

Analysis of the Development and Optimization of Internal Audit in State-Owned Enterprises

Jing Xie

School of Management, Northwestern University of Political Science and Law, Xian 710000, China

Abstract

Subject to the rapid development of the market economy and the influence of the changing economic environment, the internal audit of state-owned enterprises in China has gradually received the attention of the state and the enterprises themselves, and the internal audit of state-owned enterprises has developed rapidly. The internal audit of state-owned enterprises is conducive to the effective risk avoidance of state-owned enterprises, safeguarding the value of state-owned assets, providing information sources and data bases for the operational decisions of state-owned enterprises, and facilitating the long-term stable development of state-owned enterprises. How to optimise the internal audit of state-owned enterprises and promote the long-term development of the internal audit of state-owned enterprises is something worth exploring and studying.

Keywords

Internal Audit; State-owned Enterprises; Audit Optimization.

1. Overview of Internal Audit in State-owned Enterprises

Internal audit is a kind of confirmation and consultation activity, which is independent and objective. It reviews and evaluates the appropriateness and effectiveness of the organization's business activities, internal control and risk management through a systematic and standardized method, so as to improve the organization's governance and help to increase the organization's value and achieve its objectives. Internal audit is an important part of the modern governance system of state-owned enterprises. It can find the shortcomings of the enterprise in the business process and management process, the defects of the existing system of the enterprise, and the problems in the entire implementation process through the audit of financial revenues and expenditures, business performance, economic responsibility and other projects of the affiliated units. It is conducive to the discovery and rectification of the problems and the analysis of the existing risks and hidden dangers. The value of internal audit of state-owned enterprises is mainly reflected in two points. The first point is that it can check and fill gaps in the internal management and business activities of state-owned enterprises, and reduce the losses that state-owned enterprises may face in the future. The second point is to make suggestions for the future development of state-owned enterprises in order to increase their benefits. The internal audit of state-owned enterprises can, to a certain extent, promote the internal departments of enterprises to comply with internal and external laws, regulations and rules, and reduce the occurrence of violations to a certain extent.

2. The Role of Internal Audit in State-Owned Enterprises and the Difficulties in its Development

2.1. The Role of Developing Internal Audits of State-Owned Enterprises

2.1.1. Effective Risk Avoidance

The focus of internal audit is on the economic activities of state-owned enterprises, which are done with the cooperation of different departments within state-owned enterprises, so internal audit is not only monitoring and evaluating economic activities, but also the operational processes of relevant departments within state-owned enterprises. For example, inefficient interaction between procurement and production problems can lead to inventory backlogs and production risks, and these potential negative impacts all carry the risk of reducing the effectiveness and value of state-owned enterprises. This is one of the reasons why internal audits of state-owned enterprises are so important in identifying problems, investigating their root causes, proposing timely countermeasures and taking measures as soon as possible to avoid the risks involved.

2.1.2. Serving Operational Decisions

At present, the market competition is fierce. Influenced by a series of unstable factors such as the world economy, the COVID-19, and war conflicts, state-owned enterprises are also facing increased business risks. For all enterprises, profit is the first goal of the enterprise, and scientific decision-making can ensure that the enterprise can achieve the first goal of profit and achieve stable development of the enterprise. The internal audit of state-owned enterprises is just a scientific supervision activity. From the internal audit of state-owned enterprises, the management of state-owned enterprises can get more and more comprehensive information about state-owned enterprises, which can help managers make scientific decisions based on these existing, true and effective data, effectively reduce risks to a certain extent, improve the comprehensive strength of enterprises and emergency response capability when risks come, and also help to maintain the progressiveness nature of state-owned enterprises, maintain the status of state-owned enterprises under the changeable economic situation, and achieve the relevant strategic objectives of state-owned enterprises. Pay attention to the quality control of the internal audit of state-owned enterprises, pay attention to the timeliness and effectiveness of the internal audit, keep an eye on and update the dynamic of the internal audit of state-owned enterprises in real time, and set up a corresponding incentive mechanism to promote the smooth development of relevant work. The internal audit of state-owned enterprises is conducive to the optimization of the decision-making of state-owned enterprises, that is, the internal audit of state-owned enterprises can provide services for operational decision-making, which is conducive to the further development of state-owned enterprises.

