

How Does Operating Pressure “Penetrate” Risk Identification? -- The Latent Transmission of Accounting Misstatements and Audit Failure in ST Dongtong

Yuxin Tu

Business School of Chengdu University of Technology, Chengdu 610059, China

Abstract

We studied the audit case of ST Dongtong using the fraud triangle model and professional skepticism. The company faced severe operating pressure. This led them to adjust several difficult areas like revenue, R&D capitalization, asset impairment, and subsidies. It was a package of linked adjustments, not one single item. The audit team did not actually skip their checklist. The issue was they did not connect the dots. They took formal files at face value and skipped comparing them to actual cash flows, post-balance events, or basic business trends. By not cross-checking, they lost their skepticism. Auditing high-risk clients means connecting small anomalies. Firms should run deeper checks and know the specific sector to make realistic calls.

Keywords

Audit Failure; Professional Skepticism; Fraud Triangle Theory.

1. Introduction

1.1. Research Background

It's not hard to see why software and IT companies are notorious for financial fraud. Between all the leeway they get with R&D capitalization and how much they rely on government subsidies, the numbers are just way too easy to mess with. ST Dongtong is a textbook case. Back in 2022, regulators flagged them for inflating their profits-but their auditors somehow missed it completely and gave them a clean pass anyway. This whole situation really puts a spotlight on a major flaw: auditors failing to spot big misstatement risks in accounting areas that rely heavily on subjective judgment calls.

This paper takes a close look at the ST Dongtong case to understand the mystery behind what we call "procedurally compliant yet substantively failed" audits. In plain English, we are looking at how an audit team can tick every compliance box on their checklist, but still completely miss major financial misstatements.

1.2. Research Significance

This paper doesn't just talk about professional skepticism in theory; we look at how it actually plays out in risk ID and day-to-day audit judgment using the ST Dongtong case.

Specifically, we dig into the weeds of revenue recognition, R&D capitalization, government subsidies, and quality control to offer some real-world guidance on how to audit tech-heavy firms. At its core, the issue isn't about whether auditors did the paperwork and ran the checklists, but whether they were actually looking for weird connections and patterns in the data.

1.3. Research Methodology and Data Sources

For this study, we went with a deep-dive single-case approach. Most of our data comes straight from ST Dongtong's 2022 annual report, audit report, Shenzhen Stock Exchange regulatory letters, and company announcements disclosed through the China Securities Information Network (China Securities Information Network, n.d.). We also pulled in the Regulations on Information Disclosure by Listed Companies, the Audit Standards Application Guidelines, and some academic papers to build our theoretical framework.

To put it in context: in 2022, the company brought in Dahua Certified Public Accountants (a special general partnership) for the audit, with Li Wenhao and Xu Wenbo signing off as the two CPAs on the hook.

2. Theoretical Foundations and Literature Review

2.1. Evolution of the Fraud Triangle in the Audit Context

The fraud triangle is a great framework for figuring out why audits fail. Previous case studies based on the fraud triangle framework suggest that financial fraud may arise from the interaction of pressure, opportunity, and rationalization factors (Zhang et al., 2015). In the real world, its three core pillars—pressure, opportunity, and rationalization—have basically become practical red flags that auditors need to track:

(1) Pressure: This isn't just about someone falling on hard financial times anymore. It has grown into big-picture survival threats for the company—things like getting delisted, running out of cash, or trying to prop up the stock price. This puts huge pressure on management to do whatever it takes to protect their reported profits and keep the stock afloat.

(2) Opportunity: Instead of just looking at weak internal controls, we now focus heavily on the "gray areas" where accounting rules give management tons of leeway. Think about stuff like deciding when to capitalize R&D, timing revenue, or doing impairment tests. These areas leave too much room for subjective calls, making it easy to hide fraud, especially when mixed with tricks like routing money through related parties and skipping proper bank confirmations (Rahman & Jie, 2022).

