

# ***Research on the Construction of the Standardization Framework under the Coordinated Supervision System of Government Audit, Internal Audit and Social Audit***

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**Keywords:** Government audit, Internal audit, Social audit, Collaborative supervision

**Abstract:** government audit, internal audit and social audit are greatly different in the implementation subjects, objects, procedures and objectives. Under the collaborative supervision system, a set of standardization framework covers the whole process of audit basis, audit plan management, on-site management, quality inspection and evaluation, and achievement application.

## **1. Introduction**

In an important speech at the first meeting of the Central Audit Committee, General Secretary Xi Jinping pointed out that audit has become an important part of party and state supervision system. The 2018 Plan for Deepening the Reform of Party and State Institutions also further clarified the “construction of a centralized, unified, comprehensive reconstruction, authoritative and efficient modern audit supervision system”. China's audit supervision system consists of government audit, internal audit and social audit. These three different forms of audit differ in some aspects, but they can improve the audit quality and efficiency through cooperation.

Over the past 30 years, government audit, internal audit and social audit have all played an important role in their respective scope. However, in the background of limited audit resources and heavy audit tasks, we can not fully perform the duties of government audit. So, in order to solve the waste of resources in repeated audit supervision system, the government should effectively play the synergistic role of three types of audit subjects to maximize the audit effect and value. On the whole, there's still a lack of research on how the three types of audit subjects can cooperate and interact. Therefore, This paper attempts to formulate and apply different audit subject collaborative supervision standards, providing practical guidance for the collaborative supervision of different audit subjects.

## **2. Literature Review**

At present, some research has explored the positioning, relationship and cooperation between these three types of audit subjects. Zhang Wenhui (2010) analyzed the interrelationship and

collaboration between three audits<sup>[1]</sup>.He Xiuxing (2015)proposed effective utilization of internal audit resources by national audit and the path of risk prevention of internal audit resources<sup>[2]</sup>.But there is not much relevant literature about audit standardization. In terms of standards, Zheng Shiqiao (2017) put forward the principle of “public sector audit standards give first, and audit standards for certified public accountants fill the gaps”<sup>[3]</sup>.Audit quality control is an important way to ensure audit quality .Zhang Qi (2010) has explored the standardization model of audit quality control<sup>[4]</sup>.In addition, audit informatization is an effective means to promote audit standardization. Yang (2018) believes that informatization can be applied in process control and other aspects to realize a standardized audit process<sup>[5]</sup>.

In general, most of the existing documents are a brief analysis of audit standardization, with few standardization studies on the collaborative supervision of these three types of audit subjects. This paper proposes to construct a standardization framework under the collaborative supervision system of three audit subjects to provide practical guidance for the collaborative supervision of different audit subjects.

### **3. Audit Standardization Overview**

#### **3.1 Definition of Audit Standardization**

Standardization is the activities as to actual existing or potentially problematic standards established for common use or reuse for the acquisition of optimal order.

Audit standardization is the basic standard for the audit subjects and their behavior. It is to formulate the standard audit behavior standard according to the characteristics and laws of the audit and its related activities, and to carry out the audit work in accordance with the audit standards in the whole process of the audit.

#### **3.2 Audit Standardization Classification**

According to the whole process of audit, the audit standardization is divided into: audit basis standardization, audit plan management standardization, site management standardization, quality inspection and evaluation standardization, and standardization of achievement application.

#### **3.3 Characteristics of Audit Standardization**

The characteristics of audit standardization include informatization, shareability and timeliness. Informatization means the informational instrument of modern technology will be used in the process of audit standardization. Shareable means three types of audit subjects can effectively achieve collaborative supervision through information sharing. Timeliness means audit time and rectification and other aspects have a certain time limitation.

### **4. Necessity and Feasibility**

#### **4.1 Necessity**

Under the background of the full coverage of audit supervision, government audit needs to cooperate with the strength of internal audit and social audit, and improve a centralized, unified, authoritative and efficient audit supervision system. At present, there are problems of overlapping responsibilities, repeated audit, and low supervision efficiency. The government should give full

play to the synergistic and linkage role of these three types of audit subjects, improve the audit efficiency, and maximize the audit effect and value.

## **4.2 Feasibility**

Although government audit, internal audit and social audit have each focus and objectives, but its essential attributes are audit, and audit procedures, audit methods, quality control has the characteristics of repeated operation and repeated verification, thus provides the realistic possibility for the formulation and implementation of standards in the audit system and the audit standards. Therefore, it can be feasible to formulate and popularize and apply the “standards” of collaborative supervision of different audit subjects.