2.1.3. Safeguarding the Value of the Assets of State-owned Enterprises

The internal audit of state-owned enterprises can guarantee the value maintenance and appreciation of enterprise assets, because internal audit is an important factor of internal control and a supervision and evaluation activity formed within the enterprise, with high independence. Therefore, the internal audit of state-owned enterprises can reduce the business risk of enterprises and safeguard the owner's rights and interests. The assets of state-owned enterprises have been supervised and protected, that is, the state-owned assets have been supervised and protected, which can effectively prevent the loss of state-owned assets and is conducive to the preservation and appreciation of state-owned assets. The internal audit of state-owned enterprises means that the internal audit department and its personnel supervise and inspect the economic activities of various functional departments. Due to some differences in business, work mode and work process among various functional departments, internal auditors of state-owned enterprises are required to implement different forms of internal audit

activities of state-owned enterprises based on the actual situation of various functional departments, and efficiently find potential problems and risks, propose improvement measures in combination with the actual situation of state-owned enterprises and supervise relevant following implementation, maximize the role of the results of internal audit, and lay a foundation for optimizing the allocation of resources of state-owned enterprises, It is also conducive to the improvement of the corporate governance structure and the optimization of the internal control system, which ultimately point to the preservation and appreciation of state-owned enterprise assets.

2.1.4. Guaranteeing Managers to Fulfill Their Responsibilities

In recent years, China's social economy has developed rapidly, and our economic status in the international community has also improved. Subsequently, the scale of state-owned enterprises has also gradually increased, which has an important impact on the economy of China. The increase of the scale of state-owned enterprises means that the management level of state-owned enterprises has increased, the relevant business scope of state-owned enterprises has expanded, and the entire management system has become more complex and multi-level. The information obtained by senior managers of state-owned enterprises is often "information poor". They have lots of doubts about the timeliness, authenticity, and comprehensiveness of information, Therefore, the necessity of internal audit in state-owned enterprises is also reflected. Through internal audit, the economic behavior and responsibility of relevant personnel in state-owned enterprises are supervised, and the interests of state-owned enterprises are effectively protected.

2.1.5. Improving the Enterprise Constraint Mechanism

The enterprise cannot do without the internal constraint mechanism. If an enterprise does not have a reasonable restraint mechanism, there will inevitably be abuse of authority, management confusion, illegal embezzlement of internal funds and some other phenomena. Even if there are relevant restraint mechanisms, these phenomena cannot be completely eliminated. Therefore, it is impossible to imagine how an enterprise without an internal restraint mechanism can achieve long-term and efficient development. It is the same to state-owned enterprises, The main purpose of the enterprise constraint mechanism is to regulate the internal personnel of the enterprise and let the state-owned enterprise run orderly. The internal audit of the state-owned enterprise is an important link of the internal constraint mechanism of the state-owned enterprise, so it also reflects the necessity of the internal audit of the state-owned enterprise. In addition, some state-owned enterprises often lack risk awareness and long-term planning for future development when making investment decisions. Therefore, improving the internal audit of state-owned enterprises can further restrict unreasonable decisions effectively and avoid damaging the interests of enterprises.

2.2. Difficulties in the Development of Internal Audit in State-Owned Enterprises

2.2.1. Reliance on Personnel

At present, the internal audit work of state-owned enterprises in China still mainly relies on financial accounting reports for data analysis, which requires the internal auditors of state-owned enterprises to have a high degree of independence and professional competence. If some internal auditors of state-owned enterprises are threatened or tempted by some interests, or have insufficient professional competence, or have a "indifferent" attitude, It will have a significant impact on the quality of internal audit. That is to say, the current internal audit of state-owned enterprises is still very dependent on the internal auditors' own factors. In the future, we should innovate internal audit methods, broaden the working path of internal audit, and reduce the dependence on auditors.

2.2.2. Process Confusion

The internal audit work of state-owned enterprises is complex, involving various factors such as laws and regulations, industry standards, market supply and demand, and the operating strength of state-owned enterprises. In order to make audit based on reality and help state-owned enterprises to manage scientifically, it is necessary to straighten out the work ideas, avoid process confusion, reduce internal audit redundancy and the timeliness of audit work. The internal audit process of some state-owned enterprises is out of date, which fails to introduce new technologies and theories, and cannot effectively serve the state-owned enterprises, affecting the effectiveness of the internal audit of state-owned enterprises.

