

# *Challenges and Responses to Internal Auditing of Public Institution in the New Situation*

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**Abstract:** With the rapid development of socio-economic and technological advancements, internal auditing in public institutions faces new challenges. As an essential part of the management of public institutions, internal auditing plays a crucial role in ensuring organizational compliance, effective internal controls, and efficient resource allocation. However, under the new circumstances, internal auditing in public institutions faces challenges in terms of technology, complexity, legal regulations, and talent acquisition. This article will discuss the challenges that internal auditing in public institutions faces, using the Shangqiu Agricultural and Forestry Science Academy as an example, and propose corresponding measures to address these challenges. We will analyze the challenges related to technology, complexity, legal regulations, and talent, and provide specific measures tailored to the Shangqiu Agricultural and Forestry Science Academy. By implementing these measures, the academy will be better equipped to handle the challenges of the new era, enhancing the efficiency and quality of internal auditing.

## **1. Introduction**

As an agricultural and forestry research institution, the internal audit of Shangqiu Academy of Agricultural and Forestry Sciences plays an important role in guaranteeing the compliance of its research projects and the effectiveness of the use of funds. This part will introduce the background of Shangqiu Academy of Agricultural and Forestry Sciences and the importance of internal auditing, and present the research purpose of this paper.

## **2. Definition and Role of Internal Auditing in Business Units**

Internal auditing in public institutions refers to an independent, objective, and comprehensive evaluation and supervision of the internal financial, operational, and managerial activities of these public institutions. Its purpose is to assess the effectiveness of internal controls, the accuracy and compliance of financial reports, identify potential risks and issues, and provide improvement recommendations to enhance operational efficiency and risk management capabilities within the organization. The role of internal auditing in public institutions is reflected in several aspects: (1) Safeguarding organizational interests: Internal auditing helps ensure proper management and utilization of assets and resources, preventing waste, misuse, theft, and other improper behaviors to safeguard the long-term interests of the organization. (2) Enhancing internal control effectiveness:

By evaluating and supervising the effectiveness of internal control systems, internal auditing assists public institutions in identifying potential risks and issues and providing improvement recommendations to enhance internal control effectiveness and protect the organization's interests. (3) Ensuring the accuracy of financial reporting: Internal auditing audits and verifies the financial reports of public institutions to ensure the accuracy, timeliness, and compliance of financial information, providing decision-makers with reliable financial information and a basis for decision-making. (4) Promoting efficient business processes: By auditing the business processes and management systems of public institutions, internal auditing can identify problems and bottlenecks in the processes and propose improvement measures to increase work efficiency, resource utilization, and reduce unnecessary costs. (5) Risk management and compliance supervision: Internal auditing assists public institutions in identifying and addressing potential risks and threats through risk identification and assessment, protecting the security and sustainable development of organizational assets. At the same time, internal auditing also supervises the compliance of public institutions to ensure that their business activities comply with relevant laws, regulations, and policy requirements. In summary, internal auditing in public institutions plays a vital role in safeguarding organizational interests, enhancing internal control effectiveness, ensuring the accuracy of financial reporting, promoting efficient business processes, and risk management and compliance supervision. It is of significant importance for the stable operation and sustainable development of public institutions.

### **3. The Challenges of Internal Auditing for Public Institutions in the New Situation**

#### **3.1. Technical Challenges**

With the rapid development of science and technology, the internal audit of public institutions needs to adapt to the digital transformation and the application of information technology, and it is necessary to master the relevant auditing software and tools so that the audit work can be carried out more efficiently and accurately. At the same time, with the increase in the amount of data, how to reasonably utilize big data analysis, artificial intelligence and other technological means to improve the effectiveness and quality of auditing has also become a challenge.

#### **3.2. The Complexity Challenge**

Internal auditing in business units is faced with increasingly complex management structures and business processes. The business activities within the organization are increasingly complex, with multiple levels and departments interconnected, and the scope and difficulty of auditing have increased. How to deal with the challenges of complexity and establish clear and effective audit processes and methods to ensure a comprehensive understanding and assessment of all aspects of the organization's operations are issues that need to be faced.

#### **3.3. Laws and Regulations Challenges**

The internal audit of public institutions must comply with relevant laws and regulations when performing audit tasks. However, the laws and regulations are updated faster and the requirements are more stringent. The internal audit of public institutions should pay close attention to the changes in laws and regulations, and adjust the methods and processes in the audit work in a timely manner to ensure compliance and effectiveness of the audit.

### **3.4. Talent Challenge**

Internal auditing of public institutions requires auditors with specialized knowledge and skills. However, with the intensification of competition in the labor market, the lack of internal audit talents in public institutions has become a common problem. How to cultivate and attract high-quality audit talents and improve their professional ability and moral quality is an important challenge for internal audit.