(3) Rationalization: This has evolved from individuals making excuses for themselves into full-blown company narratives. Management will justify weird numbers by calling them "industry norms" or "compliance with government policies," which completely chips away at the mindset an auditor needs to stay skeptical.

Because of this, an effective audit has to bake in a simple, three-step routine:

(1) during the risk assessment stage, turn those red flags (pressures) into actual risks of material misstatement;

(2) design testing procedures that double-check and cross-verify the data in judgment-heavy areas; and

(3) keep your guard up and stay skeptical when management tries to explain away weird findings when you evaluate evidence.

With ST Dongtong, the auditors basically went through the motions. They totally missed a huge contradiction: the company reported an operating profit of -CNY 26.49 million, while government subsidies made up 49.54% of that absolute profit value. They completely failed to connect the dots and see this as a massive pressure signal, which points to a major breakdown in basic risk assessment.

2.2. Practical Dilemmas of Risk-Based Auditing (RBA)

Risk-Based Auditing (RBA) is built on a simple idea: you should focus your time and resources where the risk of major errors is biggest (ISA 330; CAS No. 1211, Art. 25). Deciding when to

capitalize R&D expenses is a subjective call. Given the long-fuse research cycles and uncertain project viability in this tech field, management ends up with immense leeway to manipulate their capitalization balances as they see fit.

(1) Checklist-style risk assessments: Standard standardized checklist templates fail to flag sector-specific warning signs. These generic models routinely gloss over overly aggressive R&D capitalization policies, suspicious milestones in customer sign-offs, and bottom lines that are essentially propped up by government payouts.

(2) Form-over-substance testing: Much of the work boils down to ensuring a contract matches an invoice on paper, and then the auditors pack it up. If nobody verifies whether the custom-built software is actually online and working, fails to cross-check post-balance-sheet cash collections, or ducks confirming whether the clients have the money to pay in the first place, you get a clean paper trail with absolutely no real financial substance behind it.

(3) Misdirected quality control: Sign-off reviews tend to focus on superficial tidy-up tasks-verifying if files are signed off and procedures are documented-rather than picking apart whether management's accounting logic actually holds water. The critical warning signs easily slip through to the final reviews without being challenged. These blind spots show why risk-based auditing (RBA), regardless of how perfect it sounds in theory, consistently cracks in high-judgment sectors. Instead of relying on cookie-cutter steps, audits have to be customized around how tech firms actually book their money.

3. Case Background and Risk Profiling of ST Dongtong

3.1. Company Profile and Industry Attributes

ST Dongtong started back in 1997 and went public on the ChiNext board in 2014. The business develops core software systems like middleware and IT security tools, positioning it directly within China's national information technology innovation (ITI) initiative. Here again, the combination of multi-year development windows and unpredictable product launches makes R&D capitalization decisions highly subjective, handing management significant power to sway the numbers.

3.2. Operational Distress and Financial Pressure Signals

(1) Deteriorating profit quality: revenue CNY 1,678,000,000.00 (+8.7%), operating profit –CNY 26,493,100.00, and non-recurring net profit –CNY 65,890,400.00 (down 312.17% year-on-year);

(2) Cash flow strain: operating cash flow –CNY 123,000,000.00, investing cash flow –CNY 201,000,000.00-exhibiting the classic pattern of “revenue growth without profit creation” and “profit without cash generation”;

(3) Rigid labor costs: employee compensation liabilities rose by CNY 513,000,000.00 (of which CNY 431,000,000.00 for salaries, bonuses, and allowances), representing 25.7% of revenue;

(4) Reliance on fiscal lifelines: subsidies of CNY 13,125,500.00 accounted for 199.2% of the absolute operating profit value; excluding them, the loss widened to –CNY 79,015,900.00.

Together, these form a potent motivational base for fraud. Multiple studies confirm that under the triple pressure of sustained losses, cash flow insolvency, and market valuation pressure, management is more likely to manipulate financial statements via accounting policy choices (Wang & Li, 2011; Li, 2011; Cui & Hu, 2019).

