

Discussion on Quality Assessment of Enterprise Internal Audit

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Abstract—To enhance competitiveness and realize the increment of value, enterprises should not only improve product and service quality, but also strengthen management. Enterprise internal audit is a link of ensuring the value added of enterprise. In order to improve the quality of internal audit, it is necessary to evaluate the quality of internal audit. This paper discusses the background of enterprise internal audit quality assessment and its status quo, existing problems and solutions in China, hoping to play a certain role for reference for the improvement of internal audit quality of enterprises in China.

Keywords—enterprise; internal audit; quality; assessment

I. INTRODUCTION

China's enterprises have shown a diversified business model, with the ultimate goal as achieving value added. The Standards for the Professional Practice of Internal Auditing published by the international association of internal auditors (iia) state that the goal of internal audit is to add value to the organization. "The guideline on implementing quality improvement actions", issued by the State Council in 2017, called for improving the quality of products and services to promote high-quality economic development in China. The 19th national congress of the communist party of China proposed that China's economy should develop in a high-quality way. In order to make internal audit better serve economic development and improve the quality of internal audit, it is necessary to evaluate the quality of internal audit [1].

In recent years, more and more attention has been paid to the internal audit of enterprises in the academic and theoretical circles at home and abroad. Many scholars have begun to explore the internal audit of enterprises. However, there are still some limitations in the research scope, and the research on internal audit quality evaluation is weak [2]. This paper studies the internal audit quality assessment of enterprises, which is conducive to the optimization and improvement of enterprise organization process, the improvement of internal control work efficiency, and the effective risk prevention and control, and finally to enhance the enterprise market competitiveness and value added.

II. STATUS QUO OF ENTERPRISE INTERNAL AUDIT QUALITY ASSESSMENT IN CHINA

China's national audit office, internal audit association and other relevant departments and organizations have been constantly increasing efforts in the promotion of enterprise internal audit quality assessment to promote the full integration of theory and practice of enterprise internal audit quality assessment. Since 2003, China's national audit office has put forward certain requirements for the development planning of audit work: "Improving the quality of audit results", "Efforts should be made to improve the audit quality control system, further standardize audit activities and prevent audit risks", "It is necessary to explore the establishment of an accountability system for audit quality positions, step up inspections of audit operations, and strengthen audit quality control" and other specific contents [3], and strengthened publicity to actively implement the spirit and content of audit quality assessment. As many enterprises have recognized the importance of internal audit quality assessment after these years of progress, they have been taking some measures to actively carry out this work and some results have been achieved. In order to make the internal audit quality assessment work have rules and regulations to follow and promote enterprises to properly carry out this work, in 2012, China's Institute of Internal Auditor made clear 19 evaluation elements and 34 evaluation points in the Measures for Internal Audit Quality Assessment and China Internal Audit Quality Assessment Manual. Many enterprises have realized standardization, systematicness and comprehensiveness in the process of internal audit quality assessment, and have optimized and adjusted their own deficiencies. In August 2013, the Internal Audit Association of China revised the internal audit standards issued since 2003 in a comprehensive and systematic way in order to realize the comprehensive guidance of internal audit quality assessment. The revised procedures such as internal audit quality assessment content and related matters are more specific, and under the environment of sound system, related work of the enterprise is getting normative.

CNOOC and Shell Petrochemical Company Limited conducted an internal audit quality assessment in 2007. The assessment was carried out from the internal and external

levels: the internal self-assessment was carried out, the IIA quality assessment team was hired externally, and the external evaluation institutions independently evaluated the enterprise's self-assessment [4]. This is also the official opening of the internal audit quality assessment in China.

III. PROBLEMS IN INTERNAL AUDIT QUALITY ASSESSMENT

A. *Insufficient Initiative of Enterprise in Internal Audit Quality Assessment*

The quality assessment system of internal audit department of Chinese enterprises is not based on the development needs of enterprises themselves, and the government plays a role in promoting it to some extent. The internal audit institutions of enterprises are not well established and established to meet the needs of external inspection to a certain extent. In this case, the internal audit of enterprises is positioned at the stage of "supervision oriented", and its functions are also limited to the level of "checking the wrong and cheat" [5]. Some enterprises do not have enough awareness to re-supervise the quality of internal audit work. In addition, China lacks external evaluation institutions, and most enterprises do not carry out evaluation. If any, it is a formality.

B. *Lack of Rationality in the Establishment of the Internal Audit Quality Assessment Institution*

At the present stage, the internal audit quality assessment department of Chinese enterprises is generally self-assessment of the enterprise audit department. Since all department management work is carried out by the enterprise management, the evaluation work will inevitably be affected and interfered by the enterprise management, making the results of internal audit evaluation lack credibility. Companies lack the incentive to hire outside evaluation authorities. In the process of carrying out the internal audit quality assessment, even if the unreasonable aspects of the audit work are found, it is difficult to take certain measures to correct them, which will directly affect the effect of the implementation of the internal audit assessment and make it difficult to realize the value added of the enterprise.

