

# Exploration and Research on Deepening the Full Coverage of Audit Supervision in Enterprise Internal Audit

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**Abstract:** After nearly 40 years of exploration and development, China's auditing industry has made remarkable achievements. The Opinions on Strengthening Audit Work, Framework Opinions on Perfecting Some Major Issues of Audit System and related supporting documents issued successively by the state clearly state that public funds, state-owned assets, state-owned resources and leading cadres should be fully covered by audit. The development and changes of the social situation put forward new requirements for the development of audit work. Internal audit, an important part of the audit system, also needs to establish a working mechanism that is compatible with the full coverage of audit supervision, so as to ensure the orderly advancement of the full coverage of audit. It is of great significance to explore and study how to deepen the full coverage of internal audit supervision in enterprises.

**Keywords:** Internal audit, Full supervision coverage, Exploratory research.

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## 1. Introduction

As an important part of the national audit system, internal audit plays an important role in promoting enterprises to tap their internal potential, improve their management and economic benefits. At present, the supply-side structural reform and the reform of state-owned enterprises have entered a critical period, which puts forward higher requirements for the high-quality development of enterprises, and it is urgent to promote the full coverage of internal audit of enterprises. However, the full coverage of internal audit supervision is a systematic project, which needs to strengthen the top-level design and actively innovate the audit concept and audit methods. Therefore, based on the analysis of the new situation, new requirements and new challenges faced by the internal audit of enterprises, we need to deepen the full coverage of audit and fully promote the audit supervision service to open a new bureau.

## 2. New Situation, New Requirements and New Challenges Faced by Internal Audit

The state has set up an audit committee, managed the national audit work as a whole, optimized the allocation of audit resources, ensured that all audits should be conducted with strict accountability, and strived to build a centralized, unified, comprehensive, authoritative and efficient audit supervision system, giving full play to the important role of audit in the state supervision system[1].

As an important part of the audit supervision system, the internal audit of enterprises also needs to adhere to the new development concept, closely follow the development and changes of the main contradictions in our society, fully perform the internal audit supervision duties of enterprises, promote the healthy and sustainable development of enterprises, and promote the standardized operation of power[2]; It is necessary to deepen the reform of the audit system, innovate the audit concept, and focus on reflecting the

new problems and situations of enterprise governance; It is necessary to continuously expand the breadth of audit coverage and the depth of audit supervision, strengthen the disclosure of hidden risks faced by enterprises, and strengthen the follow-up audit of the implementation of national policies and measures[3]; It is necessary to explore the implementation of big data audit and strengthen the intelligent construction of audit; Internal audit institutions should also do a good job in the normalization of "economic physical examination", not only to "check the disease", but also to "treat the disease and prevent it from happening".

## 3. The Necessity of Internal Audit to Promote Full Coverage of Audit Supervision

Implementing full coverage of audit supervision is a clear requirement put forward by the state for audit work, which is of great significance for promoting the improvement of enterprise governance system and modernization of governance capacity.

The state advocates that audit supervision should strengthen overall planning and exert joint efforts, and proposes that internal audit should give full play to its role. Enterprise internal audit should actively strengthen coordination with national audit, establish and improve internal audit working mechanism, provide help for national audit to effectively use internal audit results, and improve the quality of full audit coverage[4].

Internal audit has incomparable advantages over other audits in promoting the capacity building of enterprise governance system. First of all, internal audit takes internal service as its working purpose. State audit and social audit are often used as supervision departments or entrusted by supervision to examine audited units, while internal audit is an internal supervision department of enterprises, whose existence value is to serve enterprise managers, strengthen control management and realize value-added for organizations, and it has a wide scope of examination: it can

evaluate the soundness of enterprise internal control system and the effectiveness of internal control implementation, find hidden defects of internal control, and put forward suggestions for improvement; Audit financial management to ensure that accounting information is true, reasonable and legal, which is helpful to provide useful information for decision makers[5]; Find the mistakes and omissions in the economic activities of business departments, reveal the root causes of problems, urge management departments to correct them in time, and improve operation and management; Reflect the loss and waste in the business investment of enterprises, and safeguard the investment benefit and asset security of enterprises; Supervise compliance with laws, regulations and company rules and regulations in business activities, and ensure the development of enterprises in accordance with relevant national policies and established goals of enterprises. Secondly, internal audit has the characteristics of simple procedure, easy to catch key points and high audit timeliness. As the management and supervision department of the internal audit enterprise, it is very familiar with various economic activities and business management of the enterprise. Knowing where is the focus and weak link of the enterprise management can accurately lock the audit object and save a lot of pre-trial investigation time[6]. It is also convenient to obtain information and exchange opinions during the audit process, and it can quickly carry out audit verification and solicit opinions. At the same time, internal audit has the characteristics of finding problems and being easily adopted, which can realize the transformation of audit supervision from backward to in-process and in advance. Problems and potential risks found in the process of auditing matters are easy to be corrected by the management department in time, and can be audited, rectified, standardized and improved at the same time[7].