3.3. Anomalous Accounting Indicators

The annual report discloses four high-risk signals requiring integrated assessment by auditors:

(1) Unsupported R&D capitalization: The company capitalized CNY 66,418,300.00 of its total CNY 102,066,300.00 R&D spending. This 65.07% ratio is much higher than industry averages.

At year-end, the company moved this entire development balance into intangible assets without disclosing any proof of technical or commercial success. Doing so violates CAS No. 6, leaving a clear gap in the audit evidence (Ding, 2021). Under such high-judgment situations, auditors should not rely on management assumptions but must directly obtain external third-party proof (Song & Yuan, 2025).

(2) Unsubstantiated year-end revenue: On December 31, a massive spike of CNY 87,600,000.00 in sales was booked out of nowhere, accounting for 5.2% of the entire year's revenue. Not a single cent of cash came in with these invoices-it was just paper journal entries pushing their year-end receivables up to CNY 105,882,000.00. Given that there were no signed-off customer acceptance papers in sight, and only 12.8% of this balance got paid in the first quarter of 2023, it heavily smells like classic year-end sales stuffing.

(3) Concentration and valuation risks in receivables: Out of the CNY 105,882,000.00 outstanding receivables, a major red flag is that 33.1% are aged over a year, and just five top clients wrap up 35.4% of the whole amount, headed by China Mobile Shandong Junan Branch at CNY 12,000,000.00 or 11.33%. Such concentration patterns may indicate related-party transaction risks, which have been discussed as important channels of financial fraud in previous studies (Li & Wang, 2018; Ye et al., 2021). What's more, the company set up a bad debt allowance of CNY 10,191,000.00 without any explanation of who owed the money or what the formula was, underlining just how disjointed their credit sales were from actual cash inflows.

(4) Inappropriate Subsidy Accounting: The firm jumped the gun by lumping the entire government subsidy of CNY 13,125,500.00 direct into "other income". The footnotes are missing the critical details needed to verify whether these subsidies are tied to long-term assets or are just regular, day-to-day operating grants. Shuffling them this way hints strongly that it was done simply to plug profit holes.

3.4. Audit Report and Key Audit Matters Disclosure

Despite these massive red flags piling up across their R&D capitalization, revenue, mounting receivables, and questionable subsidies, the 2022 audit report somehow bypassed them all and handed out a standard clean opinion. If you look at the Key Audit Matters (KAMs) they actually disclosed, the audit team only focused on goodwill impairment-completely ignoring the bigger fires. This miss highlights a fundamental structural breakdown in how they planned and ran the entire audit. Rather than tracking where the business was actually starting to fail, the auditing team fell back on old routine templates. You cannot run a generic checklist when risk-assessing dynamic business flows that change year-to-year or face unique fraud risks (Zhang et al., 2004). The Shenzhen Stock Exchange saw right through this, issuing inquiry letters that explicitly called out the team for cutting corners on auditing sales logs and checking R&D capitalized costs. The regulatory warning proves the final audit opinion was totally divorced from the company's true risk profile.

4. Mechanism of Audit Failure at ST Dongtong

The fraud triangle and risk-based auditing frameworks map the structural breakdown behind this failure. The collapse went beyond simple checklists or missed procedures. Instead, it was a systemic run of failures: ignored warning signs of management pressure, open vulnerabilities left for manipulation, unchallenged client justifications, and a final sign-off where the partner failed to exercise any actual veto power.

4.1. Management Pressure and Inadequate Risk Identification

Financial pressure drives earnings manipulation. When listed companies face shrinking profits, bleeding cash, or delisting threats, management naturally shifts to window-dressing through

supportive accounting choices. In risk-based auditing, the auditor's initial task is translating these corporate pressures directly into targeted risk profiles.

The software and IT sector is uniquely prone to these imbalances. R&D-heavy business models, prolonged project cycles, complex client acceptance criteria, and rigid labor costs grant management wide accounting discretion. When top-line growth slows or cash collections drag, fixed payroll overhead puts immediate strain on profitability and cash flows, amplifying the urgency to manage earnings.

