The Application of "Immune System" Theory in Enterprise Internal Audit

Ying XIONG\textsuperscript{a} and Zhi-Peng CONG\textsuperscript{b,}\textsuperscript{*}

No.947, Heping Avenue, Qingshan District, Wuhan City, Hubei Province, China
\textsuperscript{a}1060977523@qq.com, \textsuperscript{b}1096153638@qq.com

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Abstract. The application of "Immune System" Theory has had a significant impact on the internal audit of the enterprise, standardizing the implementation of the internal audit system and improving the internal audit efficiency. This paper focuses on the relevant contents of "Immune System" Theory, and starts from the aspects of functional characteristics and feasibility of "Immune System" Theory, so as to provide some references and development suggestions for the development of internal audit, and improve the level of internal audit of enterprises, in order to promote the healthy and rapid development of enterprises.

Introduction

At the third session of the China Council of Auditors, the auditor general, Liu Jiayi comprehensively and systematically expounded the nature of the national audit is the "Immune System" of the national economic and social operation. "Immune System" Theory, has a significant theoretical significance for the improvement of China's audit theory, and has a strong practical significance for deepening the understanding the nature and function of the audit of all walks of life. Through the third person's supervision and commitment, internal audit contributes to maintain a normal accountability relationship in business operation. Also, it makes the entrusted responsibility relationship mechanism run orderly and well in accordance with established rules in the economic market, to protect the orderly development of market economy. "Immune System" in the biology refers to the important system of the body performing immune response and immune function. It not only identifies and eliminates of antigenic foreign body, but coordinates with other systems to maintain the body's environmental stability and physiological balance." The application of "Immune System" Theory in enterprise internal audit, likes establishing an immune line for enterprises Immune system to protect the safe operation of enterprises.

At present, our country is in the "Thirteenth Five-Year" important development and construction period, the changes of the market system and economic structure are contributed to economic "tide" growth in a certain extent. As members of the economic market, enterprises will be affected by the "wave" of economic development inevitably. Also, risks in the market will hinder the healthy development of enterprises in a certain extent. In order to ensure the rapid development of enterprises, internal audit must be bound to play a "preventive warning" role, and to help enterprises to develop the most favorable business strategy.

Enterprise internal audit builds a complete and effective "Immune System" to
make up for the lack of operating mechanism, and contributes to risk warning and risk aversion. Therefore, there is great practical significance in studying the application of the "Immune System" Theory in the internal audit of enterprises.

Theoretical Review of "Immune System" Theory

Analysis of "Immune System" Theory.

"Immune System" Theory bases on the protection of the healthy development of the national economy, is an important part of the national political system. "Immune System" Theory is a kind of innovative thinking orientation which integrates the development of multiple disciplines, and lays the theoretical foundation for the further development of the audit. It’s an important milestone in the development of China's auditing. "Immune System" Theory covers the entire operational process of the enterprise. In terms of time, it includes advancing prediction and warning, identification and control of events, and post-mortem management and decision-making. From a scope perspective, "Immune System" Theory starts from the macroeconomic supervision, and expands to the maintenance of social stability, so that it contributes to protect the country's long-term stability. It’s a management mechanism which gradually expanded from the micro to the macro. For enterprises, "Immune System" Theory in audit is also a theoretical practice which is comprehensive and full perspective. From the enterprise's economic situation to the management of decision-making, "Immune System" Theory in audit protects the sustained and stable development of enterprises comprehensively.

Functional characteristics of "Immune System" Theory

Compared with the traditional internal audit, "Immune System" Theory in audit has the following characteristics: Firstly, supervision in advance: the traditional auditing procedures are mainly concentrated on reviewing and judging the existing system or the accounting information. "Immune System" Theory in audit tends to be guided by preventing, exposing and resisting, and pays attention to the risk of prior control and circumvention. Secondly, proactive supervision: for enterprises, "Immune System" Theory in audit takes the initiative to participate in the operation of the enterprise process, contributing to form an internal audit model, which oriented to risk identification and makes risk control as the main line, also, aims at industrial value-added. Thus forms a strong guarantee of business operations [1]. Thirdly, all-round supervision: "Immune System" Theory in audit claims that there must be supervisions of the various stages and procedures of the enterprise. It’s not only for the results of enterprise management, but also concerned about the effectiveness of the business process decision-making.

