

## Research on the Internal Audit Outsourcing

Ting Guo<sup>1 a \*</sup>

<sup>1</sup>School of Management, Yulin University, China, 719000

<sup>a</sup>536969980@qq.com

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**Abstract.** Internal audit as an important organization of enterprise supervision and restraint, which originated in the accountability relationship, we focus on the optimization of modern enterprise management and decision-making, in order to improve the enterprise economic efficiency, work efficiency, thereby enhancing the competitiveness of enterprises. With the management of the risk management consciousness gradually improved, and the effectiveness of enterprise management the more attention, the internal audit gradually began to be taken seriously. However, the internal audit has not been very effective in our practice, the efficiency of the lack of protection of the independence of the audit staff and low, to a certain extent, the development of enterprises in our country is limited. Therefore, in our country the development of internal audit should focus on improving audit quality and efficiency, and to explore a more consistent with the development of our enterprise internal audit outsourcing road.

### Introduction

In recent years, the internal audit of enterprise has got great development, but there are still some bottleneck factors affecting its function fully. As some of the company's internal audit department, in manpower, financial resources, technology and other aspects of power is too weak, and the enterprise internal audit value-added service requirements are getting higher and higher, so that they can not to meet the requirements of modern enterprise internal audit. But with the continuous development of foreign internal audit outsourcing theory and practice, provides a new idea to solve the existing problems of internal audit in our country for our country, domestic companies by appropriately introducing external professional organizations internal audit services, to solve such problems. But is also found in the practice of outsourcing in the enterprise, internal audit outsourcing is not only to bring positive benefits, but not all of the internal audit outsourcing can be successful. The success of outsourcing can be increased Business confidence, failure can also provide a good reference for us. The reasons for its failure, the internal audit outsourcing decision-making properly accounted for a large proportion. Once the decision-making mistakes, the impact can not be estimated and the loss to the enterprise, some are even fatal. Thus, it is very important for a correct internal the audit outsourcing decision. And there is no mature theory to guide, help the enterprise to make the correct internal audit outsourcing decision.

### The Present Situation of Internal Audit

**Audit scope of internal audit institutions is narrow.** he business activities of the organization is the connotation of internal audit supervision again, but the extension is aimed at a kind of management means lower management functions. China's internal audit started late, by the influence of the system of enterprise practice, audit content is relatively simple, not as in developed countries as the internal audit to play a full role, basically not involved for the prevention of enterprise risk. Secondly the traditional auditing in time has been emphasis on post, risk and other consequences after the inspection and supervision, so it is difficult to do the role of early prevention and management. It should be expanded to a wider range of many of the current unit of internal audit work, such as staff training, human resources training and exchange, change constantly business risk.

**There is no relative independence of the internal auditor.** In the organization of internal audit departments in the enterprise, only between departments. It can not independent from the organization, at a third angle to examine the situation of management of enterprise internal audit judgment. All the work should be subordinated to the company management guidance, and the internal audit department to the Department in order to benefit, harmonious relationship between the maintenance organization, it is difficult to be essentially independent. The auditor will be advantages and disadvantages from decision-making level to measure organizational operation and improvement, so as to obtain the trust and identity management, so as to complete the work smoothly. So in the complex internal relations, internal audit institutions can not do independence.

**Lack of Senior Internal Auditor.** n important development direction of modern enterprise economic efficiency audit of internal audit, the internal auditor's occupation literacy have higher requirements. He should be from the perspective of managers, observed a lack of financial management from outside, professional and enterprise core resources to find deep questions. And also re education the internal audit staff, improve the occupation moral level of professional quality and audit. In many small and medium-sized enterprises, does not recognize the significance of internal audit and even layoffs to improve economic efficiency, or by the short term behavior of other department staff. The internal audit work, if the replacement of the internal audit staff frequently, lost a process of accumulation of experience so, the management of the lack of high-quality internal audit staff like the lack of combat divisions, fight a lone battle, difficult to force the enemy.

**Internal audit work is in the aftermath of error correction.** In corporate governance, internal audit has another important function, is the enterprise play prevention alarm mechanism, timely notice and assess the risk appears before. And these can through the daily tracking and supervision of internal audit work to find loopholes, evaluation of enterprise internal and external risk. But in reality, many enterprises think, even hinder the vitality of enterprises, only in order to meet many mandatory provisions. Therefore, the internal audit work has not been carried out comprehensively and thoroughly, and has not been put in the company value chain. It is also due to the lack of attention, which has great defects in the training of internal auditors, and knowledge updating is completely behind the requirements of modern enterprises for the internal audit decision-making management level.