This pressure was highly visible in the company's receivables, where concentration hit 35.4% and over a third (33.1%) was aged past one year. This pattern directly matches established benchmarks (Fu Liang, 2019) identifying any concentration over 30% without subsequent settlement as a severe risk. Treating these metrics as business-as-usual proofs that the audit team's risk tracking lagged far behind actual business threats.

Focusing KAMs exclusively on goodwill impairment left the primary drivers of profit-revenue recognition, R&D capitalization, and government subsidies-completely unaddressed. The audit team effectively ran a copy-paste routine, applying generic manufacturing risk checklists to a high-risk IT operations environment. Ignoring both industry realities and company-specific pressures in this manner defeated the entire purpose of risk identification before field work even began.

4.2. Deficiencies in Audit Procedures for High-Judgment Accounting Areas

In practice, when internal controls are weak, evidence trails are fragmented, and accounting standards yield wide discretion, it becomes all too easy to manipulate the financials. In the IT sector, these risks usually cluster around a tight loop of four judgment-driven areas: booking revenue, determining capitalized assets, managing receivables, and accounting for government grants. When manipulated in sync, these key accounts allow a company to rewrite its entire earnings report.

4.2.1. Failure in R&D Capitalization Verification

Take the company's capitalised assets: out of CNY 116,000,000.00 in intangibles, almost 40% of that total came from a year-end development expend account of CNY 84,242,300.00 that was fully capitalized. Instead of validating technical feasibility or market potential, the auditors simply took management's word that software was ready for use in February 2022. By failing to collect actual test runs, client acceptance notes, or project launch metrics in their files, the workpapers ended up with zero real proof to back up the five capitalization conditions demanded by Article 9 of ASBE No. 6.

Moreover, when the company's capitalization rate jumped to 65.07%-leaving the typical industry standard of 45% far behind-the auditors didn't execute any special testing procedures to scrutinize this anomaly. They failed to demand verification for what drove this spike, leaving a massive backdoor open for numbers to be engineered.

4.2.2. Missing Integrated Review of Receivables and Revenue

Total receivables reached a massive CNY 10,590,000,000.00, plagued by high concentration risks with the top five clients holding 35.4% of that weight, not to mention that 33.1% of these invoices were outstanding for well over a year. Instead of cross-referencing sales metrics, the audit team tested account balances in silos. They completely missed out on cross-inspections that would connect revenue bookings directly to aging balances and actual collections after the reporting year-end.

A clear example of this procedural gap is the CNY 87,600,000.00 in revenue recognized on December 31, which accounted for 5.2% of total annual revenue. Despite this year-end surge, CNY 10,588,000,000.00 in receivables remained outstanding at year-end, with a mere 12.8% collected in the first quarter of 2023. This combination of year-end revenue inflation and severe

cash realization lags provides classic evidence of aggressive earnings management. As demonstrated by the Kangmei Pharmaceuticals case, confirmation procedures may appear formally valid, yet they remain substantively ineffective if auditors fail to maintain strict control over the response process or fail to investigate anomalous feedback (Yuan, 2020).

4.2.3. Inadequate Verification of Subsidy Classification

The client booked a government subsidy of CNY 13,125,500.00 directly under other income. However, the audit files show no assessment of whether these funds were asset-related or met the ordinary activities threshold specified in Accounting Standard for Business Enterprises No. 16. The audit team limited their procedures to verifying administrative approval numbers, completely omitting critical cross-checks against bank fund arrival proofs, project completion certificates, and actual usage records. Consequently, the team failed to flag an anomalous operating profit inflation of 199.2% driven by a subsidy that exceeded the absolute value of the company's operating profit.

Such superficial verification is highly concerning given that the subsidy size was nearly double the magnitude of the reported operating loss. Despite this, the working papers contain no inquiry regarding its economic substance or linkage to actual project progress milestones..

