

Analysis on the Application of Risk-Oriented Internal Audit in Enterprises

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Abstract: As a kind of audit mode, risk-oriented internal audit plays an increasingly prominent role in enterprise risk management and corporate governance. This paper starts from the connotation of risk-oriented internal audit, analyzes the basic theory of risk-oriented internal audit, and simply discusses the conditions and procedures for enterprises to implement risk-oriented internal audit.

Key words: Risk-Oriented Internal Audit; Implementation Conditions and Procedures

1. Basic Theoretical Analysis of Risk-Oriented Internal Audit

Risk-oriented internal audit is a kind of audit concept that comprehensively evaluates and improves the risk of the whole organization in order to achieve the purpose of preventing fraud and adding value. Its purpose is to add value to the organization and improve the operational efficiency of the organization. It helps organizations achieve their objectives by evaluating and improving the effectiveness of risk management, control and governance processes through a systematic and standardized approach. It is an independent and objective verification and advisory activity.

1.1 Nature of Risk-Oriented Internal Audit

The essence of risk-oriented internal audit is a management control mechanism to ensure the effective performance of fiduciary responsibilities. In the case of the separation of ownership and management rights, there is an agency management relationship between the owner and the operator. In addition, due to the decentralization of equity, the expansion of enterprise scale and the increase of internal management levels, there is also a certain principal-agent relationship between upper managers and lower managers or employees. The universality of the principal makes the external fiduciary responsibility develop in a diversified direction: focusing not only on the interests of shareholders, but also on the rights and interests of various stakeholders, including customers, employees and society. Therefore, the fiduciary responsibility relationship and management control have undergone many changes. Combined with risk, risk-oriented internal audit has become a monitoring mechanism to ensure the effective performance of fiduciary responsibility. To effectively fulfill diversified fiduciary responsibilities, a company must first develop a detailed work plan, and then assign tasks to each level, and a regulatory mechanism is needed to ensure that the responsibilities of each position can be effectively fulfilled. At this time, the internal audit department plays the role of supervision and timely feedback.

1.2 Target of Risk-Oriented Internal Audit

Risk-oriented internal audit focuses on risk management, control and corporate governance. The expansion of the scope of the fiduciary responsibility relationship and the improvement of the objective level lead to the expansion of the object of internal audit. The main audit type of risk-oriented internal audit is the comprehensive audit which integrates the risk management of financing and investment, corporate governance and internal control review. Compared with the system-oriented internal audit stage, this kind of comprehensive audit pays more attention to the risk discovery and risk management

in the corporate governance framework, the possible risks of managers and their operational management behaviors, and the decision-making risks and operational risks of the organization in the whole governance process.

1.3 Scope of Risk-Oriented Internal Audit

Internal audit includes risk control, risk financing and risk management. The scope of risk-oriented internal audit includes enterprise strategic risk and business risk. As a broad view of risk, the scope of risk-oriented internal audit has been further expanded compared with the previous internal audit model. After a thorough understanding of all the risks in the organization, internal auditors rank the risks, determine the audit scope according to the magnitude of the risks, and allocate major audit resources to high-risk projects. Proper and effective allocation of internal audit resources will focus more attention on controls and activities related to risk management, which will help to reasonably ensure the realization of organizational objectives.

2. Implementation Conditions of Risk-Oriented Internal Audit

The implementation of risk-oriented internal audit by enterprises should have three conditions: first, professional audit institutions and personnel: independence and authority of internal audit institutions, objectivity of internal auditors; Second, the audited entity should have: the audited entity should have a comprehensive risk management concept, a sound internal audit standard system, coordinated and effective risk management and internal control mechanism; Third, other aspects should be possessed: the soundness of the legal environment and the operating mechanism of the enterprise.

2.1 Establish a Risk-Oriented Internal Audit Organization

An enterprise should set up an independent internal audit department and formulate a sound internal audit standard and system. Internal audit is a high-level monitoring mechanism within the system. The familiarity with the entire business process of an enterprise enables internal auditors to have an incomparable advantage over certified public accountants in risk management. Compared with certified public accountants, internal audit can provide more targeted and timely risk management services to help enterprise management to control risks within an acceptable level. To achieve business objectives smoothly.