2.2.3. Lack of Expertise

In the past, internal audit was inconspicuous, so most of the auditors often did not choose the internal audit of enterprises as their first choice. At present, some state-owned enterprises are small in scale, weak in overall foundation, and unable to attract audit talents, which makes it more difficult to cultivate internal audit talents of state-owned enterprises, most of the auditors in the internal audit positions of state-owned enterprises are not specialized in internal audit, but transferred from other fields. Therefore, the internal audit professionals of state-owned enterprises are scarce.

3. Shortcomings of Internal Auditing in State-Owned Enterprises and Measures to Improve it

3.1. Shortcomings of Internal Audits of State-Owned Enterprises

3.1.1. Not Valued by Society and Not Playing its Proper Role

In the past, the internal audit of state-owned enterprises was generally ignored. Although this situation has changed in recent years, there are still some state-owned enterprises that have not formed a correct understanding of the importance and necessity of internal audit. They believe that the number of problems reflected by the internal audit is a matter of hindsight and is based on the implementation conditions of asset loss. For state-owned enterprises, the internal audit of state-owned enterprises only plays a role of no help, the society tends to neglect the risk prediction in advance and risk prevention and analysis in the process, and paying little attention to the internal audit of state-owned enterprises, which is also one of the reasons for the low quality of internal audit of state-owned enterprises [1]. It is precisely because of the lack of attention that the work processes of the internal audit department of state-owned enterprises and the problems found are superficial. The essence and root causes of the problems were not thoroughly investigated, and the measures proposed for the problems found were similar to each other. Special plans and measures were not taken according to the particularity of the problems, and the internal audit results were not properly used, which limited the great role of internal audit in state-owned enterprises.

3.1.2. The Leaders' Cognitive Biases and Unclear Functional Positioning

The internal audit of state-owned enterprises in China is not generally valued by the society. On the other hand, it is also not valued by the internal leaders of state-owned enterprises. It is believed that the internal audit of state-owned enterprises is not enough to discover the internal problems of state-owned enterprises, nor can it help state-owned enterprises avoid potential risks. Although it has the supervision function of audit, the effect is not good, so the internal audit of state-owned enterprises is not paid much attention. Some leaders of state-owned enterprises believe that the role of internal audit of state-owned enterprises is similar to that of financial inspection, which greatly reduces the scope and role of internal audit of state-owned enterprises and limits the effectiveness of internal audit of state-owned enterprises. Moreover, the scope of internal audit of some state-owned enterprises is only limited to

whether the financial data in the financial field is true and legal, and does not involve business operation and internal control. Therefore, state-owned enterprises need to reposition their internal audit functions and extend their management and service functions on the basis of supervision and evaluation.

3.1.3. Low Independence

When carrying out the internal audit of state-owned enterprises, auditors should maintain formal and substantive independence. Independence is very important to the internal audit work, and is the precondition to ensure the audit quality. However, in practical work, the internal audit of state-owned enterprises is also affected by the supervision of state-owned enterprise managers over their subordinates, and its independence is often not so high [2]. Especially in some small state-owned enterprises or state-owned enterprises with disordered management, there is no independent internal audit department. In this case, the internal audit of these state-owned enterprises has no independence at all. In some state-owned enterprises, the internal audit department and the financial department are managed by the same superior, or the personnel of the internal audit department undertake part of the economic operation activities at the same time, which damages the independence of the internal audit. For another example, in some state-owned enterprises, the interests of internal auditors are affected by relevant functional departments, which will also damage the independence of the internal audit of state-owned enterprises.

3.1.4. Insufficient Comprehensive Ability of Auditors

In recent years, with the gradual attention paid to internal audit and the good development momentum of state-owned enterprises, although the talent gap of internal audit in state-owned enterprises has narrowed, however, many of them are not professional internal auditors, and their professional qualities still need to be improved. The professional quality of internal auditors will have a direct impact on the scientificity and effectiveness of audit work. A qualified internal auditor of state-owned enterprises should not only have sufficient professional knowledge, but also have rich work experience [3]. However, at present, the internal auditors of most state-owned enterprises are far from this standard, and their professional qualities need to be further improved.

3.1.5. Inadequate Risk Warning Role

There is still much room for the internal audit of state-owned enterprises in China to develop in terms of risk early warning. The lack of professional quality of the internal auditors of state-owned enterprises limits the role of the internal audit of state-owned enterprises to a certain extent. At present, the internal audit is mainly to verify the results after the event, instead of intervening in the event in a timely manner and conducting risk early warning in a timely manner, so as to eliminate hidden dangers in the bud. The internal audit of state-owned enterprises needs to make decisions for the stable development of enterprises, so it is necessary to give full play to the risk warning role of the internal audit of state-owned enterprises.