**The double roles of confirmation and consultation of internal audit are difficult to be unified.** The internal audit function in the reform to adapt to the development of enterprises is constantly expanding, the content from the internal audit supervision and evaluation and consultation to confirm the direction of change. In this way, the first in the construction of the internal audit department will cost a lot, very uneconomical. Confirming and consulting is not only the work scope and content, the resources are also not only is the material management, energy and more. Only such as risk management, internal audit department will need to have the market, financial, business, engineering, financial management of all aspects of the full-time personnel. Tracking assessment of how to organize manpower to complete the internal audit is a big problem in the internal audit department.

### **The Motivation of Internal Audit Outsourcing**

**Benefit the realization of scale effect.** The internal audit outsourcing business to the agency or similar professional accounting firms can achieve economies of scale, cost savings in the same service, or to the same cost to obtain a high quality service. To provide internal audit outsourcing services can be developed for a large number of customer product audit, internal audit department can be avoided or reduced by the cost of development. In addition, after the organization set up internal audit department, formed a fixed cost to the organization of internal audit personnel, continuous follow-up training also increased the organization expenses if part of the internal audit function or total outsourcing, this part of the audit business costs will become variable costs, reduce opportunities and space. But it must be noted that studies have shown that a cost saving evidence is usually mixed, outsourcing decision-making must be careful evaluation of these Evidence.

**Management can focus on the core competitiveness of the organization.** Internal audit is a means of supervision of enterprises and business owners control activities, the purpose is to enable the internal control mechanism of enterprises to operate and implement reasonable and effective, so as to realize the enterprise's economic value. So, on the other hand, even if the enterprise does not set up the internal audit department, also does not affect the normal operation of to the enterprise, but the overall dynamic efficiency will be reduced. Therefore, from the fundamental point of view, the internal audit is only an auxiliary normal operation of the enterprise in the business process, the core and key enterprises of the service industry is not, therefore, the business does not have to be completed in the enterprise. Therefore, the outsourcing of internal the audit business can make the management more focused on the strategic level, without being bound to the daily management activities. Here is not to say that the daily management is not important, but with strategic comparison, It is a management activity that takes a lot of time but may not be able to return.

**Improving the quality of internal audit.** China's internal audit staff in knowledge structure or in professional skills, there are many deficiencies. The single knowledge structure and lack of experience is a common problem in China's internal audit personnel. Moreover, the internal audit staff continuing education problems in China implementation is insufficient, resulting in our country the internal auditor's professional level is far behind the western countries, can not meet the development requirements of China's internal audit, eventually leading to the quality level of the internal audit of the decline.

At this time, to have a large number of professionals and rich experience in the practice of audit external agencies will gradually cause the enterprise management attention. As compared to the internal audit staff, external professionals not only has independent, strong, and in the professional ability is stronger than the internal audit personnel. They engaged in certification, consulting etc. business, has accumulated rich experience, but also improve the ability of observation and analysis of the incident, timely find and deal with the existing problems in the internal audit, and provide reasonable for the enterprise management to improve internal control and organization, effective suggestions to solve the problem of internal audit quality is not high so fundamentally. Say, independent audit outsourcing can provide high quality service for the enterprise internal audit was one of the reasons for the outsourcing of internal audit by the organization.

**Optimization of resource allocation.** The internal audit outsourcing, internal auditors do not need to set up an independent internal audit department in the organization and employ specialized, internal audit only when you need pumping send one or several service personnel and external communication and coordination in the enterprise, and arrange and report on internal audit work. This reduces the occupation of internal rate of resources, so that enterprises can be limited to the allocation of resources to add value to the enterprise or business activities, enhance the enterprise's overall competitive advantage and market value. Moreover, the implementation of internal audit outsourcing, the organization can demand in an internal audit service only when the third party to provide services and cooperation, and pay a reasonable fee for the reduction of the enterprise in the special case of the internal audit department's daily operating costs, this will be fixed The cost into a controllable and variable cost, effectively reducing the cost of the enterprise, improve the enterprise's profit, the internal audit function of the budget is relatively flexible, optimize the allocation of the enterprise resources. Therefore, from another angle also enhanced the management of internal audit outsourcing wishes.