#### **4. How to Deepen the Full Coverage of Enterprise Internal Audit Supervision?**

Internal audit should adhere to the risk-oriented, problem-oriented and goal-oriented, take "strengthening internal control, preventing risks and promoting compliance" as the starting point, classify and determine the focus of audit objects, audit cycle and frequency, and promote risk management, internal control supervision, audit supervision and accountability for violations, so as to build a comprehensive supervision system.

##### **4.1. Strengthen risk prevention and control, and highlight risk life cycle management**

Enterprise's internal audit should devote itself to the task of "three lines of defense" in risk management, promote the management department to establish the concept of "managing business must manage risks", and integrate risk prevention and control into various business management work.

First, adhere to the bottom line thinking and strengthen risk assessment. Internal audit should strengthen risk awareness, deeply understand and accurately grasp the new situation, new problems and new challenges faced by external environmental changes and enterprise reform, development and stability. Combined with the actual situation, major risks should be sorted out[8], re-analyzed, re-evaluated, hidden dangers should be comprehensively investigated, enterprise

risks should be fully, accurately and deeply mastered, and risk assessment should be regarded as the necessary support for major business decision-making matters, and matters beyond the enterprise's risk tolerance or inadequate risk response measures should not be organized and implemented.

The second is to focus on risk judgment and improve the management and control mechanism. Internal audit should adhere to the bottom-line thinking, give full play to subjective initiative, pay real-time attention to policies, funds, market dynamics, etc., timely reveal the main risks that affect the development of enterprises, issue risk warnings, promote the management departments to implement management and control responsibilities in time, deploy preventive measures ahead of time, and effectively improve the ability to prevent and control risks beforehand. Establish a risk management information collection and accumulation mechanism, so that the risks can be known, controllable and affordable[9].

The third is to build a risk monitoring index system and strengthen process monitoring. Internal audit should build and improve the monitoring system of risk early warning indicators, focus on management and control requirements such as strategic risk, market risk, financial risk, operational risk and legal risk, and do a good job in monitoring the risk process. Through the change of risk indicators, we can find the risk development law and provide the basis for decision-making. It can organize business departments to accurately fill in the indicator data on a monthly basis, set the normal, abnormal and alarm thresholds of indicators, strengthen the analysis of the same month-on-month, benchmark situation and critical state of indicators, thoroughly investigate the causes and change rules of risks, and put forward prevention and control suggestions, so as to do a good job in the closed-loop rectification of abnormal alarm indicators and give full play to the scientificity and effectiveness of prediction and monitoring[10].

The fourth is to strengthen the prevention and control of major risks. The internal audit shall organize the relevant management departments of the enterprise to formulate the annual major risk prevention and resolution work plan, and clarify the responsibilities of each department in major risk prevention and control[11]. Especially for major investment decisions, large capital flows and other matters, it is necessary to carefully study and comprehensively consider, formulate strategies to deal with major risks before, during and after the event, strengthen supervision in the whole process, and timely adjust prevention and control strategies in combination with changes in policies and markets. The application of major risk monitoring results should be strengthened, major risk events should be notified in time, and major risks should be prevented, discovered and disposed of early, so as to effectively prevent the spread and superposition of major risks.

Fifth, strengthen enterprise special risk management. The internal audit can assess and determine the annual special risks of the enterprise according to the important and difficult areas that affect the development, quality improvement and efficiency increase of the enterprise, as well as the shortcomings and problems existing in the production, operation and management. Formulate a special risk management plan, organize and carry out special risk management, follow up the management progress on a monthly basis, and promote the improvement of management effectiveness[12].

## **4.2. Improve the supervision of internal control construction, and improve the efficiency of corporate governance system**

The supervision of enterprise internal control construction should give full play to the important role of internal control system in strengthening the foundation and preventing and controlling risks, and effectively promote the high-quality development of enterprises.

First, adhere to the rule of law and improve the standard operation level. Modern enterprise governance should speed up the establishment of rules and regulations, learn from each other, integrate advanced management into all aspects of decision-making and operation, better adapt to various changes in policies and situations, standardize and operate efficiently, promote the company's management to be more scientific, standardized and standardized, and highlight the good image of enterprise construction.

