

Enterprise Internal Audit System Optimization Path Analysis

Qi Dong¹, Xuan Zhang², Ying Dong^{3*}

¹Jilin University of Finance and Economics, Changchun, China

²Lixin Certified Public Accountants Special General Partnership Beijing Branch, Beijing, China

³Changchun Institute of Technology, Changchun, China

*corresponding author

Keywords: Internal audit, Internal audit system, Optimal path

Abstract: In order to adapt to the profound changes in the domestic and foreign economic situation, we should make our internal audit system more substantial, fit the actual situation, and give full play to the value-added role of internal audit. In this paper, according to the low status of internal audit, functional position is not clear, such as node lag problem, analysis the reason and the optimization of the audit plan, improve the relevant mechanism, and use of information technology, strengthen the application of four aspects put forward the optimum path of enterprise internal audit system, to promote the construction of internal audit system, internal audit should play the role of strategic adjustment and system improvement.

1. Introduction

Since the reform and opening up, China's economy has been developing rapidly, and domestic enterprises have mushroomed and expanded continuously. At the present stage, the global economy is showing a momentum of slowing down, and domestic economic downward pressure is also increasing. Extensive economy is now difficult to adapt to the needs of development, and China's economy has gradually transferred from the stage of high speed growth to the stage of high-quality development. Faced with the profound changes of domestic and foreign situation, the internal problems of Chinese enterprises are increasingly prominent, and domestic enterprises are facing an important transition stage. This puts forward higher requirements for the internal audit system of enterprises in Our country. To find the way to optimize the internal audit system is helpful for domestic enterprises to find the strategic direction and problems in the internal system while preventing and controlling internal risks, so as to better improve their own system and gain advantages in the fierce market competition. At the same time, the optimization of the internal audit system is conducive to the supervision of enterprise operation and management activities, promote the health of the market economy. Giving full play to the role of internal audit in strategic adjustment and system improvement conforms to the requirement of transforming from high speed to high quality and is conducive to the healthy development of China's economy.

2. Current Situation of Enterprise Internal Audit System

2.1 The Scope of Internal Audit is Relatively Narrow

The internal audit of enterprises in Our country mainly refers to the supervision, suggestion and evaluation of enterprise financial income and expenditure, asset quality, business performance and the authenticity, legality and efficiency of construction projects or related economic activities or related economic activities. The company's strategy, internal control, risk management and other aspects involved less. On the one hand, internal audit and external audit have their own advantages. The independence of external audit is more easily guaranteed, so it has more advantages in post-supervision. Internal audit for the company's system, strategy, personnel, business more

understanding, therefore in the company's strategy, internal control, risk management and other aspects of more advantages. If the goal of internal audit is limited to post-supervision, from the perspective of the entire audit system, it will cause a waste of resources and reduce the efficiency of the audit system."Double audit system" lost balance, the role of audit decreased. On the other hand, with the in-depth development of economic globalization and increasingly fierce competition among enterprises, the importance of corporate strategy has become more and more prominent. Internal audit is only risk-oriented and cannot better create value. Only by transferring from supervision to service can it better give play to its ability to create value, improve the competitiveness of enterprises and provide value-added services.

2.2 Enterprise Internal Audit Environment is Poor

Our country enterprise internal audit environment is poor, the related culture system is not perfect. In recent years, enterprises have improved their understanding of the independence of internal audit to a certain extent, and the relevant systems are more perfect. The audit department is less responsible to the management, and most of them are responsible to the audit committee subordinate to the board of directors. However, it is still difficult for the actual work to change qualitatively in a short time. On the one hand, the appointment and removal of personnel and the issuance of funds in the audit department cannot be completely independent of the company's management. The same audit department is organized within the company, which cannot avoid the personal contact with the internal staff of the enterprise, which also has a great impact on the independence of audit. On the other hand, the audit department's performance appraisal of auditors is not perfect enough. The goal of performance appraisal should not only be limited to the evaluation of internal staff, but also the implementation of the audit work, to understand the quality of the audit work, to find out the quality of problems. Improve the independence and initiative of auditors.