Function Analysis of Internal Audit

Functional Orientation of the Internal Audit in the Enterprise

"Immune System" Theory in internal audit plays a part in the normal operation of enterprises with prevention, defense, disclosure and value-added function. Firstly, prevention: based on supervision, internal audit discovers the problems in the operation of the enterprise, and maintains a cautious attitude to the enterprise's economic environment. In the same way, internal audit perceives risk signal and identifies signs of risk invasion timely. What’s more, it assesses risk hazards and reports assessment results to manage layer timely and
efficiently, aims at helping enterprises deal with various problems and risks effectively. Secondly, defense: internal audit needs to analyze the internal and external risks and problems of the enterprise. What’s more, it needs to deepen and trace the problems. System and plan of the enterprise requires to be improved. The loopholes in the operation of the enterprise should be tracked and evaluated, thus reducing the loss of enterprises to the furthest [2]. Thirdly, disclosure: internal audit department is independent of the enterprise management layer. With the principle of openness, internal audit discloses various violations in the process of enterprise’s operation, and runs vertical management of internal risks. Simultaneously, pay attention to the internal institutional barriers, system defects and management loopholes. Accordingly, internal audit should play a constructive role in establishing an effective mechanism to promote sustainable development of enterprises [3]. Fourthly, value-added: internal audit discovers problems and risks in the operation of the enterprise, and reports to boards and manage layer timely. It gives the manage layer advanced and feasible comments to make the right direction. Therefore, internal audit contributes to improving the operational efficiency and effectiveness; on the other hand, it helps to reduce the hazards of operational risks and management loopholes on enterprises, so as to achieve the purpose of growth for the enterprise.

**Guiding Ideology of Internal Audit**

In response to the increasingly flooding of financial risks and management fraud, internal audit should also be combined with the characteristics of the times and the development trend of the market economy, forms new management model to meet the requirements of the eras.

**Focused on Internal Control.**

Internal control is the key factor for the long-term stable development of enterprises. Internal audit should focus on the internal control of the enterprise. It’s important to change the work mentality of reviewing and error correction to prevention and defense. Internal audit shall guide the internal control of the enterprise from ex post control to prior control. The traditional way of controlling is to review and control the management fraud and the operational risks that have occurred. Thus make higher monitoring cost and greater working strength. Internal audit which focuses on internal control takes preventive working form, controls problems in initial stage and improves timeliness of the work, to avoid causing greater losses, but also to protect the healthy development of enterprises.

**Oriented by Risk Management.**

Risk factors are the key factors in the choice of audit object. Modern enterprise management will face various risks brought by different levels, different factors, which will be harm to the survival and development of enterprises in different degrees [4]. Thus requires the internal audit make risking analysis as the basis of work. More work resources should be put on the risk management, which contributes to form a work model oriented by risk management. Risk-oriented internal audit requires promptly identification and indicating of the real risks and potential risks faced by enterprises. Also, it focuses on analysis, efficient handling, so as to put forward serviceable suggestions responded to risks.
Targeted at Serving Enterprise.

Internal audit is an assurance and consulting business that maintain an independent relationship with enterprise. The purpose of internal audit is to review the problems of enterprises, and put forward targeted advice, so as to help improve the efficiency of enterprises and increase the creation value of enterprise. The internal audit adopts a systematic and standardized approach to analyze the risk management, control procedures. Internal audit provides timely and effective opinions and suggestions for boards and the manage layer of the enterprise to ensure the long-term safety of the enterprises and help the enterprises to realize the Long - term goal of management.

Feasibility Analysis of the Application of "Immune System" Theory in the Internal Audit

Objectives of "Immune System" Theory is Consistent with Internal Audit

The fundamental goal of "Immune System" Theory is enhancing the organization's "immune function" and improving the organization's own "immunity", thus ensure safety and health of the organization and promote the sustainable development of the organization. Internal audit discovers the business problems and put forward effective solutions by monitoring the operation process of the enterprise, so as to promote the sustainable development of the enterprises. The fundamental goal of the two is consistent.

