



On Improving the Internal Audit Quality of Small and Medium-sized Enterprises

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Abstract: With the progress of economic and social development, SMEs (Small and Medium-sized Enterprises) have come into being. A large number of entrepreneurs have devoted themselves to future emerging markets. Finance, as a core function in the operation of each enterprise, not only provides decision-making information for enterprise managers, but also undertakes the major mission of mastering the rise and fall of enterprises. The financial system under the company's overall system and the audit activities that playing the role of supervision before, during, and after the financial activities are influencing factors of the internal audit quality of the enterprise. This article analyzes how to improve the internal audit quality of an enterprise from three aspects: whether the audit system is well-constructed, the independence requirements of the internal audit system, and the audit assessment control.

Keywords: Internal Audit; Audit Policy; Audit System; Audit Efficiency

1. Problems in internal audit of SMEs

1.1 The internal audit system needs to be further improved

In most small and medium-sized enterprises, the internal audit department mainly serves the production and operation functions. According to the existing auditing system in China, when conducting auditing activities in small and medium-sized enterprises, the company often takes precautionary measures in advance. If there is fraudulent behavior or when a major security incident occurs, before the external accounting agency issues the corresponding audit report, there will often be business operators who use various means to cover up the mismatch of financial income and expenditure, miscalculation and other misconducts. As a result, the internal audit report of the enterprise is not very convincing and this behavior also leads to the unhealthy development of the internal audit of the enterprise. This kind of internal audit has largely deviated from the actual function of the internal audit itself. Out of leadership pressure or colleagues' relationships, the internal audit agency and related staff often try to cover mistakes, and finally end up with nothing definite. Such behavior is not only not conducive to improving the quality of internal audit work, but also adversely affects the reputation and corporate image of the company, and also severely limits the independence and efficiency of audit work.

1.2 The independence of internal audit is affected by enterprise managers

The importance that company leaders attach to internal audit affects a company's sustainable development momentum. Although some enterprises have set up internal audit management departments, the internal audit work of the enterprises has not been well implemented and it has not become the internal demand of the enterprise. The operation and management of enterprises often overlap the management scope of internal audit, so many enterprises have not established an effective long-term mechanism and independent audit management system, and lack of prior audit plans, internal audit procedures, and audit reviews during the reporting period. The draft of the audit work is incomplete and not detailed, which makes it difficult for further audit review to produce satisfactory results.

1.3 The internal audit evaluation system is not strict

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doi: 10.18282/le.v9i4.952

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The responsibilities of the auditors are mainly related to the implementation of specific audit operations. The internal operations of the enterprise are complex and complicated, and there are many procedures. Most companies will, therefore, ignore the professional training of internal auditors. With the increasingly fierce market competition, the competition between enterprises has also become more intense. Many companies often only look at the immediate interests and use the company's network to maximize the benefits of the achievements. However, the professional level of the auditors often deviates from the actual work needs of the enterprise and the growing needs of the enterprise. The comprehensive strength of the auditors is insufficient and they do not use a strict evaluation system for normative testing. This is currently the prominent problem in the internal audit of SMEs.

