraud problem of Luckin Coffee Inc. is carried out.

(2) *Combination of qualitative and quantitative analysis*: Expert opinions are explored in qualitative models. In the quantitative analysis, the ratio analysis method is mainly used to analyse the fraud of Luckin Coffee Inc. scientifically and reasonably from subjective and objective perspectives in a scientific and reasonable manner. The research includes pragmatism and critical realism.

(3) *Deductive*: Finally, deduction is made from general principles while concepts lead to individual conclusions. Deduction is a method of moving from the general to the individual. The fraud triangle theory is used to practically analyse its specific existence in the case of Lucking Coffee Inc.

3.1.4 Ethical Guidelines

This study analyses a specific case of fraud at Luckin Coffee Inc., using a valid and correct non-misleading research method such as fraud triangle theory and GONE theory, and the results of the study are closely related to the case. The researchers voluntarily participate in the study, share the research data and results, maintain a respectful and objective attitude toward the research subject, speak with caution and integrity, do not fabricate and falsify the research results, do not plagiarize others' research results, and consciously take social responsibility and strive to maintain public trust.

4 Analysis of the causes of counterfeiting

4.1 Eagerness to achieve

Generally speaking, it takes time for shops to become profitable, and with the cyclical capital operation and the establishment of brand value, shop revenues will turn from losses to wins. As traditional coffee companies entered the market earlier to seize resources, most of the shops that opened in the early stages of Luckin Coffee's establishment were in a loss-making situation, so the more shops opened, the greater the losses were. However, in order to achieve the goal of "convenient consumption and home delivery", in 2018, Luckin Coffee developed a strategic plan to open 2,000 shops, which it completed ahead of schedule. The fast investment and expansion directly led to a loss of over RMB1.6 billion in 2018. Obviously, for investors in the financial markets, the losses at the beginning of the brand's creation are understandable, but according to the analysis in Table 1 Luckin Coffee's net income in the first three quarters of 2019 equalled 2.929 billion, out of which the company announced 2.2 billion as falsified.

Table 1

Inventory Analysis of Luckin Coffee Inc.

	2018	*2019*		
	Q4	*Q1*	*Q2*	*Q3*
Quarter Revenue/million	465	479	909	1542
Inventory/million	150	189	232	213
Days sales of inventory/d	52	55	41	28

*Source: Luckin Coffee Inc. Annual Report

The company wanted to obtain a large amount of financial support in its rapid development, but such an aggressive and rapid expansion led to huge losses that were not favoured. In order to ensure the stability of the financing channels and to meet the cash flow requirements of the IPO, the company eventually chose to raise funds by fraudulently falsifying its financial statements.

4.2 Opportunity factors Data source: Luckin Coffee Inc. Annual Report

4.2.1 Internal opportunities

Luckin coffee does not employ a cashier at the first place and all transactions are completed through an online app, providing an opportunity for it to inflate its revenue by "skipping numbers" with a "pick-up code". Secondly, the independent director function of Sean Shao at Luckin Coffee. Sean Shao, as an independent director, had negative operating conditions at all of the 18 companies he worked for in the previous period, including four accused of fraud and five accused of reverse takeover. Moreover, in the face of the fraudulent financial data and non-compliant disclosure of related parties in the third and fourth quarters of 2019 at Luckin Coffee, no challenge was raised, indicating that the independent directors themselves lacked a certain degree of professional prudence and independence, and did not play a supervisory and restraining role over the management. The third internal opportunity for fraudulent behavior is the unreasonable shareholding structure. After the listing of Luckin Coffee Inc., Lu Zhengyao, as the largest shareholder, held 30.53% of the shares; Qian Zhiya, as the second largest shareholder, held 19.68% of the shares; and Sunying Wong, as the third largest shareholder (it is important to mention that the controller is Lu Zhengyao's sister), held 12.4% of the shares (Table 2). Lu Zhengyao is very close to both parties, so he has absolute control over company decision-making, execution and supervision of Luckin Coffee.