2.3 The Quality of Enterprise Internal Audit is Not High

At present, the quality of enterprise internal audit is still not high. First of all, the enterprise internal audit time is relatively concentrated, the allocation of resources is unreasonable, the work is often divided into "light, busy season", keep in the extreme idle, extremely busy in two situations switch. In addition, the degree of audit means informatization is low, which makes it difficult for auditors to improve their work efficiency. In the face of huge work in a short time, the quality of audit work can hardly be guaranteed. Secondly, most enterprises are unable to recognize the value-added service role of internal audit and pay less attention to internal audit. Relevant auditors have poor awareness, and they do not believe in the importance of internal audit. In addition, limited by human relations, professional skills, time and other factors, internal auditors often hold the idea of "relax if you can" and "meet the standards for working with leaders". Audit quality cannot meet the actual needs.

2.4 The Application Degree of Enterprise Internal Audit Results is Not High

From the perspective of enterprise management, the internal audit department cannot directly create value. Most enterprise managers only attach importance to visible benefits and business development, but neglect the internal audit department. Therefore, the opinions of the audit department are not widely applied. From the perspective of each department of the enterprise, the status of the internal audit department is not high and the power stays at the guidance level. Therefore, even if the internal audit department finds problems, the handling of problems is relatively passive and the audit results are difficult to be applied.

3. Analysis of Causes of Problems in Enterprise Internal Audit System

3.1 Enterprise Internal Audit Function Positioning is Unclear, Time Lag

At the present stage, the internal audit work of enterprises basically centers on checking and correcting errors and defects of economic activities after the event. However, when it comes to the

role of internal audit, its positioning is not clear. It seems that internal audit can do anything and has room to play in many aspects such as strategy, system and risk control. But in the actual work, it seems that nothing can be done. If the scope of internal audit is too large, and it is easy to coincide with functional departments, its substitutability will be correspondingly greater. If the function of internal audit is limited to post-supervision, it is more difficult for internal auditors to break through the human relations, and do not grasp the corresponding authority, it is also very difficult to really achieve supervision and rectification. The internal audit department is therefore in a very awkward position. As the starting point of audit work, unclear audit function and time lag will cause a lot of follow-up audit problems. First of all, due to the limitation of ex post supervision of internal audit Bureau, the scope of audit can be narrowed, and it is difficult for enterprises to play the value-added role of internal audit. Lack of control in advance also brings potential losses to enterprises. In addition, unscientific function positioning leads to unscientific audit plans, and only post-supervision efforts result in more concentrated audit work, unreasonable allocation of enterprise resources, and lower audit quality.

3.2 Internal Audit Related System, Mechanism is Not Perfect

The internal audit system is insufficient to affect the performance of internal audit. China's internal audit is still in the development stage. The National Audit Office and the China Internal Audit Association have issued relevant standards and regulations on internal audit. At present, internal audit has rules to follow, which meets the needs of various parties and promotes the orderly development of internal audit in China. But inevitably there are still some shortcomings. On the one hand, the types of enterprises in China are complex, with differences in industry type, company scale, business operation, management needs, strategic needs, and enterprise risk points. At present, the relevant system is still too general, the content cannot be applied to all enterprises, some enterprises still cannot practice the phenomenon. On the other hand, the relevant laws and regulations are not sound enough, for example, there is still a gap in audit liability subjects, punishment measures, employment requirements and other aspects. In some links, enterprises still have no basis and can only rely on spontaneity.

3.3 Enterprise Internal Audit Informatization Degree is Low

With the progress of modern science and technology, the application of information technology in many fields greatly facilitates people's life. But at the same time, the rapid development of technology has brought problems for internal audit. It is increasingly difficult for internal auditors to capture and grasp audit clues, fix serial audit evidence, and ensure data security. At present, we can see that the internal audit technology is difficult to adapt to the internal needs of enterprises. In order to achieve a full stage, a large range of monitoring, rapid data analysis, rapid collection and integration of audit evidence, connect multiple departments to cooperate, all need to rely on the development of information. As a technical support for audit work, if the informatization degree of internal audit cannot be improved, the efficiency of internal audit cannot be improved, and the expansion of audit scope will be more difficult.

