

Research on Audit Management in the “Internet +” Age

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Abstract. In recent years, the rapid development of China's Internet technology has had a huge impact on traditional industries. For audit, compared with the traditional audit model, the “Internet +” audit is a brand new type of audit model. In this paper, meaning and characteristics of “Internet +” were discussed. Also new requirements for promoting audit development were proposed, and the future development of audit was forecasted, hoping to provide reference for the smooth development of audit work.

1. Preface

Recently, China's “Internet +” has changed and affected many industries. E-commerce, Internet finance, online travel, online film and television, online real estate and other industries are the masterpieces of the “Internet +” era. The emergence of the “Internet +” era is an inevitable result of the informationization process over the past 20 years, an important symbol of the transformation of industrial society to the information society, and a new stage of deep combination of modern information technology. Similarly, the “Internet +” era will also have a profound impact on the development trend of audit.

2. The meaning and characteristics of “Internet +”

2.1 The meaning of “Internet +”

“Internet+” is a new social form in the mobile Internet, big data, and cloud computing and other environments, which fully utilizes the role of the Internet in optimizing and integrating the allocation of social resources, and deeply integrates the innovations of the Internet into every economic and social field, integrating with the market, users, products, technology, corporate value chain and the entire business ecosystem and recognizing and innovating so as to enhance the innovation and productivity of the entire society, and create new forms of development with Internet as the infrastructure and a tool.

2.2 The characteristics of “Internet +”

There are essential differences between “Internet +” and “traditional industries + Internet”. The concept of “Internet +” is way greater than “traditional industries + Internet”. In simple terms, “Internet +” aims to break information asymmetry, reduce transaction costs, deepen division of labor and promote productivity. It provides all industries with important platforms and opportunities where they, combining with the Internet, transform and upgrade, and achieve rapid development. “Internet +” has three major characteristics.

2.2.1. Cross-industry integration

“Internet +” is open, cross-industry, overturning and deep-integrated. Cross-industry means to break the boundaries of traditional industries, integrate the advantages of different industries, and reorganize and coordinate them innovatively.

2.2.2. A source of innovation

“Internet+” based on innovation accelerates the integration of Internet and traditional industries. The

carrier of innovation is transformed from a single enterprise to a multi-subject innovation network. The innovative approach is the integration of Internet technology and intelligence into traditional industries. The innovation in organizational form features miniaturization and intelligence and specialization.

2.2.3. *Everything is connected*

With the rise of “Internet+”, more and more entities, individuals and devices, regardless of time and place, are connected together. Internet+’s ability to connect everything has greatly changed social and economic patterns. Through the connection between people and services, people and equipment, human beings and content sources, interconnection and interaction are achieved, and the boundaries between virtual and real world have been blurred. This ability to connect all has produced new strength and regeneration capability.

China’s audit system has been established and implemented since the 1980s. It technically is a combination of manual work and computer technology, which is basically unrelated to the Internet. After the 1990s, audit software was gradually applied in audit work. Since the beginning of the 21st century, with the continuous development of Internet technology and IT technology, China’s audit work has begun to use Internet technology to promote the development of audit business, and established off-site audit system, cloud audit platform, and big data audit system. During this period, the audit was the essence, and the Internet was only a supportive application technology. This was the stage of “Audit + Internet”. In this era, the Internet is the essence, and audit is the content. Audit and Internet services are inextricably linked. Together, they constitute a new ecological audit system.

3. New Requirements on Audit Management from “Internet +”

The “Internet +” audit includes the audit operation mode and audit management. The change of audit operation mode also puts forward new requirements on audit management.

3.1 Requirement on reasonable integration of audit resources

The core of audit plan management is to allocate and utilize audit resources reasonably and effectively. With the continuous development of information technology and “Internet+”, corresponding changes have taken place in the audit trail, audit content, methods of audit evidence collection, and methods of verifying and reviewing evidence. Therefore, how to properly and effectively integrate audit resources is a major issue that needs to be studied in the management of the “Internet +” audit plan.

