

# Discussion on the Optimization Design of the Internal Audit Activities in Power Grid Companies

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**Abstract:** With the rapid development of the electric power enterprise and the further reform of the electric power system, internal audit has become an important part of the modern enterprise system. Internal audit is of important meaning to perfecting the corporate governance and improving the enterprise internal control system. As a result, power grid companies' management authorities have paid great attention to it increasingly. Based on the definition of internal audit, this article discusses the key and the difficulty of grid corporation internal auditing at first. Then it analyzes the problems existing in the internal audit and explains the reasons. Finally it puts forward the basic train of thought for the internal audit optimization design, in order to make the internal audit play its proper function and role.

**Keywords:** Internal Audit; Power Grid Company; The Optimization Design

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## Introduction

The definition of internal audit is varied, the definition of internal audit issued by the International Institute of Internal Auditors ( IIA ) is representative. It points out that internal audit is an independent and objective assurance work and consulting activity, which aims to add value to the organization and improve the operational efficiency of the organization. It takes a systematic and standardized approach to the evaluation of risk management and governance processes to improve their efficiency, in order to achieve organizational goals.<sup>[1]</sup>

### 1. The key points of internal audit in electric power enterprises

With the reform and development of power grid enterprises and the gradual improvement of supervision mechanism, the key content of internal audit is expanding. Due to the characteristics of the operation and management of power grid enterprises, such as the multi-level, monopoly, utility, capital and technology intensive, and the certainty of supply and demand relationship of the organizational structure system, the key contents of internal audit include the following aspects at the present stage.

To formulate internal audit planning based on development strategy. Starting from the aspects of audit organization system, internal control mechanism, personnel quality structure and audit method, we should formulate medium and long-term internal audit plan, clarify objectives and implementation steps, ensure forward-looking and operability, and revise the internal audit plan according to the company's development plan, in order to enhance adaptability and pertinence.

Strengthening the internal control evaluation system audit. The COSO report points out that internal control is the process of achieving the three types of objectives which is implemented by the company's board of directors, managers and other personnel. Three types of objectives are the effectiveness and efficiency of business activities, the reliability of financial reporting and compliance with laws and regulations.<sup>[2]</sup> Through the audit and evaluation of the company's internal control system, we can check whether the current systems are in line with national regulations, in line with the actual situation of enterprises, and whether they have been effectively implemented to ensure that the company's orders are prohibited and the decrees are smooth.

Implementing the economic responsibility audit of leaders ' tenure. In order to fully disclose potential business risks,

non-performing assets and short-term behaviors, do a good job in business performance evaluation and economic responsibility implementation, it is particularly necessary to gradually implement economic responsibility audit during the term of office. It can not only make up for the lack of post-audit after leaving office, but also provide a reference for the appointment of company leaders.

Deepening the financial budget management audit. Under the comprehensive budget management system of power grid enterprises, it is helpful to continuously improve the asset management responsibility system and budget management methods by focusing on the completion of asset management assessment indicators and the authenticity of budget implementation and finding out the existing problems in time.

## **2. Problems of the internal audit in power grid enterprises**

The independence of internal audit institutions is not strong. The lack of independence of internal audit institutions means that the objectivity of internal audit has been affected, resulting in the impact of internal audit quality and function.<sup>[3]</sup> The internal audit of power grid enterprises often belongs to the financial department, and the funds of the internal audit department are allocated by the direct leader, to a certain extent, the independence of the internal audit institution is not strong.

The professional quality of internal auditors needs to be improved. Most of the internal auditors in power grid enterprises are part-time personnel, and their knowledge structure is relatively simple. However, internal audit involves diversified and multi-type economic business, including financial audit, compliance audit, business audit, information system audit, economic responsibility audit and other aspects, which puts forward high requirements for the professional quality of internal auditors. Due to the lack of compound internal auditors, it is difficult to carry out diversified internal audit activities effectively.