## **4. Measures to Respond**

### **4.1. Adoption of Advanced Audit Software and Tools**

Adopting advanced auditing software and tools is one of the key strategies to address the internal audit challenges faced by public institutions in the new circumstances. Here are some examples of common advanced auditing software and tools: (1) Data analysis tools: Examples include IDEA, ACL, Power BI, etc. These tools assist internal auditors in handling large amounts of data, performing data cleaning, filtering, transformation, and analysis, identifying anomalies and potential risks, and generating clear visual reports. (2) Risk assessment tools: These tools aid internal audit teams in conducting risk assessments and risk management for public institutions. For instance, using risk assessment software and techniques to identify and assess risks in various business areas, quantify the severity and potential impact of risks, and develop corresponding response strategies. (3) Internal control assessment software: Through the use of internal control assessment software, comprehensive evaluations and tests of the internal control systems of public institutions can be conducted. This helps identify potential defects and issues and provide improvement recommendations. (4) Remote auditing tools: With the accelerated trend of remote work, remote auditing tools have become increasingly important. For example, using remote accounting information system auditing tools, auditors can access systems remotely, retrieve information, and perform auditing work, thereby reducing time and space limitations. (5) Automated auditing tools: Automated auditing tools assist internal audit teams in enhancing work efficiency and accuracy. For instance, visual process modeling tools can automate audit processes and guide auditors in their work. Additionally, technologies like machine learning and natural language processing can be utilized to achieve automated data analysis and risk recognition. When selecting and implementing these advanced auditing software and tools, public institutions should consider their specific circumstances, practical needs, and budget constraints. It is also crucial to ensure compatibility with the organization's information systems and technological frameworks. Furthermore, it is of utmost importance to provide training for auditors to proficiently utilize these tools, ensuring their full functionality and benefits are realized [1].

### **4.2. Enhance Complexity Response Capabilities**

In an increasingly complex environment, enhancing the ability of public institutions to cope with complexity is of utmost importance. Faced with diverse challenges, public institutions need to prioritize flexibility and agility as their core strengths, strengthening their organizational adaptability. This requires the establishment of robust risk management and early warning mechanisms, capable of promptly identifying and responding to potential risks and issues. Additionally, by leveraging modern technology and data analysis tools, public institutions can better utilize big data and information to swiftly identify anomalies and risk signals, enabling accurate decision-making. Furthermore, cultivating employees' comprehensive qualities and abilities is also vital, including innovative thinking, problem-solving skills, and cross-team collaboration

capabilities. Through continuous training and learning, public institutions can enhance employees' adaptability and diverse skill sets, enabling them to quickly adapt and effectively respond in complex environments. Establishing cross-departmental and cross-institutional cooperation and coordination is also indispensable. Public institutions should establish close collaborative relationships with relevant internal and external departments and organizations, working together to address complexity challenges, achieve resource sharing, risk sharing, and enhance overall response capabilities. By enhancing their ability to cope with complexity, public institutions can better respond to diverse challenges, maintain their competitive advantage, and achieve sustainable development.

### **4.3. Establishment of a Robust Compliance Management System**

To ensure compliance, mitigate risks, and drive sustainable development, it is crucial to establish a robust compliance management system for public institutions. This system comprises several key elements. Firstly, public institutions should formulate clear compliance policies and guidelines, establishing requirements for adherence to laws, regulations, policy mandates, and industry standards. By defining compliance standards and requirements in various business areas, the organization can ensure that all aspects of its operations comply with legal and ethical obligations. Secondly, establishing a risk management framework is essential. This involves identifying, assessing, and controlling potential risks, as well as implementing effective monitoring mechanisms to ensure timely prevention and management of risks. In addition, a sound internal control system should be established, clearly defining responsibilities, authorization levels, and supervision mechanisms at each level, standardizing business processes, financial management, and information system security. This safeguards both compliance and operational effectiveness. Simultaneously, implementing a compliance training program is important. Regular training enhances employees' awareness and understanding of compliance requirements, cultivating a culture of compliance and promoting standardized behavior. To ensure effective implementation of the system and monitor compliance, an independent compliance oversight body or auditing department should be established. Regular internal audits should be conducted to identify and rectify compliance issues, accompanied by timely recommendations for improvement. Lastly, the compliance management system needs to evolve with changing laws, regulations, and organizational environments. Periodic revisions and adjustments should be made to ensure the system's continuity and adaptability. By establishing a robust compliance management system, public institutions can ensure compliance, mitigate risks, and drive stable, efficient, and sustainable development.

### **4.4. Enhance Training and Learning for Internal Auditors**

To address the challenges of internal auditing in public institutions in the face of new circumstances, it is essential to strengthen the training and learning of internal auditors. Cultivating highly skilled internal auditors enhances their professional abilities and theoretical knowledge, enabling them to adapt to the complex auditing work environment. Internal auditors should continuously learn and self-improve to grasp the latest auditing theories, methods, and techniques, as well as stay updated on the latest laws, regulations, and regulatory requirements. Training content can include knowledge and skills in auditing standards, internal control, risk management, data analysis, information system auditing, and more. Moreover, internal auditors should also enhance their ethical principles and professional conduct to ensure the integrity and independence of their auditing work. Organizations can provide training opportunities through organizing training courses, inviting external experts for lectures, and encouraging participation in professional exchange activities. It is also encouraged for internal auditors to actively participate in industry

certification exams to enhance their professional qualifications and credibility. By strengthening the training and learning of internal auditors, public institutions can improve their professional competence and level of expertise, thereby providing higher-level internal auditing services, enhancing internal control and risk management capabilities, and ensuring the organization's stable operation and sustainable development [2].

## 5. Conclusion

In the current complex and volatile environment, utilities need to continuously improve their complexity response capabilities in order to meet various challenges and maintain sustainable development. Establishing a sound risk management mechanism, strengthening data analysis and technology application, upgrading the comprehensive quality and capability of employees, and establishing good cooperative relationships with internal and external partners are all important measures to achieve this goal. Through continuous learning, innovation and adaptation, utilities are better able to respond to complexity challenges, open up new opportunities, and achieve sustainable development and success. Only by building a robust complexity response capability can utilities move forward and achieve long-term success in an era of constant friction.

## References

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