C. *The Comprehensive Quality of the Staff Engaged in Internal Audit Quality Assessment Needs to Be Improved*

Enterprises need to adopt scientific and reasonable methods to identify and evaluate the audit risks of key value points in the process of internal audit quality assessment. Then whether the internal audit quality evaluation methods can be properly used is closely related to the comprehensive quality of the evaluation staff. However, at the present stage, some enterprises in China have insufficient staff knowledge reserve and single knowledge structure in the process of internal audit quality assessment, which leads to the slow progress of this work.

D. *The Internal Audit Quality Assessment Indicators Are Imperfect*

At present, in the process of internal audit quality evaluation of many enterprises in China, the evaluation indexes are lagging. This is mainly presented in the following aspects: first, different evaluation indicators are not selected according to different audit objects, and the evaluation indicators are too single; second, the evaluation work is not carried out by combining qualitative and quantitative methods and As there are too many qualitative indicators, the evaluation results are not convincing and it is difficult to carry out further optimization measures. All these are not conducive to the smooth progress of the evaluation.

IV. DEVELOPMENT MEASURES OF INTERNAL AUDIT QUALITY ASSESSMENT

A. *Improving Enterprises' Initiative of Internal Audit Quality Assessment*

In the evaluation of their own internal audit quality, Chinese enterprises should change the idea of government supervision, improve the initiative of internal audit quality evaluation, and realize the importance of internal audit work. Enterprises should actively implement the significance of internal audit evaluation, and make the management and relevant staff understand and master the function of internal audit evaluation to realize risk prevention and control, and promote value added.

B. *Improving the Organizational Structure of Internal Audit Quality Assessment*

On the basis of internal self-evaluation, enterprises should hire external independent evaluation institutions to re-evaluate the quality of internal audit, so as to truly promote internal audit to improve the quality of work. If the internal audit quality assessment of the enterprise is completely carried out by the internal institutions of the enterprise, then the problem of formality will inevitably exist in the internal audit quality assessment, and some problems existing in the audit will be difficult to be found and adjusted in a timely manner. In view of this, enterprises should improve the organizational structure of internal audit quality evaluation so that the evaluation institutions have a certain degree of independence and the enterprise shall grant the organization structure certain power and authority. It can not only provide some advantages for its data collection and investigation, but also can help to timely discover and correct some unreasonable aspect of audit work and raise the accuracy, authenticity and integrity of the audit work, so as to improve enterprise internal audit evaluates the effectiveness of the execution and indirectly achieve the value of the enterprise value.

C. *Improving the Comprehensive Quality of Internal Audit Quality Assessors*

Considering the close relationship between the comprehensive quality of the internal audit quality assessors and the evaluation work, enterprises should attach

importance to the improvement of the comprehensive quality of the assessors. First of all, enterprises should attach great importance to the selection and employment of audit quality assessment personnel, and select some talents who can master audit, accounting, computer, finance and other related positions for assessment by combining the method of written examination and interview. Second, enterprises should implement performance appraisal mechanism to improve internal audit quality evaluation personnel's subjective initiative of studying and working. The knowledge and work progress of internal audit quality assessors should be examined, and those who have done a good job in the evaluation should be rewarded for their performance and given opportunities for promotion. These will indirectly contribute to the smooth advancement for appraisal work. Finally, enterprises should also attach importance to the continuing education and training of internal audit quality assessors. Diversified ways such as training lectures or inviting professionals to give on-the-spot guidance can be adopted to enrich their knowledge reserve and optimize their knowledge structure, so as to lay a solid foundation for the smooth development of internal audit quality assessment.

D. Improving the Internal Audit Quality Evaluation Index System

First of all, enterprises should adopt different types of evaluation indicators according to the situation of each key point in the process of internal audit quality evaluation. The indicator setting should distinguish between core indicators and basic indicators, and use the enterprise performance evaluation method for reference to improve the evaluation indicators. Second, enterprises can adopt the combination of qualitative and quantitative way to carry out the evaluation work. On the basis of the original qualitative analysis, all kinds of indexes are reasonably used and different weights are given to various indicators. According to the collected data and information, the objective analysis and comprehensive evaluation are carried out by mathematical statistics method, so as to improve the efficiency of internal audit quality evaluation [6]. Finally, enterprises should build a perfect feedback system after internal audit quality evaluation. Modern information technology can be made full use of to form evaluation reports based on the analysis and evaluation results of various indicators and suggestions in the evaluation, which can be directly and timely fed back to the enterprise management so as to make correct decisions in time. For example, the Ningbo Office of rural credit union in Zhejiang province has preliminarily established the internal audit quality evaluation standard system by refining the internal audit quality assessment rules and improving the audit quality penalty standards [7].

V. CONCLUSION

Whether an enterprise can realize value added is crucial to the survival and development of an enterprise and the purpose of internal audit is to promote enterprise value added [8]. However, at present, the quality of internal audit work of many enterprises in China is still to be improved, so it is necessary to evaluate the quality of internal audit. This paper

makes an in-depth study on the quality assessment of internal audit of enterprises, puts forward some targeted suggestions and countermeasures against the problems of low initiative in assessment, unreasonable organization setting, unimproved comprehensive quality of staff and imperfect evaluation index existing in the current internal audit work, and provides some proposals for internal audit quality evaluation so as to be used for reference to promote the smooth development of this work.

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