The internal audit system is not perfect. Although the power grid enterprises and their subordinate units have formulated relevant internal audit systems and methods, most of these systems and methods are the same, and the subordinate units have not been improved in combination with their own reality. Therefore, it is impossible to avoid the risk of major audit misstatement and loss of important audit clues of internal auditors, and it is even more impossible to ensure audit quality, so that the function of internal audit cannot be fully utilized.

The technical methods of internal audit are relatively backward. When power grid enterprises carry out internal audit work, sampling audits for major matters are often carried out by random sampling based on the professional judgment and personal experience of auditors, and statistical sampling is less used, which cannot effectively meet the needs of diversified audit activities. In addition, the technical methods used in general social audit, such as inspection, observation, inquiry, confirmation, recalculation, and re-implementation, are used in internal audit activities, and the implementation methods are often not in-depth and cannot achieve the expected results.<sup>[4]</sup>

## **3. Basic ideas of internal audit optimization of power grid enterprises**

According to the characteristics of operation and management of power grid enterprises, the focus of audit, and the problems existing in internal audit, the following optimization ideas are proposed to improve the quality of internal audit and give full play to the effectiveness of internal audit.

Improving the affiliation of internal audit. At present, the administrative subordinate relationship of the internal audit department of the enterprise mainly includes the following three types. Firstly, it is subordinate to the financial department. This type of membership is more common in power grid enterprises. The type of audit activity mainly involves financial audit. It is difficult to improve organizational operations and value-added functions. Secondly, it is subordinate to the general manager, and the coverage of audit activities has been expanded, which can effectively implement the low-level business audit. Thirdly, it is subordinate to the audit committee, the board of supervisors or the board of directors. The independence of the audit department has been significantly improved, which is not only conducive to the development of internal audit activities, but also to the full play of the internal audit function.

Improving the comprehensive quality of internal auditors. Firstly, strengthen the training of internal auditors, on the basis of consolidating and improving the professional knowledge of financial audit, expand the learning of relevant skills in the fields of operation and management, compliance according to law, etc., and continuously improve the comprehensive quality of auditors. Secondly, pay attention to the internal audit department 's eclecticism. The personnel composition should not only include financial

accounting majors, but also need to continuously absorb computer, legal and even electrical background majors to meet the audit needs of different business activities. Thirdly, strengthen the effective integration of different professionals within the audit department, carefully examine the knowledge structure and ability level of existing personnel, strengthen the comprehensive quality improvement of the internal audit personnel team, and form a professional audit team that can carry out different types of audit activities.

Enhancing the importance of audit work within the enterprise. It is particularly necessary for power grid enterprises to enhance the overall understanding of the nature of internal audit when optimizing internal audit. Firstly, increase the importance of internal audit by the management of the enterprise. The goal of internal audit is to increase the value of the organization and improve the operation of the organization. In various ways, enterprise leaders can view the necessity of internal audit from the perspective of organizational governance and value added. Secondly, improve the understanding of internal audit by personnel of various departments. Since the scope of internal audit activities covers all functional departments and the whole business process of the enterprise, only the cooperation between various departments and business chains can ensure the smooth implementation of internal audit activities and promote the realization of internal audit goals.

Innovating the technical methods of internal audit. Firstly, relying on computer information system to improve audit efficiency, on the basis of traditional audit methods such as manual audit, with the help of computer big data system, establish audit database, find audit data in real time, and gradually realize the transition from traditional book-based audit to internal control and risk-based audit through information technology. Secondly, adopt the "offline + online" joint audit mode, make full use of computer network big data resources, and realize the combination of offline and online audits. While expanding the scope of audit, it reduces the consumption of manpower, material resources and financial resources, reduces audit costs, and improves audit efficiency.

## 4. Conclusion

Through objective and fair evaluation and analysis of the financial situation of electric power enterprises, internal audit finds out the problems existing in the development process of enterprises, formulates effective preventive measures in time, and controls the risks in a minimum range in time, which is helpful for enterprises to achieve business objectives in the development process. By discussing the key points of internal audit in power enterprises, this paper analyzes the problems and causes of internal audit in detail, and puts forward the basic ideas of internal audit optimization design, so as to better play its role in preventing financial risks and promote the healthy and stable development of enterprises.

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