3.1.6. Low Use of Internet Technology

The informatization development of the internal audit of state-owned enterprises in China still has a vast space for development. At present, the internal auditors of state-owned enterprises mainly use some traditional audit methods such as inquiry letters to carry out the internal audit of relevant state-owned enterprises, and the audit methods need to be further innovated. In the future, internal auditors of state-owned enterprises can apply more computers technologies and network data to the internal audit of state-owned enterprises. In addition, the development and application of relevant audit software and network data audit methods still need to be explored and studied by relevant professionals. Due to the late rise of the concept of internal audit in China, and its position was once ignored, the huge investment required by Information-based Internal Audit and the lack of internet construction have made the informatization of

internal audit of state-owned enterprises in a slow development stage for a long time. The vacancy of audit related software also hinders the development of internal audit in most state-owned enterprises. Of course, the information-based internal audit of state-owned enterprises has also brought some potential risks to the audit work, such as the unstable audit systems and softwares, information leakage and some other situations that may affect the stable development of the internal audit of state-owned enterprises. Internal audit should also continue to reinvent itself, using information technology methods such as artificial intelligence, the Internet and cloud computing to expand the depth and breadth of audit evidence and effectively enhance audit value.

3.2. Measures to Improve the Internal Audit of State-Owned Enterprises

3.2.1. Attaching Great Importance and Improving the Management Mechanism

The state-owned enterprises should improve the corporate governance mechanism, give better play to the value-added role of internal audit, put the internal audit of state-owned enterprises in an important position, and attach importance to the role of internal audit in state-owned enterprises. Strengthening the management of internal audit can establish an incentive mechanism in the internal audit of state-owned enterprises, strictly control the quality of internal audit by means of inspection and assessment, and strive to ensure that internal audit can play the largest role and value in the development of state-owned enterprises. Improving the operation efficiency and comprehensive management level of state-owned enterprises, and putting forward suggestions for the future development of state-owned enterprises. Gradually exploring the establishment of an audit early warning analysis mechanism, early warning related risks and hidden dangers, and providing timely and effective suggestions for the management.

3.2.2. Improving Audit Quality and Playing its Proper Role

When conducting the internal audit of state-owned enterprises, the internal auditors of state-owned enterprises should carry out different internal audit activities according to the actual situation and the business activities of the functional departments, highlight the focus of the internal audit of different functional departments, and propose targeted optimization measures after finding the problems and risks, so as to ensure the efficiency and effectiveness of the internal audit of state-owned enterprises, It is also conducive to maximizing the use of the results of internal audit of state-owned enterprises and improving the management activities of state-owned enterprises. If the internal auditor is not familiar with the field, state-owned enterprises can think about using external experts to participate in the work, to ensure the objectivity and accuracy of the internal audit results. At the same time, it is also necessary to supervise and manage the internal audit. If there are deficiencies in the internal audit process, they should also be improved in time to ensure the quality of the internal audit results of state-owned enterprises.

3.2.3. Improving the Independence of Internal Audit of State-Owned Enterprises

In the current practical work, the independence of the internal audit of state-owned enterprises is not particularly high. Independence is the precondition of audit quality, so state-owned enterprises urgently need to improve the independence of internal audit. The leadership of state-owned enterprises needs to correct their attitude first, emphasize the importance of the independence of internal audit of state-owned enterprises, form a corporate culture related to internal audit of state-owned enterprises, and lay a certain foundation for the objectivity and fairness of internal audit. On the other hand, it is necessary to strengthen the education activities related to the independence of the internal auditors of state-owned enterprises, as well as a certain restriction and inspection mechanism. The responsibility should be assigned to each person, so as to further enhance the independence of the internal auditors, which is

conducive to truly and effectively playing the role of the internal audit of state-owned enterprises.

3.2.4. Enhancing the Professional Competence of Auditors

State-owned enterprises need to provide in-depth training for internal auditors. For example, carrying out regular training, lecture forums, special training, etc. At the same time, reward mechanisms and regular assessment mechanisms should be established. At the same time, it is also essential to educate the internal auditors of state-owned enterprises to maintain high independence and professional suspicion. Expanding the knowledge of internal auditors in all aspects, in order to adapt to the development trend of modern science and technology, we can focus on training internal auditors with computer related knowledge, and other professional compound talents can also be focused on training, improving the comprehensive ability of internal auditors of state-owned enterprises, and further enriching the internal audit team of state-owned enterprises.