4.3. Management Rationalizations and Deficient Professional Skepticism

Fraud rationalization often hides behind excuses like standard industry practices, unavoidable technical pathways, or policy compliance. When auditors simply skip verifying the external paperwork behind management's claims, it is easy to see how they walk straight into cognitive traps. Maintaining professional skepticism is not merely a theoretical requirement but also an explicit responsibility throughout the audit process under Chinese Auditing Standard No.1141 (The Chinese Institute of Certified Public Accountants, 2022; Chiang, 2016; Qu & Zhang, 2012). Unfortunately, this skeptical mindset usually flies out the window when junior staffs fall back on automatic, field-dependent habits or when the firm lacks hardwired, concrete red-flags to trigger actual check procedures (Noegroho et al., 2025).

The ST Dongtong case makes this breakdown painfully obvious, with the audit team walking right past three glaring red flags. First, R&D files were full of missing folders, meaning the technical backups were messy and incomplete. Second, the dates they actually collected government subsidies didn't align at all with the formal milestones or payout timetables. Finally, the massive mismatch between recognized revenue and cash collections topped 80%-a wild anomaly that is unheard of in any normal industry. Had the team dug even a little bit into these anomalies, the shaky reality of the company's books would have cracked wide open.

4.4. Quality Control Failures and the Absence of Accountability of the Signing Partner

Omitting critical risk areas like sales, receivables, R&D assets, and subsidies from the Key Audit Matters (KAMs) reveals a weakness in audit quality control mechanisms. According to Chinese Auditing Standard No.1121, audit firms should establish appropriate quality control procedures to ensure sufficient review of significant judgments and high-risk areas (The Chinese Institute of Certified Public Accountants, 2022). Most internal quality controls are essentially toothless because they don't break down high-level "skepticism" into real, actionable compliance checks. And when the signing partner fails to exercise their independent veto, the final defense line drops-much like what we saw collapse in the Lianda-Tianfeng Energy IPO disaster (Li & Zhou, 2015).

According to the updated International Standard on Auditing No. 240, engagement partners are supposed to drill down into fraud risks and unusual transactions during audits (International Auditing and Assurance Standards Board, 2024; Feng & Fan, 2026). But ST Dongtong's files tell a different story: quality control ended up as just a paperwork compliance check. Nobody in

charge asked why the company's recorded sales ran 80% faster than their actual cash generation, or why their R&D capitalization rate jumped 20% beyond what peers in the industry were reporting. The critical check-and-balance broke down at the very top. The signing partner signed off on a clean opinion, ignoring a mess of loose threads-including non-existent client handouts and unverified grant receipts. This highlights a systematic team culture fail, not just one person having a bad day.

5. Research Conclusion

Looking at how ST Dongtong's 2022 audit ran off the road shows how failure plays out in highly subjective tech sectors. The problem wasn't a lack of audit checklists or worksheets. Instead, it was a cascading series of bad calls across four critical layers of judgment, ending with a signing partner who simply walked away from their final accountability.

This breakdown worked like a domino effect: first ignoring pressure from the client, then leaving obvious loopholes unchallenged, accepting management's explanations without testing them, and finally giving up veto authority. The first three links in the chain show how they completely flatlined at spotting risks early on, but the system truly broke when the signing partner decided to just sign off on the opinion without opening a single workpaper. Looking at the QCA data tracking 22 other audit disasters, it's clear these screw-ups are never just one-off anomalies. To get a collapse this bad, you need a few critical system failures to align: lax oversight from the firm's leadership, lazy fieldwork testing on the ground, and a near-total loss of skepticism (Wang et al., 2021).

The core problem in ST Dongtong was a misalignment of risk identification. The company faced intense pressure: consecutive losses, delisting risks, rigid payroll expenses reaching CNY 513 million which consumed 25.7% of its total revenue, and a reliance on government subsidies of CNY 13.13 million that reached 199.2% of its absolute operating loss. Rather than addressing these specific stress areas, the auditors copy-pasted generic manufacturing checklists. They ignored the unique sector dynamics, such as intensive R&D spending, lengthy project timelines, and weak cash collections-which misdirected the entire downstream audit. This systemic breakdown proves that the real tipping point in audit quality is not technical capability, but an institutional design flaw: partner veto power must be built directly into the quality control framework rather than treated as a routine sign-off.