2. The corresponding measures to solve the internal audit quality issues

2.1 Establish a sound and effective internal audit guarantee mechanism

In order to achieve the established audit goals, on the basis of the existing system guarantees, it is necessary to further improve and control the specific standards and norms of audit activities, establish a rigorous and feasible audit system, and focus on the further development of auditing work on the basis of the established audit goals. Therefore, a specific audit execution plan must be prepared before the auditing, and the audit plan must be specific enough to be implemented. The audit plan should first clarify the audit objectives and check the corresponding audit materials with consistent audit procedures to carry out specific audit guidance. It should also stipulate the audit time within a certain limit, determine the audit cycle, and at the same time, understand the company's operating status, revenue and expenditures while focusing on the specific matters of the key audit unit, which include factors such as asset-liability ratio, capital turnover ratio, and profit margin, and quantitative indicators such as corporate credibility. To understand the various operating activities of the audited unit, the specific processes of the internal control procedures need to be fully implemented throughout the auditing activities. The auditors shall be responsible for the financial operations of the audited unit by continuously observing, asking, and reassuring relevant information and materials. The analysis of the audit report must conform to the specific situation of the audited unit. The disclosure of financial data requires legal liability of the accounting agency. Therefore, it is important to obtain sufficient audit evidence to confirm the written evidence, physical evidence, oral evidence and electronic evidence. The records of audit work papers need to be kept reasonably in different forms, which stipulates that the financial data reviewed at all levels should be kept as reliable audit evidence and retained by the accounting agency after the audit is completed, to issue objective and fair audit reports based on the reasonable audit. The audit reports should be complete, clear, fair, and reliable, and the principles reflecting the importance should be complete and reasonable.

2.2 Strengthen the internal control of the enterprise and give play to the role of third-party institutions

In the innovation guarantee of technological means, we must continuously improve traditional methods and innovate technologies, and actively explore new ways to conduct the audit work. The use of social professional third-party institutions to conduct audits of the company's financial status is indispensable. The company's internal audit provides reliable information under completely independent operations, and the credibility of the data still requires an authoritative evaluation by third-party institutions. Using emerging scientific and technological means to improve audit work can break through the constraints of traditional models and the impact of customary practices, and vigorously promote computer auditing. The content of scientific and technological information can greatly improve audit efficiency. At the same time, the auditing staff should continue to learn advanced auditing techniques and auditing methods to develop and apply computer technologies and big data analysis to assist in auditing, improve internal auditors' computer expertise, and build and develop information platforms using advanced audit software. Third-party organizations are needed to issue objective, fair, and reasonable audit reports, and remedial measures are carried out according to the audit reports provided. At the same time, companies should also use innovative audit methods to reduce the risks of internal audits and improve audit quality.

2.3 Improve the scientific evaluation system

On the basis of scientific supervision, the scientific supporting system is developed, which can strengthen the follow-up audit management, improve the overall management level of the enterprise, and carry out a comprehensive evaluation on the unified standard when verifying and evaluating the audit unit and the unit being audited. This is to make sure the corrective measures have achieved the desired effect, the evaluation system has been established and implemented, the follow-up audit has a complete process system and a specific cycle plan, and the continuous implementation is being tracked according to the result proposed in the internal audit report. In the follow-up process, the certified public accountants issued corresponding audit opinions to be rectified and implemented within a reasonable range. The management of the follow-up audit can discover the weaknesses in the audit process and correct it before proceeding to the next business step. The standards of the internal environment of the enterprise will gradually affect the establishment of audit objectives, the execution of the audit process and the issuance of audit opinions, speed up the establishment of audit objectives, and further clarify the follow-up audit matters, in order to ensure due diligence in the entire process. In terms of the supervision system, within a period of time when the audit report is issued, follow-up opinions should be dealt with, and countermeasures must be adopted in accordance with the actual situation of the enterprise. Problems in the enterprise's financial structure should also be adjusted in a timely manner to achieve the desired effect. The purpose of implementing the follow-up auditing work is to continuously improve the business operations in the audit report issued. It is not difficult to find that the follow-up audit has played a key role in the entire audit process.

3. Conclusion

The level of internal audit quality of SMEs is not perfected in one day. It needs to achieve the audit objectives, and it is also a requirement established to achieve the organizational objectives. The requirements of internal audit quality must meet the audit standards and run through all stages of audit implementation, to provides correct and effective methods and scientific and reasonable guidance for internal audit institutions. According to the auditing standards and legal guidelines, the responsibilities of each functional department are clarified. The use of third-party organizations for auditing not only makes sure the auditing independence, but also looks at the company's financial problems in a fair and objective perspective, so as to improves the entire audit quality.

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