The second is to strengthen the supervision and evaluation of the internal control system and improve the efficiency of scientific management and control. Internal audit should constantly promote and strengthen the internal control concept of management institutionalization, system flow and process information. Regularly sort out the key points of internal control, risk status and control measures in key business areas. According to the requirements of separation of incompatible posts and control of authorization and approval, the rights and responsibilities of important posts and key personnel in authorization, approval, execution and reporting shall be standardized, and risk management and compliance management shall be embedded into business processes to form an internal control working mechanism with mutual connection, checks and balances and mutual supervision. Explore the full coverage of internal control supervision and evaluation, take "strong supervision and strict accountability" as the starting point, and comprehensively improve the scientificity, effectiveness and advancement of the internal control system.

The third is to strengthen the rectification of defects in supervision and evaluation, and deepen the effect of supervision and evaluation. The internal audit of enterprises should carry out internal control evaluation, and should be fully evaluated. Especially for listed companies, internal control evaluation is mandatory. Enterprise internal auditors should carefully study and understand the evaluation contents and working procedures, strictly follow the schedule requirements, and carry out the annual internal control evaluation to ensure the evaluation quality. For the major defects found in the internal control evaluation, we should draw inferences from others to carry out special investigations, fill in the management loopholes in time, and for the general defects and hidden dangers found, we should set up a company to make changes, regularly track the rectification effect, and comprehensively improve the compliance management level.

## **4.3. Around the work center, deepen the full coverage of audit supervision**

The internal audit of an enterprise should define the cycle length of full coverage of audits in various fields, scientifically prepare annual audit project plans, make a good connection with medium-and long-term projects, and make scientific planning, overall arrangement, and classified implementation to ensure full coverage of state-owned assets,

state-owned resources, and leading cadres' performance of economic responsibilities, natural resource asset management, and ecological environmental protection responsibilities within a certain cycle.

First, carry out the audit of the implementation of major policies and measures. Internal audit should focus on improving quality and increasing efficiency, promote the implementation of major decision-making arrangements with the power of audit, carry out audits of "three stresses and one major", managing deficits and getting out of difficulties, science and technology funds, poverty alleviation projects, etc. at appropriate frequency, pay attention to the legality and scientificity of decision-making, actively put forward opinions and suggestions to improve effectiveness, and give full play to the role of audit in strengthening management and promoting implementation.

The second is to carry out economic responsibility audit in a solid manner. Adhere to the principle of "must be audited before leaving office, and combine with middle office", establish a mechanism to inform leaders of their economic responsibilities, and promote the change of audit supervision from afterwards to beforehand. In view of the emerging and tendentious problems found in the audit, an internal reminding and talking mechanism should be established to enhance the leaders' ability to hold enterprises and their sense of compliance and responsibility. During the audit, weekly audit report mechanism, manuscript confirmation mechanism, centralized review mechanism and rectification supervision mechanism can be established and implemented according to the management ability. We should objectively and fairly evaluate leaders' performance of economic responsibilities; According to the "problems that have been rectified in the audit will no longer be reflected in the audit report" mentioned in Decree No.11 of the National Audit Office, the auditees are encouraged to set up their own banks and make changes.

The third is to carry out follow-up audit of construction projects. Carry out the whole-process tracking audit of major investment projects and key special funds, strengthen the control of tracking nodes in the process of projects under construction, speed up the settlement progress of completed projects, and pay attention to the expenditure of project funds, the completion progress, and the transformation and application of results. Internal audit can make timely use of social audit forces to strengthen the risk supervision of project nodes, improve the investment benefit of construction projects, standardize the supervision of the use of state-allocated funds, scientific and technological funds, etc., and ensure earmarking.

The fourth is to carry out the special audit of operation and management. Focus on special key work and give full play to the quality and efficiency of audit supervision. Intensify the audit of contract management, material management and various expenses in economic operation, formulate the audit implementation plan in light of the actual situation, pay attention to discovering and reflecting emerging and tendentious problems, thoroughly investigate the most prominent and critical issues, do a good job in reviewing audit problems and soliciting opinions, actively put forward suggestions to solve problems and mitigate risks, promote the establishment and improvement of institutional mechanisms, and standardize management behaviors.

Fifth, focus on management improvement and strengthen the rectification and application of audit issues. Strictly implement the responsibility for rectification, further improve



department is required to strengthen the overall planning of audit work, scientifically plan, innovate ways, implement them by categories, and make overall arrangements for auditors in the system to audit major issues, so as to optimize the allocation of audit resources. Internal auditors should also improve their own quality, strive to establish themselves with the spirit of auditing, establish their careers with innovative norms, build their own trust, base themselves on the new development stage, implement the new development concept, effectively deepen the full coverage of internal audit supervision, realize the complementary advantages of internal audit and national audit, and push the internal audit supervision to a new level.

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