The audit team's failure to block accounting manipulation stemmed from evaluating interconnected high-judgment areas in isolation. On December 31, the company booked 87.6 million RMB in revenue, which represented 5.2% of the annual total, yet receivables reached 105.88 billion RMB, with a mere 12.8% cash collection rate in the following quarter. This revenue recognition sat alongside a 65.07% R&D capitalization rate, far surpassing the 45% industry benchmark, and unverified subsidy classifications under other income. By inspecting these accounts as discrete items rather than an integrated profit-engineering cycle, the auditors ignored the cross-functional logic of the fraud.

Management excuses went entirely unquestioned. The team accepted claims of industry practice and technical necessity without demanding third-party validation, such as independent technical feasibility sign-offs for R&D projects or customer acceptance records for subsidy milestones. This passive approach aligns with the research of Noegroho and others in 2025, which shows that auditors with field-dependent cognitive styles routinely accept client narratives unless institutional triggers force team-level skepticism.

The final quality review collapsed into a paper-clearing exercise. Supervisors checked off file compliance but failed to demand explanations for the 80% gap between cash and sales, or the capitalization rate that ran 20 percentage points above industry peers. Ultimately, the signing partner endorsed a clean opinion despite obvious gaps in the audit trail, including missing

acceptance documents and unsupported subsidy accounting. The Shenzhen Stock Exchange directly called out this failure, noting insufficient audit procedures over revenue recognition and R&D capitalization. This case shows that audit failure in complex sectors is a structural design flaw rather than a technical oversight. Preventing such failures requires transforming the partner's sign-off from an administrative routine into a mandatory veto gate when evidence chains are compromised.

6. Implications and Limitations

6.1. Theoretical Implications

This case challenges the traditional application of the fraud triangle, which typically treats pressure, opportunity, and rationalization as isolated individual motives. In ST Dongtong, R&D capitalization strategies, related-party cash pooling, misclassified government subsidies, and poor cash conversion did not run on separate tracks; they functioned as a highly integrated profit-engineering network.

Evaluating these components under the old single-factor lens fails to capture how fraud actually operates in judgment-heavy environments. A better way to understand these dynamics comes from the complexity theory outlined by Freeman in 2025, which views opportunity not as a static vulnerability, but as the interface where threat fields and safeguard fields meet. The risk in ST Dongtong did not jump out from a single failure. Instead, the crisis boiled over right where delisting panic, dried-up cash, and useless internal controls ran smack into an audit team that just took the client's word for everything. Pinpointing these overlaps reframes the classic fraud triangle: it shifts the conversation from why a single bad actor decides to cheat, to how a company's entire system moves in sync to let them get away with it.

6.2. Practical and Regulatory Implications

Testing accounts in silos fails to catch systemic manipulation. The audit process must trace how financial pressure shapes revenue recognition, R&D capitalization, and government subsidies altogether. When a company books a year-end sales spike while receivables balloon and cash collections drag, checking these as separate balances is useless. The audit team has to cross-verify the paperwork, matching project sign-offs and subsidy files directly against bank deposits and tax records to ensure the numbers actually align.

Accounting firms need to elevate quality control reviews from administrative checklist exercises into substantive risk challenges. True quality control verifies that evidence genuinely supports highly subjective estimates and ensures the final opinion mirrors the company's actual economic transactions. This oversight demands deep sector expertise in complex niches like software and information technology services, where generalist auditors using standard templates lack the technical background to contest management assumptions regarding R&D feasibility, project milestones, and revenue triggers.

Regulators must redesign key audit matter requirements to eliminate boilerplate text, forcing firms to report explicitly on atypical profit structures and deteriorating cash flows. If government subsidies exceed operating losses or if sales growth fails to generate actual cash, auditors must disclose the specific testing procedures used to address the divergence. For technology enterprises in particular, regulatory enforcement needs to target the integrity of R&D capitalization milestones, subsidy classification trails, and independent customer acceptance documentation.