## **5. Construction of the Standardization Framework under the Collaborative Supervision System of the Three Types of Audit Subjects**

### **5.1 Standardization of Audit Basis**

The audit basis is the standard for judging the audit matters are non-wrong in the audit. Since government audit, internal audit and social audit have audit standards reflecting their own characteristics, government audit follows the Audit Law of the People's Republic of China; internal audit follows China Internal Audit Standards; social audit follows the independent audit standards formulated by the Chinese Association of Certified Public Accountants. When they carry out the audit work for the same audit matters, in order to avoid repeated audit and improve the audit efficiency, what audit basis should be followed to form the audit joint force is the meaning of the standardization of audit basis.

#### **(1) The applicable situation of audit basis**

First, a major premise for CPA performing audit operations is compliance with national audit standards.

Situation 1. Government audit and social audit all have specific audit basis. At this time, the specific basis of the government audit basis on the specific audit business is naturally applicable.

Situation 2. Government audit has a specific basis but social audit has no specific basis. Obviously, at this time, the CPA can only implement the specific audit project according to the specific audit basis of the government audit criteria.

Situation 3. Social audit has a specific basis and the government audit has no specific basis. In this case, the specific audit business should be implemented in accordance with the specific and relevant provisions in the social audit.

Situation 4. Both government and social audit have no specific audit basis. In this case, we will use the general basis of the government audit for the audit.

#### **(2) Audit basis coordination approach**

There are two ways to coordinate the audit basis:

First, the two learn from each other and coordinate and unify them in the content of the guidelines. Some common technical standards can be convergence in the audit process, because these guidelines reflect the basic requirements of the audit work, the theory based on and the content to be standardized is the same as the purpose to be achieved. For those guidelines that reflect their respective business characteristics should not be converging.

Second, the two are based on the same standard when auditing similar matters. If an accounting firm undertakes the audit matters authorized by law or entrusted by an audit institution, it shall be in accordance with the standards formulated by the audit institution and the government audit institution. Specifically, if a firm accepts the entrusted audit of a certain public institution, it should

abide by the implementation measures of the audit of business funds by the audit institutions issued by the National Audit Office. If a government audit institution is auditing an annual financial statement of an enterprise, it may also follow the audit of the China Code for Practice of Certified Public Accountants No.1. Whoever implements the same type of audit matters is, as they follow the same guidelines, its audit conclusions should be recognized to reduce unnecessary repeated audits.

## **5.2 Standardization of Audit Plan Management**

Standardization of audit plan management emphasizes the rationalization of plans. The biggest problem in the audit work is “the contradiction between heavy audit tasks and the lack of auditors”, so the core problem of the standardization audit plan management is how to maximize the effective allocation of resources in the overall audit work. Currently, the audit work plans of the government, internal units and certified public accountants are often repeated, so considering the reasonable coordination of various audit plans which can avoid repeated audit is the significance of the standardization of audit plan management

## **5.3 Standardization of the on-Site Management**

Government audit, internal audit and social audit differ in audit standards, methods, concept, even if they do the same project may get completely different audit results, so when government audit needs to use internal and social audit resources, the on-site audit management standardization is particularly important. Before the start of the project, the government audit institutions should train all the auditors of the audit team to ensure the availability and acceptance of the audit results of internal audit and social auditors. The standardization of the on-site standardization is specifically divided into clarifying the division of responsibilities of audit business, determining the tasks of all audit stages, standardizing the way of audit and evidence collection, and strengthening the linkage of all parties.

## **5.4 Standardization of Quality Inspection and Evaluation**

Audit quality control is the core link of audit work, quality inspection and evaluation standardization based on different audit subject audit project, audit site management, audit results document review, audit results, establish and improve the quality control system. Including the establishment of model audit documents and quality standards, strengthening the audit quality management, the establishment of audit assessment incentive mechanism, and the establishment of meeting and learning systems

## **5.5 Standardization of Achievement Application**

The audit results are not the end of the audit work, and its subsequent application is the real audit significance. The standardization of achievement application is mainly reflected in: First, when enterprises conduct internal audit, completed the audit work under the guidance of government audit, and then government audit can use the corresponding internal audit results. Second, after the end of the audit of financial statements by certified public accountants, there may be some will not react in the audit report but it is necessary to make the government see the problem, certified public accountants should consider whether it is necessary to report the problems to the regulatory agencies and law enforcement agencies, and then government audit can use the results of social audit.

## 6. Conclusion

This paper analyzes how to achieve the coordinated development of these 3 types of audits in the context of current audit resource constraints and heavy audit tasks. And aiming at the problems in the standardization practices in the collaborative supervision system, study the contents of government audit, internal audit and social audit collaborative supervision from different aspects of audit basis, audit plan management, quality inspection and evaluation, on-site management and achievement application to build a set of standardization framework under the coordinated supervision system of these 3 types of audit subjects.

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