### **The Safeguard Measures of Internal Audit Outsourcing**

**Rational choice of service institutions.** We present the internal audit contract is generally accounting firm, which has different talents, such as a certified public accountant, asset appraiser certified tax, they long for the auditing service of different enterprises, which are familiar with various types of enterprise management. So the enterprise has reason to believe that the accounting firm will according to the enterprise the situation, can be equipped with the audit requirements of the business personnel to perform. But there is no guarantee that accounting firms all have this

condition. Therefore, the enterprise should be considered in the selection of outsourcing business, firm: qualification; occupation ethics; firm industry reputation.

**Establish strict risk control and internal audit service quality control system.** The accounting firm as the main provider of internal audit outsourcing services, should establish strict risk control system, the responsibility to provide internal audit services involved in staffing, restrictions, clearly defined reward, thereby reducing the risk of CPA firms. In the corporate internal audit services, should establish internal audit services strict quality control system. It relates to the implementation of the audit business process in the specific provisions in the service process, the external auditors should ensure that there is enough time to understand the business and should be aware of modern internal audit should also include the prevention and control beforehand, discover all aspects of existence the problem of providing high quality internal audit services to the customers.

**Making good precautions against the protection of business secrets.** At present, China credit system compared to other countries, such as the United States, is relatively weak, constrained mainly by contract and other ways to nurture faith. So, before the internal audit outsourcing, establish good business secret protection measures is the primary problem. Moreover, enterprises should be in the outsourcing contract security responsibility to the external auditor there are clear provisions that require the strict conservative commercial secrets of enterprises.

**Strengthening the communication between the chief auditor and the external auditor.** Because of the information asymmetry, the external auditors of the enterprise's understanding degree is low and the expectations of the enterprise internal audit objectives are not clear. So, when the choice of outsourcing internal audit, internal auditors should lead with external auditors should ensure that there is enough time for the enterprise services have detailed understanding the internal audit, and clear business goals and key. This requires a communication medium - chief internal auditor. Modern internal audit not only focus on supervision, is more important to advance the prevention and control work, which requires the chief internal auditors have a good communication in the whole process and the external the auditor's audit business execution, the external auditors to ensure business objectives, improve work efficiency and effectiveness of internal audit, the audit results and reduce the prices as much as possible The gap between industry expectations.

**Choose the right form of outsourcing.** For large and medium-sized state-owned enterprises, a set of internal audit departments according to the audit regulations, on the other hand, the function of internal audit outsourcing will have a lot of kind of sequelae. Therefore, part of the internal audit function outsourcing will be a wise choice. Enterprises should set up internal audit department, with the familiar situation of the enterprise, the internal level of business elite auditors. And according to the needs of enterprises, or other specialized personnel hired CPA with internal audit personnel to carry out internal audit work. For small and medium-sized enterprises, internal audit tasks, set up internal audit departments and internal audit staff will be equipped with the function of internal audit outsourcing The loss outweighs the gain., all may be the best choice for the enterprise.

## **Conclusion**

The internal audit outsourcing does not mean to cancel the internal audit, enterprise resource utilization but better, give full play to the functions of internal audit and external audit of enterprises. With the phase, more conducive to corporate governance. Internal audit outsourcing is the inevitable trend of the development of market economy, but also the internal needs of enterprise management. It reflects the competition in accounting market from between the external auditing institutions extend to external audit institutions and organizations. The internal audit agency for internal audit, is a kind of pressure, is also a kind of power, it forces the internal audit reform and innovation, with external audit institutions in the same competition in a good position. At the same time, the internal audit outsourcing implementation the complementary advantages of internal audit and external audit organization, optimize the allocation of resources of the company.

However, the internal audit outsourcing has its defects, it can not completely replace the function of internal audit, but can not solve all problems of internal audit. Therefore enterprises in the

selection of outsourcing of internal audit, to maximize their profits, limiting its disadvantages. Enterprises should be combined with the actual situation of their own, select the appropriate form of internal audit outsourcing. No matter what form, its ultimate aim is to better fulfill the functions of internal audit, to better serve the enterprise value-added services.

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