6.3. Limitations and Future Research

Because this analysis focuses on a single corporate failure, the findings cannot be immediately generalized to other firms or industries. Relying on public disclosures also leaves the internal

mechanics of the audit team-such as partner-management correspondence, internal working papers, and real-time skeptical debates-largely hidden. Without access to these records, tracing professional skepticism relies on qualitative patterns rather than direct quantitative measurement.

Expanding this research requires testing this four-layer failure mechanism across a broader selection of software and IT services companies. Quantitative models could formally map how operational strain and aggressive accounting choices drive audit failure, particularly by integrating auditor cognitive profiles. A study by Noegroho and colleagues in 2025 indicated that field-dependent auditors frequently accept client assertions without requesting independent proof, confirming that individual cognitive styles shape how pressure translates into compromised reporting. Research must also address how emerging auditor behaviors shape newer fields like ESG verification. Dierynck and Weijers demonstrated in 2026 that an auditor's personal identification with ESG principles can undermine their objective skepticism during sustainability reviews. While blockchain-based technologies may influence audit evidence collection and auditors' decision-making processes, existing research suggests that auditors' knowledge and professional skepticism remain important factors affecting technology adoption (Juma'h & Li, 2023; Bi & Liu, 2025).

Ultimately, the failure at ST Dongtong shows that systematic audit breakdown is an institutional problem rather than a personal error. Treating skepticism as a mere mental state fails to prevent client capture in complex, judgment-heavy industries. Real defense requires embedding skepticism directly into team structures, quality review protocols, and the legal accountability metrics of signing partners.

Acknowledgments

I would like to express my sincere gratitude to my supervisor for the valuable guidance, insightful suggestions, and patient support provided throughout the development and revision of this thesis.

References

- [1] Bi, H. S., & Liu, M. H. (2025). Digital-intelligent reshaping of audit professional skepticism. *Chinese Certified Public Accountant*, 12, 76-80. <https://doi.org/10.16292/j.cnki.issn1009-6345.2025.12.006>
- [2] China Securities Information Network. (n.d.). Announcement disclosure. <http://www.cninfo.com.cn/new/disclosure/detail?stockCode=300379&announcementId=1219685442>
- [3] Chiang, C. (2016). Conceptualising the linkage between professional scepticism and auditor independence. *Pacific Accounting Review*, 28(2), 180-200. <https://doi.org/10.1108/PAR-08-2015-0034>
- [4] Cui, D. Y., & Hu, M. X. (2019). A case study of financial fraud in Yabaite. *Communication of Finance and Accounting*, 4, 6-9. <https://doi.org/10.16144/j.cnki.issn1002-8072.2019.04.002>
- [5] Dierynck, B., & Weijers, L. (2026). The effect of ESG identification on professional skepticism in ESG audits. *Journal of Cleaner Production*, 554, 148104. <https://doi.org/10.1016/j.jclepro.2026.148104>
- [6] Ding, J. (2021). Defining financial fraud from the perspective of independent audit of financial statements. *Chinese Certified Public Accountant*, 8, 76-79. <https://doi.org/10.16292/j.cnki.issn1009-6345.2021.08.016>
- [7] Fu, L. (2019). A case analysis of audit failure in backdoor listing: Evidence from Kanghua Agriculture's backdoor listing through Busen Shares. *Communication of Finance and Accounting*, 19, 100-104. <https://doi.org/10.16144/j.cnki.issn1002-8072.2019.19.022>