3.2 Requirement on enhancing audit cost control

Audit cost control is an important part of audit management. Compared with the audit cost under traditional manual conditions, the audit cost under “Internet+” has undergone major changes mainly in the content of audit cost expenditures. The traditional audit costs mainly include personnel expenses, routine office expenses, asset purchase fees and other expenses. Under the conditions of audit informatization, the traditional audit cost expenditure items are not completely changed, but cost spent on purchase expenses like computer audit software development and upgrading, and hardware equipment acquisition and maintenance, and the business expenditures like training and learning cost for auditors will greatly increase. How to implement audit cost control under the condition of audit informatization and improve the efficiency of audit work is a new requirement on audit management from audit informatization.

3.3 Requirement on personnel quality

First, information system audit is the fundamental characteristic of the “Internet + audit” model. This model relies on the effectiveness of internal control over financial reporting embedded in accounting information system supported by cloud accounting, the security of network and application interface, and the usefulness and sustainability of software, encryption and isolation of data and other technologies which all put higher demands on the quality of auditors. Second, the accounting work requires that the staff must possess professional knowledge and skills. The accounting firm which is a typical knowledge-intensive organization should, based on the skills of the auditors and the

characteristics of their life cycle, further analyze the development of the “Internet+ Audit” model, and through the establishment of internal training and learning system, achieve the exchange and enrichment of knowledge within and between organizations. Thirdly, under the “Internet+” model, eliminating KPIs (performance appraisal) becomes the development direction for appraising the performance of auditors. The assessment of short-term performance is no longer the sole basis for appraisal of auditors, but more attention on is paid on evaluating and encouraging auditors to innovate to satisfy different client’s needs. The auditors innovated to meet the needs of different customers. Creativity of the auditors should be fully stimulated, enabling them to actively grasp the development trend of the “Internet + Audit” model, and laying the foundation for planning their professional skills.

3.4 Requirement on completing audit standards

The audit industry in various countries has established a series of audit standards and criteria in past audit work, such as auditor standard, audit site standard, audit report standard, audit professional ethics standard, audit effectiveness measurement, and financial audit standard, etc.. However, under the “Internet + Audit” model, some of the contents of past audit standards are no longer applicable, and new audit standards and criteria, such as audit criteria and audit management application standard, etc., that are compatible with the new situation are not available. It can be seen that audit informationization puts forward new requirements on the formulation and improvement of audit standards and criteria.

4. The path and contents of audit management innovation under “Internet +”

4.1 Measures to audit risk

In order to adapt to the characteristics of audit risk under informatization condition, corresponding countermeasures must be taken. The first is to strengthen the response to major misstatement risks. When starting computer audit, the auditor must always pay attention to collecting data related to the computerized system of the audited entity, including the status of the hardware equipment of the computer, the software used by the accounting computerized system, and allocation of the operator. Prior and intermediate auditing are combined to strengthen auditor’s understanding of the internal control, business processes of accounting information system and the production and transmission of accounting information so that the auditors can make a reasonable assessment of the risk of material misstatement of the audited entity and based on this, the audit risk is controlled at an acceptable level.

4.2 Dynamic management of audit project information

The dynamic nature and immediacy of information have become the main features of project information management. The management work is more considered from the perspective of the relationship between work and project objectives. Through the control of production, judgment, screening, and correction of information in various parts of work, a timely and systematic application of various auditing project elements is conducted, realizing maximize the value of project information. Therefore, managers can be freed from complicated administrative documents. With the help of information technology to form an information center, and on the basis of full control of information, the project is treated as an organic system which as progress proceeds and environment changes systematically influences the configuration and coordination of various management resources, so as to achieve scientific management of the project.

5. Conclusion

Under the “Internet +” environment, management audit will be fully and fully implemented, giving play to the role of management audit in improving the decision support capabilities of enterprises, reducing expenses and costs, and improving the competitiveness of enterprises. “Internet +” provides an opportunity for audit services to shift from financial audit to management audit. With the advancement of information technology, technologies such as cloud computing and big data will broadly enter all corners of society and become the mainstream carriers of information. These

technologies will also be used in audit work, and audit will gradually develop into cloud audit and data audit, gradually changing from the paperless stage to the stage without IT infrastructure where auditors will face greater challenges.

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