Table 2

The shareholding structure of Luckin Coffee Inc. when it went public

Lu Zhengyao	30.53%
Qian Zhiya	19.68%
Mayer investment	12.4%
Li Hui	11.84%
Liu Erhai	6.75

* Data source: Luckin Coffee Inc. Official Website

4.2.2 External opportunities.

First, external regulation is limited. As a Chinese stock listed in the US, Luckin Coffee is monitored by the US securities regulator, but its main operating region is China, so the difference in spatial distance and the lag in information and information asymmetry make it difficult for external regulation to be effectively implemented.

4.3 Stress factors

Since its inception, Luckin Coffee has been benchmarked against Starbucks (Table 3), and according to the data it can be concluded that Starbucks' profit per shop in three quarters of 2018 was about 4-5 times that of Luckin Coffee, and in 2019 this ratio did not increase by any significant margin.

Table 3

The comparison of single store income between Luckin coffee Inc. and Starbucks

unit: million dollar						
	Y2018			Y2019		
	Q2	Q3	Q4	Q1	Q2	Q3
Number of Luckin stores	624	1189	2073	2370	2963	3680
Luckin single store revenue/million	19.5	20.3	22.5	20.2	30.7	41.9
Starbucks Single Store Revenue (Asia Pacific)/million	98.6	97.8	96	96.2	99	93

* Data source: Luckin Coffee Inc. Annual Report and Starbucks Coffee Annual Report

On the other hand, the company cash flow was in the red in 2018 and 2019 (Table 4), and although 'cache' shops are the mainstay, they also need a lot of capital to support them. Consequently, having a robust capital chain is particularly important for the company. As a result, the company needs external financing to support its operations. However, "good" financial statements are the only way to make investors happy.

Table 4

Cash Flow of Luckin Coffee Inc.

unit: million dollar							
	Y2018				Y2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Cash Flows from Operating Activities	*-124*	*-196*	*-720*	*-271*	*-628*	*-375*	*-123*
Cash Flows from Investing Activities	*-167*	*-145*	*-1297*	327	77	*-2365*	683
Cash Flows from Financing Activities	178	1314	1067	1430	86	5565	*-160*
Increase in Cash and Cash Equivalents	*-113*	973	*-950*	1468	*-465*	2825	400

*Data source: Luckin Coffee Inc. Annual Report

4.4 Low cost of violation

According to Article 20(1) of the Law of the People's Republic of China Against Unfair Competition, "If an operator violates the provisions of Article 8 of this Law by making false or misleading commercial propaganda for its goods, or helps other operators to make false or misleading commercial propaganda by organizing false transactions, etc., the supervision and inspection department shall order the person concerned to stop the illegal act and impose a fine of not less than 200,000 yuan and not more than 1 million yuan [21]. If the circumstances are serious, a fine of not less than one million yuan and not more than two million yuan shall be imposed, and the business licence may be revoked". 0.09% of a $2 million fine was imposed versus $2.2 billion of fictitious profits.

5 Analysis of fraud means of Luckin Coffee Inc

5.1 False increase of main business income

False increase in income is an important means of financial fraud. In order to whitewash the financial statements and exaggerate its profitability, enterprises usually use false means to beautify its real operating level. Since its establishment, Luckin has opened more than 4000 stores in 53 cities in China. Before financial fraud, Muddy Waters Research mobilized a large number of full-time and parttime staff through sampling to conduct real-time on-the-spot monitoring on some stores and proved that Luckin Coffee really existed with effective data, and its fraud was mainly through the way of taking meal code and jumping number. Jump order is a hidden means of financial fraud in the retail industry, such as jumping from 188 to 205, which will not produce obvious false orders and will not be easily found by other regulatory agencies. In addition, Luckin Coffee has assigned different types of ordering of meal codes according to different types of coffee, so it is difficult for the regulatory agencies to calculate the sales volume by subtracting the initial order from the final order. In addition, Luckin, in its pricing strategy used the large commodity unit price to carry out financial fraud. In the third quarter of 2019, the average price of a single commodity reported by Luckin was 11.2 yuan. Muddy Waters Research found that among the 25 843 customer receipts collected, the actual average net selling price of a single commodity was 9.97 yuan, which means the data inflation rate reported by Luckin was 12.3% [22].