3.4 Enterprise Internal Auditors Have Low Degree of Specialization

The low degree of specialization of internal auditors is another reason that affects the efficiency and quality of audit. This problem is reflected in the following three aspects. First of all, there are few compound talents suitable for internal audit in the society. For internal audit environment society value degree is not high, less focused on the cultivation of the internal audit, internal audit staff for external audit transformation or by transferred to other departments, the way it works, thoughts form are greatly influenced by the work before, its own is not enough to understand the characteristic of internal audit, the corresponding working methods, processes are not suitable for internal audit work. Secondly, enterprises pay more attention to auditors' financial knowledge when recruiting them, but in practical work, internal auditors need not only financial knowledge, but also computer skills, legal knowledge and interpersonal skills. At present, the enterprise is relatively simple in personnel appointment, audit department internal compound personnel are less. It has

great influence on the efficiency and quality of audit. In addition, the lack of internal training is also a major reason for the lack of professional personnel and embodiment. In the era of big data, internal audit needs to constantly develop to adapt to external changes, and internal audit practitioners may be able to adapt to the work at the beginning of their entry. However, if we cannot continuously absorb nutrients from the outside, we will gradually be unable to adapt to the internal needs of enterprises. However, enterprises have less training for internal auditors, or leave less time for internal auditors to be used for training, resulting in unprofessional personnel and reduced performance of internal audit.

3.5 Enterprise Internal Audit Independence is Poor

Enterprise internal audit is independent of the board of directors, the management of the third party is an important factor for the existence of internal audit department. If the independence of internal audit is affected, the quality of internal audit will be greatly compromised. However, it is very difficult to solve this problem. Poor independence is always the inherent deficiency of internal audit. On the one hand, internal audit exists within the enterprise and is bound to be affected by various forces. The attitude of the board of directors and the management may directly affect the status and salary of internal audit staff. The risk that the entire internal audit department could be abolished. On the other hand, internal audit often affects the vested interests of all parties within the enterprise. Therefore, the internal audit department is quite contradictory in its work. If the independence of the internal audit department cannot be solved, the internal audit staff may be forced to be no longer impartial and objective, resulting in the phenomenon of concealing the report.

4. Case Analysis and Enlightenment of Internal Audit System of Zg Company

4.1 Zg Company Profile

ZG company was founded in 2001, mainly engaged in international project general contracting, with relatively rich experience in international project contracting management, business scope covering southeast Asia, South Asia, Central Asia and many regions, widely recognized by the owners of the country. ZG company has a wide range of information access channels, efficient management team has stable strategic partners and good financing ability.

4.2 Analysis of Internal Audit System of Zg Company

Internal audit of ZG company plays an important role in self-evaluation and self-supervision. Mid-december, the company's internal audit main function is based on the company, the company belongs to points (a) and the foreign institutional financial revenues and expenditures, asset quality, management performance, as well as the construction projects and related economic activity authenticity, legitimacy and profitability of the implementation of independent, objective and impartial supervision, evaluation and the suggestion, to promote the activities of the company to perfect the governance, achieve the goal. It can be seen from the understanding that the internal audit of ZG company mainly stays at the level of supervision and evaluation. Pay less attention to risk management, corporate strategy, etc. However, internal audit is inherently deficient in independence, authority and other aspects. In practical work, the main goal of internal audit is unreasonable and easy to become a mere formality. Therefore, internal audit of enterprises is in an awkward position.

In terms of corporate structure, ZG has established the Audit Department as an internal audit institution. The Audit Department is responsible to the audit Committee under the Board of Directors and reports its work to the audit Committee on a regular basis. The daily work of the Audit Department is led by the director manager of ZG Company. The Audit Department shall have a person in charge, who shall be responsible for the overall management of the Audit Department. The head of the Audit Department shall be nominated by the audit Committee and appointed or removed by the board of directors. The person in charge of the audit department must have senior

professional and technical title and corresponding practical work experience. The examination and appointment of professional and technical post qualifications of internal auditors and relevant follow-up education shall be carried out in accordance with the relevant regulations of the state. ZG company pays more attention to independence and professionalism in organizational setup and personnel appointment and removal. But the competence of internal audit institutions is still limited to making recommendations.

In terms of the application of audit results, ZG stipulates that the auditee shall make rectification and submit a rectification report according to the audit opinions. If common and typical problems are found, the enterprise shall analyze and study them in a timely manner, and formulate and improve relevant regulatory systems. At the same time, the results of internal audit and rectification as an important basis for assessment, appointment and removal, reward and punishment of cadres and relevant decisions. ZG company has a comprehensive application scope for the results. However, as the audit objective is limited to error detection and rectification, the internal audit results are passive and play a small role in improving the internal control system, risk management, corporate strategy and other aspects.