- [8] Freeman, C. (2025). Fraud and complexity theory: Moving beyond the fraud triangle towards a new theoretical framework. *Journal of Economic Criminology*, 10, 100198. <https://doi.org/10.1016/j.jeconc.2025.100198>
- [9] Feng, K. D., & Fan, J. (2026). New ISA 240: Clarifying auditor responsibilities and strengthening anti-fraud requirements. *Chinese Certified Public Accountant*, 5, 126-127. <https://doi.org/10.16292/j.cnki.issn1009-6345.2026.05.015>
- [10] International Auditing and Assurance Standards Board. (2024). International Standard on Auditing 240 revised 2024: The auditor's responsibilities relating to fraud in an audit of financial statements.
- [11] Juma'h, A. H., & Li, Y. (2023). The effects of auditors' knowledge, professional skepticism, and perceived adequacy of accounting standards on their intention to use blockchain. *International Journal of Accounting Information Systems*, 51, 100650. <https://doi.org/10.1016/j.accinf.2023.100650>
- [12] Li, T., & Wang, J. J. (2018). Audit research on related-party transaction fraud based on the dual fraud triangle theory. *Finance and Accounting Monthly*, 17, 92-100. <https://doi.org/10.19641/j.cnki.42-1290/f.2018.17.014>
- [13] Li, X. H., & Zhou, Y. J. (2015). Analysis and suggestions on the lack of professional skepticism among certified public accountants. *Chinese Certified Public Accountant*, 11, 35-41. <https://doi.org/10.16292/j.cnki.issn1009-6345.2015.11.006>
- [14] Li, Y. D. (2011). Financial fraud identification and audit countermeasures. *Finance and Accounting Monthly*, 14, 68-69. <https://doi.org/10.19641/j.cnki.42-1290/f.2011.14.033>
- [15] Noegroho, Y. A. K., et al. (2025). Personality, cognitive style and auditors' professional skepticism. *Review of Behavioral Finance*, 17(5), 938-959. <https://doi.org/10.1108/RBF-04-2025-0131>
- [16] Qu, X. L., & Zhang, J. X. (2012). A review of research on audit professional skepticism. *Auditing Research*, 3, 69-75.
- [17] Rahman, M. J., & Jie, X. (2022). Fraud detection using fraud triangle theory: Evidence from China. *Journal of Financial Crime*, 29(1), 101-118. <https://doi.org/10.1108/JFC-09-2022-0219>
- [18] Song, X., & Yuan, M. (2025). Auditor professional skepticism and deferred tax asset valuation allowance. *Advances in Accounting*, 68, 100820. <https://doi.org/10.1016/j.adiac.2025.100820>
- [19] The Chinese Institute of Certified Public Accountants. (2022). Chinese auditing standard for certified public accountants No. 1121: Quality control for audits of financial statements.
- [20] The Chinese Institute of Certified Public Accountants. (2022). Chinese auditing standard for certified public accountants No. 1141: The auditor's responsibilities relating to fraud in an audit of financial statements.
- [21] Wang, M., & Li, X. (2011). Fraud triangle and financial fraud identification. *Finance and Accounting Monthly*, 30, 76-80. <https://doi.org/10.19641/j.cnki.42-1290/f.2011.30.025>
- [22] Wang, Y. J., et al. (2021). Multiple concurrent factors in major audit failures of listed companies. *Communication of Finance and Accounting*, 13, 118-122. <https://doi.org/10.16144/j.cnki.issn1002-8072.2021.13.024>
- [23] Ye, B. Y., et al. (2021). Discussion on the path of fraudulent behavior of listed companies and audit responses. *Accounting and Economics Research*, 35(10), 22-33. <https://doi.org/10.16292/j.cnki.issn1009-6345.2021.10.019>
- [24] Yuan, M. (2020). Reflection on audit issues of monetary funds in Kangmei Pharmaceutical. *Chinese Certified Public Accountant*, 8, 63-68. <https://doi.org/10.16292/j.cnki.issn1009-6345.2020.08.013>
- [25] Zhang, L. P., et al. (2004). The latest development of international audit risk standards and its implications. *Accounting Research*, 12, 76-81.
- [26] Zhang, L., et al. (2015). A case study of financial fraud based on fraud triangle theory. *Finance and Accounting Monthly*, 7, 69-72. <https://doi.org/10.19641/j.cnki.42-1290/f.2015.07.022>