2.2 Improve Internal Audit Staff and Knowledge Structure

At present, most of the internal audit personnel in Chinese enterprises come from financial accounting posts, and their ability in operation and management is lacking, and their knowledge structure is not very reasonable. Internal audit institutions should be equipped with talents with professional risk management knowledge and skills and proficient in modern management information technology. In addition, enterprises should strengthen the business training of existing auditors, and constantly improve their knowledge and comprehensive quality.

2.3 Strengthen and Improve the Corporate Governance Structure

A scientific and reasonable corporate governance structure is very important to achieve a truly effective internal audit. Enterprises need to set up an audit and risk management committee under the board of directors to be fully responsible for the risk management system, review the enterprise's risk management business, and ensure the implementation of the risk management system through strict internal control procedures.

3. Enterprises Establish Risk-Oriented Internal Audit Implementation Procedures

3.1 Planning Stage of Internal Audit

The planning stage of internal audit is to prepare for the execution of audit work, which includes the formulation of long-term audit planning, annual audit plan, the determination of the audit object and the determination of the audit program of specific projects. When making audit plan, the internal audit institution should first identify various risks faced by the enterprise in the medium and short term development, including major and minor risks. Business risk. Financial risks, etc., on this basis, implement future audit planning and annual plans, and formulate audit programs.

3.2 The Implementation Stage of Internal Audit

Risk-oriented internal audit changes the internal auditors' traditional understanding of the relationship between control and risk. According to the development direction of the enterprise, internal auditors gradually carry out review and evaluation, and always maintain the consistency of audit objectives and organizational objectives. Risk-oriented internal audit takes the route of objective → risk → control, which is carried out in four steps: The first step is to confirm the objectives to be achieved by the enterprise. The second step is to analyze the risks arising from the achievement of these objectives, determine the level of risks and the focus of the audit, adopt appropriate audit techniques and methods, conduct in-depth analysis and research on the defects or problems identified in the field investigation, obtain sufficient and reliable audit evidence, propose audit findings, and make audit conclusions and opinions. This process of risk assessment, investigation and evidence collection, analysis and summary is repeated throughout the audit process until all audit highlights are fully revealed. The third step is to put forward valuable risk management suggestions based on the actual internal and external conditions of the unit for timely improvement. The fourth step is to test whether the risk is effectively managed or controlled through a follow-up audit. In this way, audit recommendations can be directly targeted at the main problems and risks faced by enterprises in the process of achieving objectives, and extend the post-evaluation feedback of traditional audit to the pre-evaluation and in-process feedback of risk-oriented internal audit, so as to improve the management efficiency of enterprises and provide value-added services for enterprises more effectively.

3.3 Reporting Stage of Internal Audit

After the completion of the audit, the internal auditors shall, on the basis of risk assessment and verified audit evidence, put forward audit findings and recommendations and issue audit reports. The audit report should evaluate the status of risk management, point out the loopholes and deficiencies in risk management, and put forward suggestions for strengthening management. Internal auditors should fully discuss with the management and the board of directors, synthesize all factors, and finally determine the acceptable level of risk. In this way, compared with the traditional management-oriented internal audit, risk-oriented internal audit significantly enhances the role of business support and consulting services for enterprises.

3.4 Follow-up Audit Stage of Internal Audit

For some reasons, the auditee may recognize the audit results on the surface, but fail to take appropriate substantive improvement measures, which will not only affect the risk management of the enterprise, but also affect people's cognition of the existence value of risk-oriented internal audit. Risk is an important factor in determining the scale and scope of the follow-up audit of an enterprise. The greater the risk, the deeper and wider the follow-up audit will be. The purpose is to ensure that corrective measures are properly implemented, that established risks and defects are properly addressed, and that the risk level of the enterprise is effectively managed and controlled. Therefore, the main content of follow-up audit is the reassessment of risks and the realization of control objectives, and the focus of follow-up audit should be the risk and impact caused by the failure to achieve the previous control objectives, rather than just how to implement the audit recommendations listed in the audit report and simply carry out audit rectification.

4. Conclusion

To carry out risk-oriented internal audit, enterprises must establish internal audit institutions and ensure their independence and authority. Improve the comprehensive quality of internal audit personnel; Establish and improve the risk-oriented internal audit system. Risk-oriented internal audit is an important monitoring method for modern enterprises to improve risk management and internal control. It is the monitoring and guarantee mechanism to realize the effective governance of the company. It can promote the effective combination of risk management and corporate governance, and promote enterprises to better achieve development strategic goals.

References

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