3.2.5. Capturing Audit Points and Focusing on Risks

The optimization of internal audit of state-owned enterprises needs to highlight several key points, which are the focus, pain and difficulty of internal audit. The focus of internal audit is to find out the key points of internal audit of state-owned enterprises, apply the importance principle of audit, allocate more energy and attention to key areas, focus on relevant risk areas, and improve the accuracy of internal audit. Internal audit can be used to make strategic recommendations for the development of state-owned enterprises, and play the role of internal audit in state-owned enterprises in this way. The pain point refers to that the state-owned enterprises need to analyze the problems and risks through the internal audit results, find out the root of them, find deeper problems, set audit projects in the weaknesses and deficiencies of state-owned enterprises, improve the comprehensive capacity of state-owned enterprises, and promote development. The difficulty refers to that internal audit not only needs to find out problems, but also needs to put forward corresponding suggestions and solutions to these problems. Only after solving the problems can state-owned enterprises have further development. Establishing an early warning and prevention mechanism for audit risks to understand and evaluate potential risks in a timely manner, focus on the risks, and propose solutions to these risks, so as to give play to the risk early warning role of internal audit of state-owned enterprises.

3.2.6. Strengthening Internal and External Supervision , Balancing Resource Allocation

Internal audit needs to be in a state of being supervised within the enterprise through a number of methods and mechanisms. For example, state-owned enterprises can establish an internal audit quality management mechanism to monitor and manage the quality of internal audits in state-owned enterprises, which will facilitate internal audit quality control in state-owned enterprises. Specifically, this could be combined with an internal assessment mechanism for state-owned enterprises and linking industry standards and needs to internal audit, as well as establishing an internal oversight body dedicated to the development of state-owned enterprises and an oversight committee to ensure that there is supervision and management of internal audit in state-owned enterprises. At the same time, as the internal audit of state-owned enterprises develops in depth, its management model is gradually changing, requiring a balanced allocation and use of internal resources, which is a new requirement for the internal audit of state-owned enterprises due to the change in the objectives and functions of internal supervision and the increasing demand for independence. Therefore, state-owned enterprises need to optimise the way in which internal resources are allocated, strengthen the management of the allocation of internal resources, introduce corporate strategies for a fair and balanced allocation of resources, and manage the necessary control activities to enhance the effectiveness of internal control.

3.2.7. Promoting the Informational Development of Internal Audit in State-Owned Enterprises

Now the world has entered the new era, with the rapid development of Information technologies, there is still a huge space for the development of informatization audit. State-owned enterprises should improve their informatization capabilities, conduct extensive data collection and comparison, and improve the efficiency of internal audit of State-owned enterprises. It is conducive for internal auditors to focus more on important aspects under the principle of materiality. At the same time, if most of the current internal audits that rely on manual work are systematized and standardized by relying on computer systems, it will help to reduce the artificial operability of internal audits and the possibility that internal auditors may choose to damage the authenticity of internal audits due to bribery or coercion, which is conducive to the objectivity and authenticity of internal audits in state-owned enterprises, and ensure the quality of internal audits. The advantages of modern informatization audit are greatly reflected in the current situation of severe epidemic situation. Network online audit has become an important form of audit under the epidemic situation. Of course, while promoting informatization internal audit, we should also pay attention to the problems that informatization audit may bring, such as network information security. We should also establish an internal audit management platform for information based internal audit, ensure that different forms of audit can be effectively supervised, so as to promote the quality of internal audit of state-owned enterprises, optimize its efficiency and effect, and give play to the important role of internal audit of state-owned enterprises for state-owned enterprises.

4. Conclusion

At present, state-owned enterprises have a long way to go. Both the government and enterprises need to realize the great role and significance of internal audit of state-owned enterprises for state-owned enterprises, clearly identify the difficulties and problems in the further development of internal audit of state-owned enterprises, and take corresponding countermeasures to realize the optimization and reform of internal audit of state-owned enterprises. On the basis of ensuring independence, we should earnestly focus on the key points of internal audit of state-owned enterprises, improve the efficiency of internal audit of state-owned enterprises, enrich internal audit methods, balance resource allocation, improve relevant management mechanisms, pay attention to the training of compound talents, follow the trend of the times, and promote the informatization development of internal audit of state-owned enterprises. Use the audited results of state-owned enterprises reasonably and effectively to promote the sustainable development of state-owned enterprises.

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