5.2 Falsely increasing income from other products

Like Starbucks, Luckin Coffee sells nuts, cakes, bottled drinks, sandwiches, mugs and other products to consumers while selling coffee as a core business operation. According to the statistics of the 25 843 customer receipts collected, "other products" only accounted for 6.2%, while the report released by Luckin at that time showed that other products accounted for 22%, indicating that the company had inflated revenue from other products.

To ensure the accuracy and preciseness of the analysis results, Muddy Waters Research makes further analysis from the perspective of VAT. According to China's tax law, the tax rate of coffee is 6%, and the value-added tax of other products is 13%. According to the formula: Average tax rate = proportion of coffee income * coffee tax rate + proportion of income from other products * tax rate of other products, the average tax rate is 7.54%, while the average tax rate disclosed in the report is only 6.5%. The difference between the two further indicates that the company has tax evasion or financial fraud.

5.3 Inflated costs and expenses

It can be seen from the previous analysis that Luckin Coffee mainly realizes the false increase of income by falsely increasing the sales volume, but according to the cash basis, it must have real cash inflow to recognize the income. In order to match the revenue with the cost, it is a good choice to inflate the advertising expenditure. According to the survey, Luckin Coffee exaggerated its advertising spending in the third quarter of 2019 by more than 150%. In addition, Luckin Coffee exaggerated the store's operating profit by 397 million yuan in 2019. In the same year, the difference between the advertising expenditure reported by Luckin Coffee and the actual expenditure of focus media tracked by CCTV was 336 million yuan, further indicating that Luckin Coffee may have inflated costs and expenses.

5.4 Related party transaction

Related transaction fraud is another important means of financial fraud. The CEO of Luckin Coffee was the founder of two listed companies, Shenzhou Zuche and Shenzhou Youche, and successively served as the COO of the two companies. Therefore, it is very likely that there will be related party transactions between Luckin Coffee group and Shenzhou group. At the same time, according to the report issued by Muddy Waters Research, Luckin Coffee is the same as the outsourcing team of Shenzhou Zuche, and its first round of angel financing also comes from Shenzhou Youche group [23] .

6 Recommendations

6.1 Improve the internal control system of listed companies

As the company's internal management mechanism, internal control system has a very important impact on the realization of the company's expected goals. To improve the internal control system of listed companies, we need to consider the following aspects:

First of all, listed companies should aim at the development goals and needs of continuous improvement, optimize the internal control system. Listed companies need to set up a reasonable functional organization, clear the division of functions between departments, so that they check and balance each other, mutual supervision can be realised [6]. Besides, it is necessary to optimize the internal equity institutions, so that shareholders can check and balance each other, and enhance the role and voice power of small shareholders in the disclosure of financial information to avoid such a situation that only the majority shareholders have the final say. Finally, listed companies should also pay attention to the establishment of risk prevention and incentive mechanism. They should formulate a series of control measures such as separation of incompatible duties, budget management, authorization approval, asset protection, internal audit, etc., so as to form a new pattern of mutual restriction and incentive within the company and to give play to the function of internal control system. A good internal control system will often lead the company to the predetermined goal at the source [7]. The spontaneous improvement of internal control quality of various enterprises will make the market economy develop healthily and achieve a win-win situation among the government, enterprises and shareholders.

6.2 Improve the independent director system

The independent director system has positive significance in reducing false financial reports. This paper proposes to improve the independent director system from the following aspects:

First of all, the company needs to make clear provisions on the qualifications, tenure, working hours and remuneration of independent directors, so as to ensure the real independence of independent directors. Secondly, the company should stipulate the obligations and responsibilities of independent directors. When they violate the obligation of good faith, cannot independently and fairly perform their duties and effectively supervise and restrict the behavior of managers and controlling shareholders, and moreover they cause losses to the interests of shareholders and the company, they should bear the corresponding responsibility. Finally, the company should also make specific provisions on the legal liability of independent directors, and strictly investigate the civil liability of independent directors who are responsible for false statements [8].