4.3 Case Enlightenment of Zg Company

The case of ZG Company has implications for the optimization path of internal audit system in domestic enterprises. First, enterprises should optimize the internal audit plan to avoid unclear positioning of internal audit function and difficulty in giving full play to the value-added role of internal audit. Second, we should improve the internal mechanism of enterprises, optimize the relevant work standards, and enhance the status of internal audit. Avoid the enterprise organization structure is not perfect, enterprise internal audit effectiveness is difficult to play; Third, make rational use of audit results, improve the execution and understandability of audit reports, enhance the status of internal audit departments, and strengthen follow-up tracking procedures.

5. Optimization Method of Enterprise Internal Audit System

5.1 Optimize the Internal Audit Plan

5.1.1 Define the Function of Enterprise Internal Audit, Expand the Scope of Audit

The most important thing to optimize the internal audit system is to improve the understanding of internal audit, understand the importance of internal audit, and define the function of internal audit. Under the market economy, the function of internal audit should include three functions: prediction in advance, defense in the event, and supervision after the event. Pre-emptive defense mainly refers to the overall strategy of the development of the enterprise audit, such as the company's strategy and the actual situation, the actual work and the company's strategy is inconsistent, can put forward rectification opinions, from the source to control the loss. In addition, pre-emptive defense also includes the improvement of the enterprise system according to the daily audit situation, with a reasonable system to prevent the occurrence of risks. Things defense is refers to the internal audit department should be truly integrated into the enterprise daily management work, internal audit departments need to track the implementation of each link business decision-making, the matter to carry on the supervision and inspection, to ensure that decisions fall to the ground, process objective, examine the issue in the process of decision-making execution and timely correcting, avoid stack up, can't solve, strengthen the defense to reduce losses. Post-supervision is to sort out the implementation of the decision after the completion of the decision, correct errors and reflect on experience to avoid the same problems in the follow-up. Accordingly, the scope of enterprise internal audit is extended greatly under the circumstance of function enlargement. Hu Zejun, the Chief auditor of the National Audit Office, and Liu Jiayi, the former chief auditor of the National Audit Office, also pointed out that we must achieve full coverage of audit supervision and leave no blind spots or blind spots.

5.1.2 Confirm Audit Focus and Make Audit Plan

It is necessary for economic development to realize full coverage of audit, but “full coverage” also represents a huge amount of work. In this case, internal audit departments can better balance human and material resources, enhance audit efficiency and avoid resource waste only by making clear audit priorities and aiming at the right target. In terms of the audit content, the internal audit department should focus on the risk points concerned by the management and those found in the previous audit process. On the audit node, the internal audit department shall focus on the pre-audit and in-process audit and move the audit focus forward. When formulating the corresponding audit plan, we should take into account the key points of audit and rationally allocate human and material resources to better complete the audit work with reasonable resources.

5.2 Improve the Relevant Internal Mechanism of the Enterprise

5.2.1 Define the Internal Audit Activity Specification

At present, China's internal audit system is becoming more and more mature, but there are still too general content, can not be applied to all enterprises. Enterprise shall, when in building their own internal audit system, in reference to related laws and regulations at the same time, in accordance with its own industry characteristics, enterprise scale, audit needs to perfect the internal audit system, make the internal audit system of more specific, maneuverability, everything are laws, there are rules, change everything is decided by the management of the imagination, audit work more standardized, audit quality will be improved accordingly.

5.2.2 Establish a Reasonable Audit Committee

The independence of internal audit has always been a concern of people, and the reasonable setting of audit committee can better solve this problem. The audit committee is generally an institution under the board of directors, often composed of outside directors who are not involved in the operation and management of the enterprise. If the rules and regulations of internal audit, personnel employment, level promotion and salary and remuneration are all responsible to the audit committee, it can form a barrier for the internal audit department to ensure its independence to a certain extent.

5.2.3 Optimize the Allocation of Auditors and Improve Relevant Training and Assessment Systems

Want to really play its value-added role. The country, the enterprise, the individual all should realize the importance of the internal audit department, the internal audit department needs the multi-disciplinary talented person. To better complete the audit work, it is necessary to enrich the knowledge structure and personnel structure of the audit department. Auditors with financial knowledge are not only required, but also experts with industry-related knowledge and management ability are also required. In addition, the audit environment is constantly changing, and the audit technology and means are constantly improved. Auditors need to constantly improve their ability to master information technology. It takes more than hiring to optimize audit staffing. Auditing is a career that requires lifelong learning. Enterprises need to improve the corresponding training and assessment system, link the ability of employees with their salary performance, and ensure their professionalism.