"Immune System" Theory Improves the Internal Audit Process

"Immune System" Theory requires auditors put the audit mark ahead and pay attention to the pre-monitoring review in the audit process, to control the business risk and management fraud problems from macro to micro, all-round, full perspective. "Immune System" Theory expands the audit perspective to the various aspects of business operations. On the one hand, "Immune System" Theory ensures the overall functionality of internal audit. On the other hand, it innovates and improves work procedures of internal audit. Ultimately, it improves the efficiency of internal audit work.

Internal Audit is the Effective Carrier to Achieve the Basic Requirements of "Immune System" Theory

As a new type of audit concept, "immune system" theory must be combined with the corresponding work carrier to play its greatest advantage. Working concepts and working procedures of internal audit are greatly consistent with the basic requirements of "immune system" theory. The application of the "immune system" theory to the internal audit is not only an innovation of the audit work, but also an exploration of the prospect of the audit work. Promotion of new ideas, new ways to deal with the audit problem will inspire the audit staff to find more effective and advanced working methods.

Pathways and Recommendations

Pathways to "Immune System" Theory in the Internal Audit.

Combined with all aspects of the audit, the application of "Immune System" Theory in internal audit plays its effectiveness. The basic process of internal audit is divided into seven aspects: establishing the audit objectives, preparing
audit plans, developing audit programs, performing audit procedures, risk assessment and modifying audit plans, producing audit reports and follow-up tracking. The details are as follows:

**Table 5-1. Application of "Immune System" Theory in internal audit.**

<table>
<thead>
<tr>
<th>Audit procedure</th>
<th>Application of &quot;Immune System&quot; Theory</th>
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<tbody>
<tr>
<td>No1. Establishing the audit objectives</td>
<td>Advancing audit gate, establishing &quot;defense&quot; fortress, and early warning</td>
</tr>
<tr>
<td>No2. Preparing audit plans</td>
<td>Identifying risk and key focus</td>
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<tr>
<td>No3. Developing audit programs</td>
<td>A reasonable allocation of resources bases on the level of risk</td>
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<tr>
<td>No4. Performing audit procedures</td>
<td>According to the results of risk assessments, determining the time and scope of the audit test</td>
</tr>
<tr>
<td>No5. Risk Assessment and modifying audit plans</td>
<td>Combined with re-evaluation results, modifying the time and scope of the audit test</td>
</tr>
<tr>
<td>No6. Producing audit reports</td>
<td>Comprehensive analysis of the problem, timely feedback, issuing a warning signal and put forward targeted recommendations</td>
</tr>
<tr>
<td>No7. Follow-up tracking</td>
<td>Based on the emergence of the risks, problems, follow-up business processing effect</td>
</tr>
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**Recommendations on the Application of "Immune System" Theory in Internal Audit**

**Establishing the "Immune System" Audit Concept, and Extensively Implementing New Internal Audit.**

In the market environment of overall risk, internal audit needs to establish a correct "Immune System" audit concept, and fully aware of the importance of "Immune System" concept in audit work. It’s important to strengthen the risk awareness of auditors, and leads auditors to apply "Immune System" concept correctly. Auditors make rational use of limited audit resources could improve the efficiency and effectiveness of internal audit work. It’s necessary to promote the "Immune System" concept actively, so that all sectors of the enterprise are involved in the "Immune System", thereby enhancing the overall "resistance."

**Improving Independence of the Internal Audit, and Ensuring "Immune System" Works Well.**

Many enterprises still exist in a series of problems of poor basic internal controlling and improper intervention by superiors and superiors. Management intervention in internal control results in conditions that internal audit department cannot work in the "fairness" and "openness" spirit, so that the internal audit department maybe make the poor results. Therefore, it’s necessary to improve the independence of audit, to reduce the ethical risk in the audit process as far as possible. Moreover, it contributes to purify the internal audit environment and ensure safety and smoothness of "Immune System" audit work process.
Improving the Professional Quality of the Auditors to Enhance the Efficiency of the "Immune System" In Internal audit.

In order to meet the new requirements of the new stage, the auditors of the enterprises must continue to learn, continue to progress, and search new methods for dealing with new problems. It’s key to improve the professional quality of auditors for normal operation of "Immune System" audit. Only when the professional level of audit staffs meets the needs of the current market, so they can discover the problems and risks enterprises faced timely and effectively. Thus audit staffs could solve the problem correctly in an orderly way.

References