6.3 Strengthen the supervision function of external audit institutions

Relying solely on professional ethics often has little effect on increasing the independence of audit. This paper suggests that we should solve the dilemma that the audit client is also the auditee from the system and mechanism. It is suggested that an organization similar to Public Company Accounting Oversight Board (PCAOB) should be set up [15]. The main responsibility is to supervise the audit institutions of listed companies to issue fair and independent audit reports to protect the interests of investors. At the same time, in recent years, China's accounting firms have been growing. However, with the rapid increase of institutional personnel, the internal quality control and internal management of accounting firms have been ignored. The standards of audit institutions entrusted by listed companies should be changed and focus on quality rather than the number and scale of accounting firms must be emphasized. Audit institutions should not blindly pursue expansion. They can set up professional legal accounting posts, strengthen close cooperation with other professional fields, learn to use big data and AI technology to improve the ability to identify financial fraud, improve audit quality and avoid audit failure [7].

6.4 Sound legal supervision mechanism and correspondingly increased penalties

A new version of the "Guidelines on the Articles of Association of Listed Companies" has been released recently [24], which has been formulated to avoid voting by connected shareholders and prevent insider control, as well as to make relevant provisions on speculation in shareholding by executives and capital increase and buyback by companies. To put it differently, this has largely blocked the source of counterfeiting [6]. In the process of improving the legal supervision mechanism, the government supervision department should also consider the legal responsibilities and penalties borne by the subjects of financial fraud and give full play to the role of criminal penalties and civil compensation system, so that the cost of violation of financial fraud far outweighs the benefits.

6.5 Improve the regulatory system for listed companies

A comparative study of the United States, the United Kingdom and Canada found that for every $18 million increase in the minimum capital requirement for a company to go public, the probability of financial fraud decreases by 27.4%, which indicates that raising the threshold for admission to listed companies helps reduce financial fraud [7]. The regulator should not only strictly control the listing standards of companies, but also improve the delisting system of listed companies. In the nearly 30 years of development of China's securities capital market, the ratio of the number of delisted listed companies is extremely low compared to that of developed countries, and the number of actively delisted listed companies is even rare. It is necessary to refine the relevant provisions of the delisting system to eliminate the listed companies that violate the rules of fraud, so as to ensure a more rational and healthy development of the securities and capital market. The maximum penalty for financial fraud of listed companies under the Securities Law is only RMB 60,000, and the new Securities Law, which came into force on March 1, 2020, increased the penalty. However, it is still necessary to improve the penalty rules and make timely floating changes according to the economic and social development [7]. Electronic regulation should be developed, for example, by improving the electronic information database of invoices at national level and by combining it with bank reconciliation information, tax system and other aspects of company operations to restore the operation of listed companies more comprehensively.

Conclusion

Based on the fraud triangle theory and GONE theory, this paper adopts a combination of qualitative and quantitative research methods to analyse the factors that have made Luckin Coffee Inc. so desperate to meet the capital flow requirements for listing. The lack of independence of the company's internal independent director system, the dominance of one share, as well as the difficulties of external regulation, the company’s need for "good-looking" statements to beat its competitors and the low cost of breaking the law were all triggers that tempt companies to commit financial fraud.

Thus, the fraudulent methods of Luckin Coffee Inc. were analysed, such as taking meal code and jumping number, inflating unit prices on financial reports, inflated revenue from other products, inflated costs and expenses, exaggerated advertising expenditures and other financial falsification tactics.

Finally, taking the financial fraud case of Luckin Coffee Inc. as an example, governance countermeasures were proposed, such as improving the internal control system, ensuring the independence of independent directors and clarifying related responsibilities, establishing institutional supervision and audit departments, improving the legal supervision mechanism as well as improving the supervision system of listed companies to provide inspiration and reference for the prevention and control of financial fraud of listed companies, so as to promote the healthy development of the capital market.

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