5.2.4 Define the Responsibility of Internal Audit

It is also an important factor that affects the independence of internal audit that internal auditors can keep their spirit fair and impartial. Internal auditors are vulnerable to vested interests, human relations and other factors, so it is necessary to clarify the attribution of internal audit responsibility. Enterprises should improve the mechanism of illegal backcheck, such as the enterprise to find out the problem of financial fraud, should also find out the problem of auditors dereliction of duty, clear line management responsibility attribution and punishment.

5.3 Make Full Use of Internet Technology

The Internet technology has been preliminarily applied in the audit department, and it is also a

predictable and inevitable trend to take the Internet as the main audit means in the future. At the present stage, reasonably mastering and utilizing the Internet technology has become a key step in the development of internal audit. First of all, internal audit can rely on the Internet technology to improve the breadth and depth, can truly achieve efficient whole-process supervision, so that the time span of audit lengthen, the scope of audit wider. Secondly, the use of information technology to help the audit department to improve efficiency, information technology not only makes it more convenient to obtain data, but also makes data analysis and calculation easier, improve the efficiency of audit.

5.4 Increase the Use of Audit Results

5.4.1 Internal Auditors Are Involved in Decision-Making

Enterprise internal auditors need to participate in decision-making to better ensure the application of internal audit results. On the one hand, internal audit departments need to be given greater power to ensure that the opinions and results of internal audit departments can serve the enterprise. On the other hand, enterprise management needs a variety of perspectives, among which an audit perspective is indispensable. Therefore, enterprise management should realize the importance of internal audit, make internal auditors really participate in decision-making, and ensure that audit results can be properly applied and truly implemented.

5.4.2 Issue an Executable Audit Report

Internal auditors should understand the functions and work objectives of internal auditors, and the purpose of issuing audit reports should be considered to ensure that they are applicable to the needs of enterprises. First of all, the audit report should be applicable to the current strategic development. It should not only be timely, eliminate existing risks in a timely manner, but also be relevant and meet the needs of all departments. Second, audit reports should be easy for users to read. They should be accurate, authoritative, concise and understandable. Finally, the audit opinions put forward by internal auditors should be operable and should not be empty, large, untouchable or stereotyped.

5.4.3 Enhance Internal Audit Follow-Up

The internal audit department should not only issue the internal audit report as the end point, but should follow up the problems found. Each department should actively cooperate with the internal audit department to ensure the positive implementation of rectification work. In addition, relevant rectification information should also be included in the audit report to facilitate users to understand the tracking situation and ensure the actual effectiveness of audit opinions..

6. Acknowledgment

Jilin Province Social Science Foundation Project, Project Name: Research on Promotion Strategy of Consumers' Participation Stickiness under Sharing Economy Model , Project Number: 2019B64

Social Science Project of "the 13th Five-Year Plan" sponsored by the Education Department of Jilin Province: A Study of the Influencing factors on Mobile Social Network User's Response Intention towards Product Recommendation Information Posted by the Contacts(JJKH20181319SK)

References

- [1] Wang Ruiyun. Analysis on the optimization of company's internal audit under the strategic direction [J]. Accounting Communications,2018(4):74-77
- [2] Yang Xinhui. Discussion on Quality Control of Enterprise Internal Audit [J]. Accounting Communications,2019(13):90-94

- [3] Zhao Qi. Research on Innovation and Optimization of Enterprise Internal Audit Function-Taking Jiangsu Communications Holding Group as an example [J]. Accounting Communications,2017(31):96-98
- [4] Huang Shengzhong. Necessity and realization path of interaction between internal audit and compliance management [J]. Accounting Communications,2018(31):82-84
- [5] Jia Xiaodong. Discussion on the optimization of the enterprise internal audit information system-taking the Northern Fuji Elevator Group as an example [J]. Accounting Communications,2019(4):107-110
- [6] Zheng Ruiping. Information Construction of Enterprise Internal Audit [J]. Journal of Shanxi University of Finance and Economics,2019(11):67-68
- [7] Sun Mingju. Analysis on Path Optimization of Internal Audit System in Private Enterprises [J]. Accounting Communications,2015(1):93-95
- [8] Ren Li. Analysis of corporate risk-oriented audit model based on the new COSO framework [J]. Accounting Communications,2019(31):78-81
- [9] Zhang Junqing. Design of Internal Intelligent Audit System Based on Financial Sharing Mode [J]. Accounting Communications,2019(7):111-114
- [10] Wang Guoying. Research on internal audit of tea production enterprises [J]. Fujian Tea Industry,2016(9):96-97